



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA

Annual Report

1 JULY 2015 - 30 JUNE 2016



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❖ Chief Executive's overview

It's time to rethink your image of Corrections. There is so much more to us than the stock images of high fences and barred cells. Look closer and you'll find a diverse range of people, programmes, industries and talents operating within a large and multifaceted organisation.

Three-quarters of offenders serve their sentence in the community. Those who are in prison are expected to participate in industry, treatment and learning programmes that make their time in prison more productive and ensure they come out with a better chance of not returning. On average, prisoners carry out 30 hours of industry, treatment and learning activities each week.

I am particularly proud that the number of prisoners gaining qualifications has risen by 25%, as well as our new initiatives such as the literacy and driver training programmes delivered by the Howard League, secure online learning, the extended drug and alcohol support available and the nearly \$14 million we are investing to improve mental health services for offenders.

The vast majority of offenders in the community carry out community work. As well as the more traditional work such as ground maintenance and cleaning graffiti, we have more people than ever before gaining essential life skills aimed at reducing re-offending. Last year 11,500 offenders spent 85,466 hours learning work and living skills involving road safety, parenting, budgeting, gardening and cooking.

Increasingly we are partnering with organisations you wouldn't usually associate with Corrections. One of the projects from our partnership with the Department of Conservation (DoC) involved re-fitting an old building to house newborn kākāpo chicks. This recovery effort for one of the world's rarest parrots – there are fewer than 150 left – is not just giving these flightless birds another chance, it's providing a new perspective and another chance for the people involved too.

Over the last year offenders have helped restore historically significant sites, they have produced thousands of kilos of vegetables and made up bags of kindling to help vulnerable people in their community. Prisoners have trained mobility dogs to help people living with disabilities, made weighted blankets for children with sensory issues, knitted coats and built kennels for SPCA puppies, prepared gourmet dinners for the Rimutaka Prison Gate to Plate event and constructed Habitat for Humanity houses for families struggling to have a roof over their head.

Supporting these offenders is a great team that is committed to reducing re-offending. This year our people ensured no-one escaped from prison. They kept security and public safety at the forefront of the work they do. They were there on the ground to meet offenders returning from Australia, and shared their knowledge across agencies and overseas in Samoa, Vanuatu and Pitcairn Island.

Our people saved lives and changed lives.

We are a Department made up of many moving parts, but we are all moving firmly in the right direction – towards a reduction in re-offending.



Ray Smith
Chief Executive



❖ What Corrections does - Change Lives, Shape Futures

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

We do this by:

Operating prison facilities in accordance with the United Nations Standard Minimum Rules for the Treatment of Prisoners. We manage prisoners safely and humanely, meeting their legitimate needs.

We do this by:

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

Public Safety

We do this by:

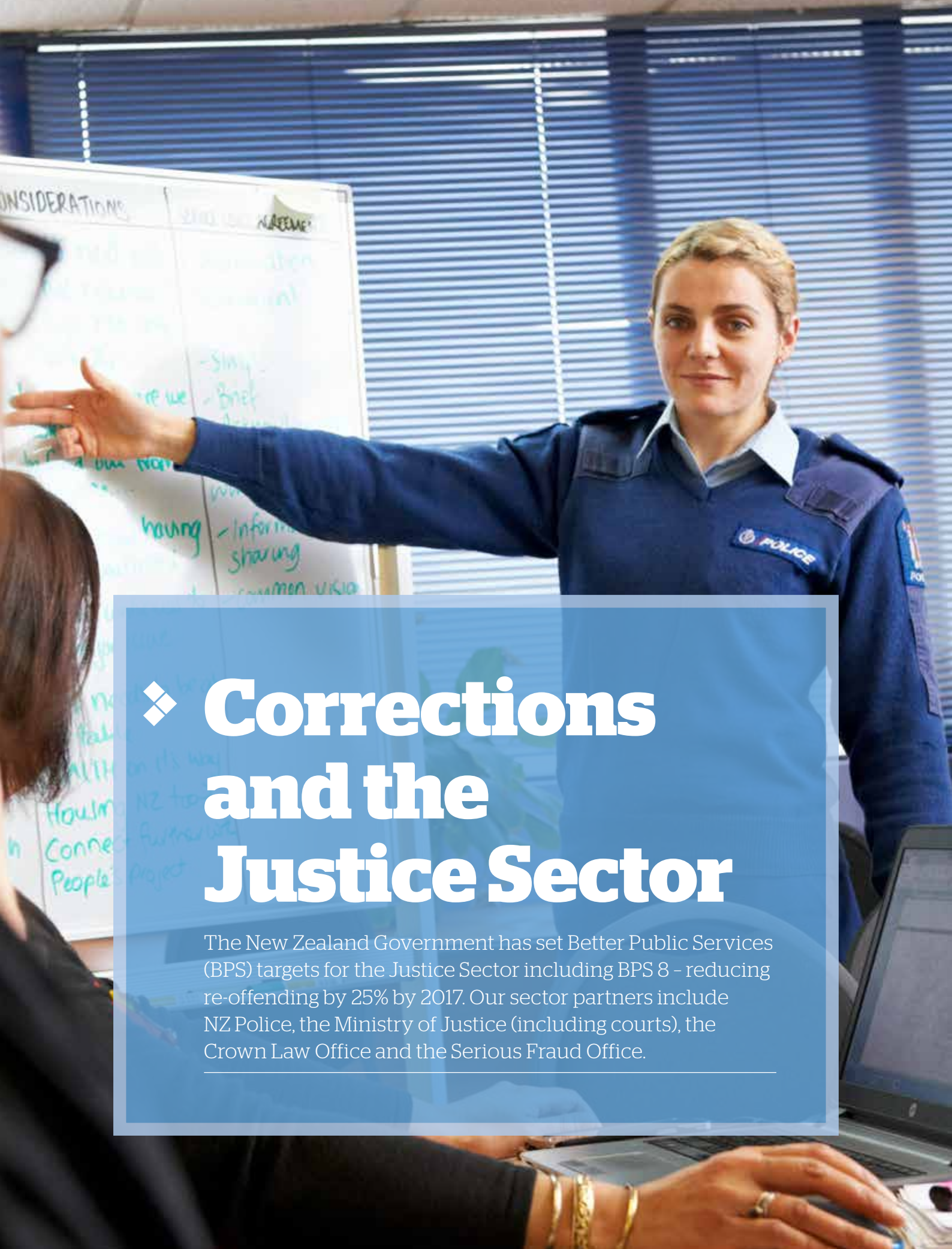
Providing offenders with rehabilitation programmes, education and job training that will turn their lives around and break the cycle of re-offending.

Underlying these core responsibilities is a commitment to the people of New Zealand – to protect them from those who could harm them.

Whether it is monitoring offenders serving sentences in the community, putting in place support plans for those at risk of re-offending, upgrading our facilities to ensure their security or providing information to the courts and Parole Board to assist with their decision making, everything Corrections does is centred on keeping communities safe.

Public safety is our bottom line, and the best contribution we can make is to ensure that people who come into the Corrections system do not re-offend. That is why reducing re-offending is our ultimate goal, and is at the heart of our strategic plan. We work actively with offenders to provide rehabilitation, education and employment training, which play a positive role in helping offenders to turn their lives around.

Minister's priorities	Section in the annual report	Department's Appropriations	Department's impacts	Department's outcomes	Justice Sector overall
Public safety is improved	Public Safety is Improved – pages 26-43	Prison-based Custodial	The integrity of sentences and orders is maintained and offenders are held to account	Public safety is improved	SAFE AND JUST SOCIETY
Improve the safety of Corrections staff		Sentences and Orders Served in the Community	The Judiciary and New Zealand Parole Board make informed decisions		
Reducing re-offending by 25%	Re-offending is Reduced – pages 44-63	Information and Administrative Services to the Judiciary and New Zealand Parole Board	Risks of harm to others are minimised	Re-offending is reduced	
Improve performance through Public Private Partnerships	Better Public Value – pages 64-69		Offenders have the skills and support to lead law-abiding lives		
Better public value	Visible Leadership – pages 70-76	Rehabilitation and Reintegration	Offenders' health and wellbeing are maintained		
		Policy Advice and Ministerial Services	Supporting our people		



❖ Corrections and the Justice Sector

The New Zealand Government has set Better Public Services (BPS) targets for the Justice Sector including BPS 8 - reducing re-offending by 25% by 2017. Our sector partners include NZ Police, the Ministry of Justice (including courts), the Crown Law Office and the Serious Fraud Office.

The Justice Sector

New Zealanders are increasingly expecting Justice Sector agencies to work together in innovative ways, pooling information and resources to achieve better outcomes. Teaming up with our Justice Sector partners is one of the ways that Corrections delivers services at both a national and a local level.

We work together to reduce crime and volumes in the criminal justice pipeline. Policies and approaches in one part of the pipeline can have significant effects on others; as a Sector, we can progress the pipeline in a coherent way and align our services, to provide greater benefits to the community.

Our role in the Justice Sector

Corrections plays an important role within the Justice Sector outcomes framework. Offenders are held to account in the correctional facilities that we manage, and under the community-based sentences and orders that we administer. Ensuring the integrity of these sentences and orders is central to maintaining public trust in the justice system. Our rehabilitative and reintegrative work with offenders reduces re-offending and the harm caused by crime, leading to safer communities and a more safe and just society. We help offenders to become functioning members of society who work, look after their families and participate in their communities.

Corrections is involved in the following major programmes which Justice Sector agencies are collaborating to work on:

- > The Investment Approach to Justice – the purpose is to “reduce the future burden of crime on society”. This is to be achieved by using rigorous and evidence-based investment practices to:
 - better understand the people who are at risk of future offending or victimisation
 - better understand what works to reduce crime
 - consider changes to crime prevention services accordingly.

The project is part of a broader social investment initiative. The Investment Approach to Justice will provide information to support the development of a person-centric, agency-neutral picture of risk and service effectiveness for social investment. Corrections is involved in the design of the approach and sit on relevant governance committees. We are contributing comprehensive offender conviction and sentencing data, to assist in the technical modelling and analysis which underpins the approach.

- > An inter-agency initiative that is combining data from Corrections and several other agencies to support crime prevention.
- > Christchurch Justice and Emergency Services Precinct – bringing Corrections, emergency services and all other justice services into one purpose-built, leading edge precinct in central Christchurch.
- > Better outcomes for Māori – improving how our justice system operates for Māori, through such efforts as exploring partnerships with iwi/Māori to design and deliver interventions that better address the needs of Māori, and making better use of our data to understand where and how we can improve services and build evidence about what works.
- > Reducing family violence – Corrections has taken an active role in this initiative, working with agencies across the Justice Sector to reduce family violence. Corrections is the lead agency of the perpetrator work stream of the Ministerial Group on Family Violence and Sexual Violence, working to determine the optimum mix of services available to respond to perpetrators, as well as contributing to the design of a cross-agency system to more effectively identify and assess them. The work will also improve access to interventions for perpetrators and whānau, and ensure that interventions match the risks and needs of perpetrators to more effectively reduce harm. We also support the Ministry of Justice led review of the *Domestic Violence Act 1995* and the subsequent proposed changes to legislation. These changes will see a greater ability for agencies to provide meaningful interventions for perpetrators and victims at the earliest opportunity, increased information sharing to keep victims safe, improved access to civil orders (such as protection and property orders) and additional criminal offences to reflect the harm caused by family violence.



The Justice Sector Leadership Board

To help us to work better together we have formed the Justice Sector Leadership Board. The Board includes:

- > Secretary for Justice (chair)
- > Commissioner, NZ Police
- > Chief Executive, Department of Corrections
- > Chief Executive, Serious Fraud Office
- > Solicitor-General, Crown Law Office

The Leadership Board is responsible for ensuring that we achieve our collective goals, including our Better Public Services targets. They coordinate major change programmes and oversee planning to improve services, reduce harm, reduce the number of people in the criminal justice system, maintain institutions and manage investment. The Leadership Board is supported by the Sector Group within the Ministry of Justice.

Justice Sector Fund

The Justice Sector Fund (JSF) was created in April 2012, and is a way for the Justice Sector to share savings and generate financial flexibility to invest in areas that deliver the best results. Through the JSF we can use the money saved by one agency to fund effective initiatives within another agency, providing for a more flexible, inter-agency approach to reducing crime and re-offending.

By June 2016, the JSF had been used to fund 56 initiatives, including 16 specifically for Corrections. In total, \$253 million of savings from the Justice Sector have been reallocated through the JSF. Examples include the review of family violence laws, expanding the use of restorative justice, reintegration programmes for people released from prison and installing audio-visual links between courts and prisons to improve public and prisoner safety.

Applications for funding from the JSF are required to show that the funded initiative will contribute to one or both of the following:

- > reducing crime and re-offending, and advance our key result areas
- > assist the sector to modernise and become more cost effective; spending more now in order to spend less in the future.

One of the main goals of the JSF is to allow new initiatives to be trialled and assessed. Once it has been shown that they are effective, they are able to seek long term funding through the annual Budget process.



Our role in the Social Sector

Corrections and Social Sector agencies deal with some of the same people. Corrections is working with the Social Sector to ensure that we have cohesive action plans and processes in place to help these people, whether it be in Child, Youth and Family, Work and Income or in prison.

Corrections contributes to the following work within the Social Sector:

> ***Children's Action Plan & Vulnerable Children Act 2014***

We are part of a cross-agency effort to prevent child abuse and neglect as required by the *Children's Action Plan & Vulnerable Children Act 2014*.

> ***Youth Crime Action Plan***

In order to support the BPS target to reduce youth offending, Corrections has been working alongside Justice and Social Sector colleagues in the development and implementation of the Youth Crime Action Plan (YCAP). We continue to be involved at the working group level to refresh the actions and to consider how YCAP sits alongside the work of the Investing in Children Programme, as well as in the steering group and the governance group. Through our involvement we have also contributed to the development of the youth justice minimum dataset.



❖ Making a difference in a challenging environment

The Department of Corrections operates in a highly dynamic context, and we are able to respond to the challenges that we are faced with.



The Department of Corrections has robust systems in place to respond to challenges

The prison population has consistently increased since 1985, and has more than doubled from 4,079 prisoners in 1996 to 9,532 as at 30 June 2016. Corrections' asset planning has always included resilience to adjust for unforeseen circumstances, as well as allowing for growth in the prison population.

A large proportion of the rising prisoner population has been driven by remand prisoners (offenders awaiting either trial or sentencing), who are held in high security facilities and separated from sentenced prisoners.

Corrections has a dynamic prisoner placement process and, with careful planning around where and how remand prisoners are held, we have ensured that all prisoners have been accommodated appropriately throughout the year while maintaining high levels of public safety.

To accommodate growth in the short term, Corrections has undertaken a capital programme to reconfigure some prisons, expand double bunking and introduce additional units to increase capacity by 374 beds over the next 12 months.

Achieving our goals of reducing re-offending and ensuring a safe and secure corrections system, relies largely on the efforts of frontline staff. With the increasing prison population it is imperative that we continue to recruit and retain high quality staff who wish to change lives and shape futures, and who can provide the services required to rehabilitate prisoners successfully.

Rehabilitation programmes that are designed and delivered effectively, and that are known to work, are key to reducing re-offending. During 2015/16 we increased our focus through the RR25% Boost programme in order to reach a larger proportion of the offender base by expanding services such as short programmes targeting violent offenders, intensive alcohol and drug treatment and family violence programmes in prisons and through the development of a new parenting skills programme.

The resilience of Corrections, both in terms of the physical infrastructure and our people, was demonstrated with the response to events at Mount Eden Corrections Facility and our work to monitor and manage offenders deported from overseas.

The demographics of the prison population have changed

Corrections has managed a changing offender population over the last five years, as the balance between prison and community-based sentences has shifted. Traffic and dishonesty offences are now more likely to receive sentences such as home detention, and more supervision orders are being imposed for serious offences. This has been enabled by the use of electronic monitoring (EM), as advances in technology have allowed more proactive monitoring of sentences and orders in the community.

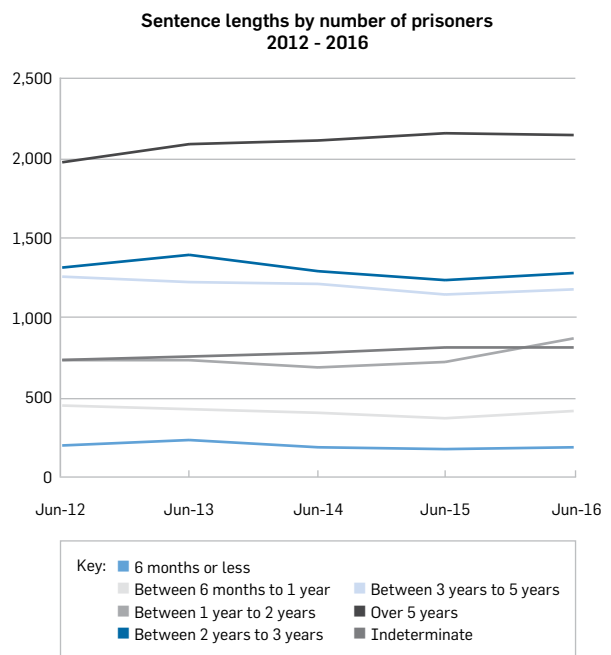
Proactive monitoring requires effective responses when offenders breach their conditions, and this financial year has seen the introduction of higher levels of GPS monitoring through the 3M contract supplemented by the creation of the GPS Immediate Response Team and the EM Assurance Team, which provide an intensive level of monitoring and accelerated responses for offenders serving sentences in the community.

These changes have made community-based sentences available for more offenders, meaning that a larger part of the prison population consists of more serious or repeat offenders.



The impact of sentence lengths

The relative numbers of prisoners serving sentences of different lengths is a significant factor in our management of the prison network. The following graph outlines the numbers of prisoners serving sentences of particular lengths, from June 2012 to June 2016.



As shown in the graph, the number of prisoners serving sentences of under two years makes up a significant portion of the overall prison population, and has increased over the last 12 months. In order to effectively manage short serving sentences it is imperative that rehabilitative needs are identified in a timely manner to ensure that these interventions can be completed. During 2015/16 Corrections ensured that over 80% of prisoners started and completed a rehabilitation programme. In addition, the focus of the RR25% Boost programme has ensured that more interventions were targeted towards short term sentences.

With over 15,700 prisoners received into custody in 2015/16, significant work resource has been targeted towards offenders beginning sentences, through offender plans and health assessments, and at the completion of sentences through reintegration services.

Additional demands created by returning offenders

From November 2015, Corrections began to have responsibility for some offenders returning from Australia, 180 of whom are now subject to the *Returning Offenders (Management and Information) Act 2015*. Corrections' dedicated team works alongside NZ Customs, NZ Police, the Ministry of Social Development and the Prisoners Aid and Rehabilitation Society network, to ensure that offenders are aware of the obligations of their order and to offer them reintegrative support.

Mount Eden Corrections Facility

Following a number of serious allegations involving the management of the privately-run Mount Eden Corrections Facility (MECF), Corrections invoked the 'Step-In' clause in our contract with Serco in July 2015. This allowed Corrections to install our own prison director and management team into MECF, to oversee day-to-day operations. Since July 2015, there has been an average of 45 Corrections' staff located at MECF every day.

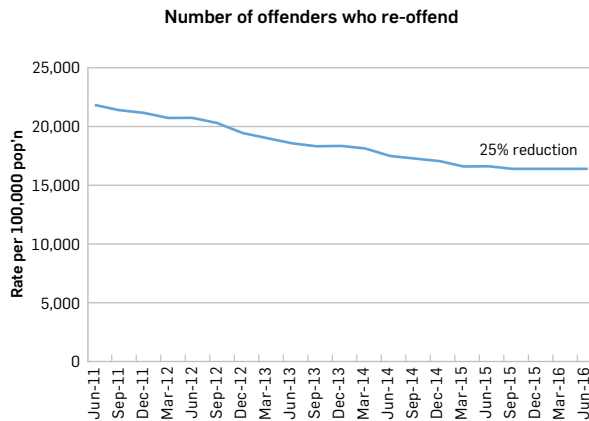
MECF is a critical part of the overall prison network, as it provides approximately 34% of remand capacity. Maintaining operations at MECF is essential, and Corrections proactively mobilised staff from around the country to ensure that stability on the site was restored while balancing the needs of the entire prison network.

An agreement with Serco was announced in April 2016, which has Corrections managing MECF with Serco providing staff and transition services until the end of the contract in March 2017, at which time Corrections will take over full operations at the site. Serco paid Corrections \$8 million in settlement of cost associated with the Step-In as part of the agreement.

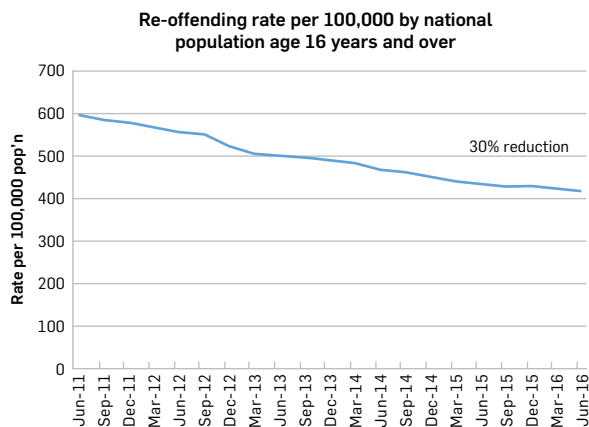


Challenges in reducing re-offending

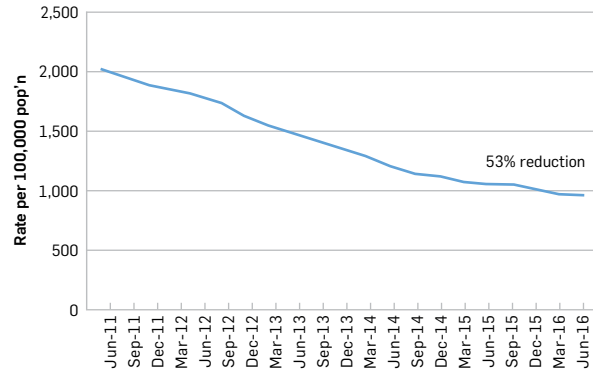
The number of offenders who re-offend has been declining over the past five years, with almost 25% fewer re-offenders in the system than in 2011.



At a population level the rate of re-offending over the past five years for all people aged 16 and over has steadily declined, importantly with even steeper declines in the 16 to 19 year population.



Re-offending rate per 100,000 by national population aged 16-19 years

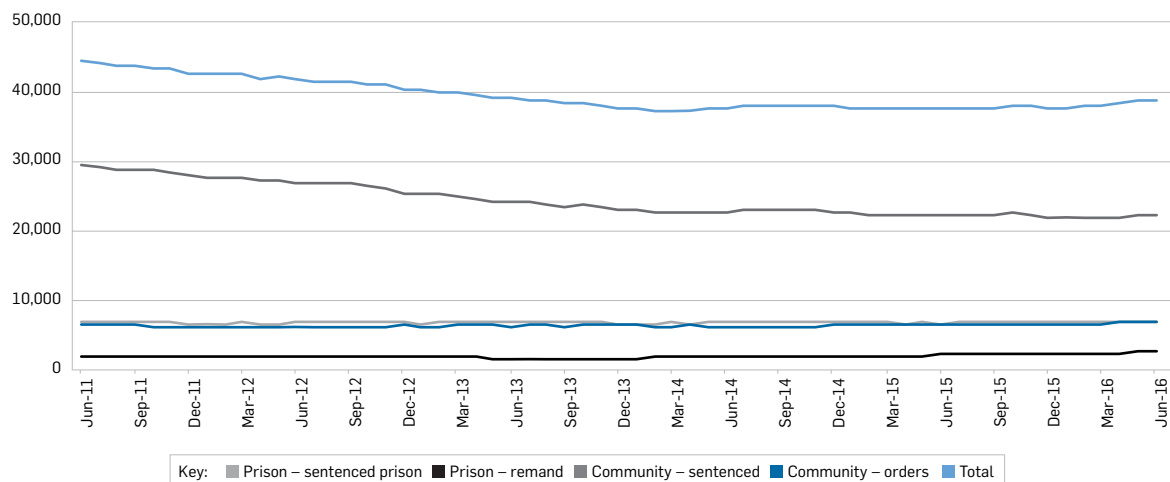


The total number of offenders under Corrections management has also declined over the five year period, with a reduction in offenders serving community-based sentences outweighing the increases in imprisonment.

While overall numbers of offenders entering the Corrections system has been reducing, those that are under sentence are more recidivist and higher-risk. Effective targeting of policing activities resulting in improved prosecution and conviction rates has been successful in ensuring offenders who commit the most serious crimes are those who are in prison.

The reduction in the rate of re-offending was 5.6% at 30 June 2016 (refer to Appendix One). That measure combines the rate of reimprisonment among prisoners within 12 months of their release, and the rate of reconviction among offenders serving community-based sentences within 12 months of the start of their sentence.

Offenders managed by Corrections



Mental health

Offenders have higher mental health needs than the general population, with a recent Corrections study showing that anxiety, panic, post-traumatic stress and mood disorders are significantly more prevalent among offenders than among the general population. Effectively managing these conditions can create a broad spectrum of benefits to society, to the offenders themselves and to Corrections. If offender health needs are not addressed then offenders can have difficulty complying with their conditions, completing their sentences and engaging in rehabilitation. In June 2016, Corrections secured additional Justice Sector funding of \$14 million to improve mental health services for offenders over the next two years. This is in addition to the packages of care that are currently at all prison sites for prisoners with mild to moderate mental health needs, and mental health in-reach clinicians at three prison sites.

Gangs

Corrections is part of the Whole of Government Gangs Action Plan, which was initiated in 2014 to reduce the harm that gangs cause to families and communities. Offenders with gang connections are twice as likely to re-offend compared to prisoners with non-gang affiliations, and are prone to re-offend with increased seriousness.

Corrections provides exit pathways to offenders who want to end their involvement with a gang. This can involve moving to a new area, building alternative support networks and accessing services such as gang-related tattoo removal. Pathways to exit gangs can also form part of a broader suite of rehabilitative interventions, which support offenders to build sustainable and law-abiding lifestyles.

Prisoners with gang affiliations commit a disproportionate number of assaults in prisons. In 2015, gang affiliated prisoners were responsible for just over half (55%) of assaults despite comprising 29% of the prison population. Gangs also play a significant role in the introduction of contraband to Corrections sites. The introduction of prohibited items or substances can undermine the security, integrity and safety of prisons, and can present significant challenges to prisoners who are working to resolve issues such as substance abuse. Our range of anti-contraband activities, including cell searches, drug tests, detector dogs and scanning of visitors to prisons, all help to reduce the accessibility of and harm caused by contraband, and can reduce the influence of gangs within the prison system.



❖ Corrections by the numbers

In 2015/16 the Department of Corrections:

Continued to deliver against our key strategic outcomes: improving public safety and reducing re-offending. In this year we have:

- > ensured the security of prison sites, with no breakout escapes
- > provided offender plans to 98% of prisoners who were entitled to receive one
- > supported 8,372 prisoners to complete a rehabilitation programme
- > ensured 3,648 community-based offenders completed a rehabilitation programme
- > referred 5,780 offenders to a reintegration intervention
- > ensured the integrity of the prison system, with only 3.4% of random drugs tests returning a positive result
- > ensured that 93% of psychological reports were provided within the timeframes of the New Zealand Parole Board
- > referred 814 offenders to an employment support service
- > supported more than 1,800 prisoners to receive improved services to assist them in finding stable employment
- > completed implementation of the Industry Treatment and Learning (working prisons) framework in all public prisons, with 75% of prisoners now engaged.

We managed a budget of approximately \$1.3 billion and maintained \$2.7 billion worth of non-current assets, including:

- > 18 operational prisons, 17 directly operated by Corrections and one privately managed by SecureFuture
- > Over 150 Community Corrections sites, including those leased, owned and shared with other agencies.

With:

- > Nearly 8,000 staff of which approximately 85% were frontline
- > 428 medical staff and
- > Over 1,600 registered volunteers who made more than 19,500 visits to prisons.

Who managed and supported:

- > A prison population that reached 9,532 as at 30 June and over 36,000 sentences and orders in the community.

What we've achieved this year

Over
12,000
offenders completed a
rehabilitation programme

The transition to the
Industry
Treatment and
Learning framework
was completed in
all public prisons

Personal
Protective
Equipment
was provided
to all frontline
custodial staff

76%
of prisoners with an
identified need received
placement in a relevant
programme

Administrative support
was provided to
8,113
hearings of the
New Zealand Parole Board

More than
1,000
offenders began
intensive alcohol and drug
treatment programmes

4,628
qualifications were
achieved by prisoners
while in prison

Over
6,000
Education Assessments
within prisons

ZERO
breakout escapes
occurred from
Corrections prisons

50%
of community-based
offenders with an identified
need received placement in a
relevant programme

42%
of prisoners demonstrated
statistically significant gains
through intensive literacy and
numeracy provision

The reduction in the rate of
re-offending was
5.6%

Over
2,000
prisoners were referred
to the Out of Gate
reintegration service

Over
4,400
general random drug
tests were carried out
in prisons

81%
of prisoners started and
completed a rehabilitation
programme

100%
of Prison Services
Health Centres retained
Cornerstone® accreditation

❖ Offender Summary

administered by the Department of Corrections

<p>Sentenced prisoners</p>	<p>Average cost of \$307.53 per offender per day</p>	<p>Offenders have been convicted of a crime and given a prison sentence</p>	
		<p>Average volume in 2015/16 was 6,816, this was 61 more than in 2014/15</p>	<p>Average length of sentence imposed in 2015/16: 534 days</p>
<p>Remand prisoners</p>	<p>Average cost of \$239.17 per offender per day</p>	<p>Remand prisoners are being held while awaiting trial or sentencing</p>	
		<p>Average volume in 2015/16 was 2,377, this was 400 more than in 2014/15</p>	<p>Average length of remand periods in 2015/16: 68 days</p>
<p>Extended supervision</p>	<p>Average cost of \$80.90 per offender per day</p>	<p>Corrections monitors child sex offenders for up to 10 years following a prison sentence</p>	
		<p>Average volume in 2015/16 was 215, this was 11 less than in 2014/15</p>	<p>Average length of order in 2015/16: 3,013 days</p>
<p>Home detention</p>	<p>Average cost of \$59.87 per offender per day</p>	<p>Offenders must remain at an approved residence under electronic monitoring and close supervision by a probation officer</p>	
		<p>Average volume in 2015/16 was 1,620, this was 63 more than in 2014/15</p>	<p>Average length of sentence in 2015/16: 195 days</p>
<p>Parole/residential restrictions</p>	<p>Average cost of \$36.29 per offender per day</p>	<p>Oversight from a probation officer after release from prison sentences of more than two years</p>	
		<p>Average volume in 2015/16 was 2,301, this was 127 less than in 2014/15</p>	<p>Average length of order in 2015/16: 441 days</p>

Intensive supervision

Average cost of
\$21.13
per offender
per day

A rehabilitative community-based sentence with intensive oversight from a probation officer

Average volume in 2015/16 was 2,867, this was 290 more than in 2014/15

Average length of sentence in 2015/16: 437 days

Release on conditions

Average cost of
\$19.12
per offender
per day

Oversight from a probation officer after release at the end of a prison sentence of two years or less

Average volume in 2015/16 was 3,581, this was 363 more than in 2014/15

Average length of sentence in 2015/16: 332 days

Supervision

Average cost of
\$15.75
per offender
per day

A rehabilitative community-based sentence with oversight from a probation officer

Average volume in 2015/16 was 7,597, this was 297 more than in 2014/15

Average length of sentence in 2015/16: 277 days

Community detention

Average cost of
\$13.18
per offender
per day

The offender must comply with an electronically-monitored curfew imposed by the court

Average volume in 2015/16 was 1,600, this was 55 less than in 2014/15

Average length of sentence in 2015/16: 185 days

Post detention conditions

Average cost of
\$10.64
per offender
per day

Oversight from a probation officer after completion of a home detention sentence

Average volume in 2015/16 was 1,273, this was three more than in 2014/15

Average length of sentence in 2015/16: 209 days

Community work

Average cost of
\$9.74
per offender
per day

Offenders do unpaid work in the community for non-profit organisations

Average volume in 2015/16 was 15,014, this was 949 less than in 2014/15

Average length of sentence in 2015/16: 101 hours



❖ Financial overview

The following pages provide an overview of our financial performance for the year ended 30 June 2016.

Overall results

The Department incurred total operating expenses of \$1.3 billion which was \$15.9 million (1%) below the supplementary estimates and \$66.4 million (5%) above the previous year.

The increased year on year expenditure was mainly attributable to a full year impact of operations at Auckland South Corrections Facility following service commencement in May 2015.

A relatively stable prison population in previous years enabled us to meet cost pressures in the past by implementing a number of savings strategies. This year we did manage to achieve intended savings from initiatives including streamlining our staffing structures in prisons to unify the delivery of services and the decommissioning of a number of end-of-life beds.

Through Budget 2016 our baseline has been reset to reflect the impact of the higher prison population and continued growth projected by the Justice Sector Forecast.

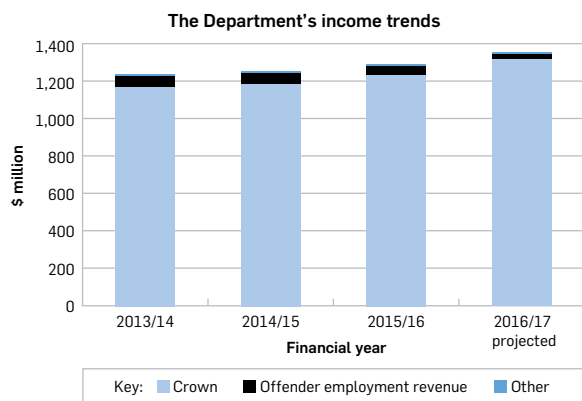
The revenue received by Corrections was \$1.3 billion, which was \$13.5 million below the supplementary estimates. This was mainly due to the recognition of lower Crown revenue to reflect the transfer of funding to 2017 and outyears relating to pre-approved in-principle expense transfers.

While our income is predominantly provided by the Crown we also generate a small revenue stream from our offender employment activities such as farming, distribution and other industries. The timing of livestock sales has attributed to offender employment revenue being slightly below the supplementary estimates.

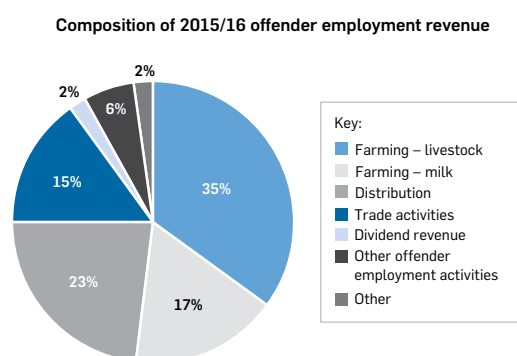
During 2015/16 Corrections received settlement proceeds of \$8 million from Serco to cover the cost of the Step-In at MECF. In addition, \$1.7 million of insurance proceeds was recognised relating to settlement of claims for the 2013 Spring Hill Corrections Facility riot.

Income

The graph below illustrates the sources of the Department's revenue.



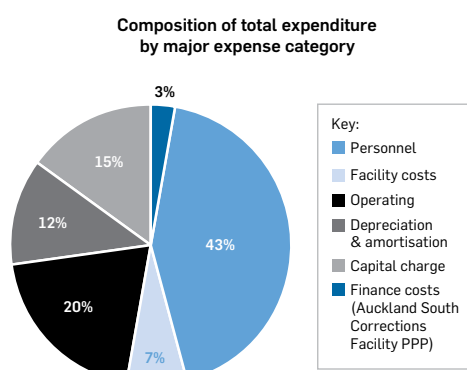
The graph below illustrates the composition of offender employment revenue as shown in the income trends graph by activity.



Expenditure by cost category

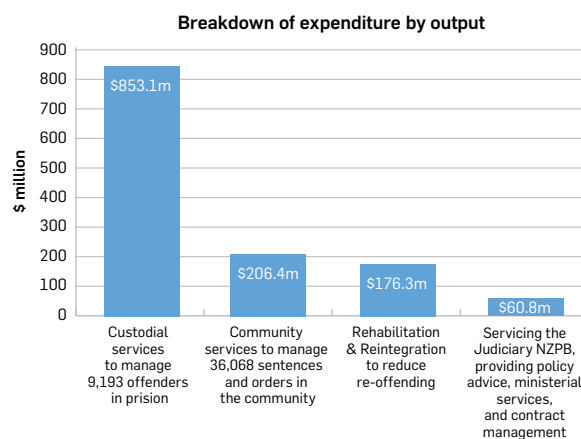
Nearly 80% of our \$1.3 billion spend in 2015/16 related to workforce and asset ownership costs.

We employ nearly 8,000 staff which results in \$559 million of personnel costs that makes up 43% of our total spend. Approximately 85% of our workforce is deployed in frontline roles which are highly specialised and require a considerable investment in upfront and ongoing training.

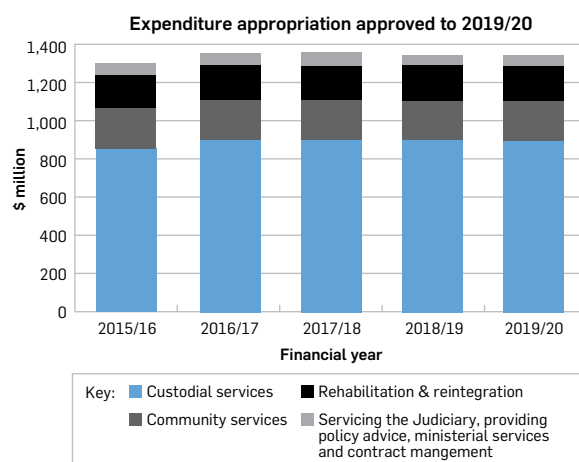


Expenditure by output

The graph below illustrates the outputs we delivered and the portion of expenditure incurred to deliver each output. By far the largest portion of our total spend goes to providing custodial services.



The graph below shows our output expenditure appropriation approved to 2019/20, reset through Budget 2016 to reflect the impact of the sustained prison population growth according to the Justice Sector Forecast.



* The following appropriations were disestablished and replaced with a Multi-Category Appropriation called Public Safety is Improved for 2016/17 in order to align the appropriations with the Department's strategic outcomes: Prison-based Custodial Services, Sentences and Orders Served in the Community, Information and Administrative Services to the Judiciary and New Zealand Parole Board.

Asset base

We own \$2.7 billion of non-current assets that operate the length of the country, with many facilities operating 24 hours a day, seven days a week. Our non-current assets include:

- > Property, plant and equipment – \$2.6 billion
- > Assets related to offender employment activity including farming – \$13.9 million
- > Intangibles (software) including offender management systems – \$76.6 million

Facility costs, depreciation and amortisation, capital charge and finance costs (Auckland South Corrections Facility PPP) represent 37% of our total 2015/16 spend.

Corrections' asset base, which includes 18 prisons¹, must be fit-for-purpose, safe and secure, ensuring public safety is maintained and sentences are completed, while also enabling employment, training, skills development and rehabilitation opportunities for prisoners.

In order to continue to manage the prison population, Corrections has undertaken a capital programme to reconfigure some prisons, expand double-bunking and introduce additional units to increase capacity by 374 beds over the next 12 months. This work forms the basis of the Prison Capacity build programme, phased over the next four years, to restore the networks essential capacity buffer and to ensure that sufficient capacity is available to accommodate the forecast growth in the prison population. In addition, work on the new maximum security facility at Auckland Prison (via a design, build, finance and maintain, Public Private Partnership with Next Step Partners Limited) is progressing well and is on target for completion in late 2017. Under the agreement custodial operations will continue to be carried out by Corrections. While the total maximum prisoner capacity will remain unchanged, the new modern facility will ensure: the safe containment of prisoners, that prisoners who have high and complex needs can receive care in an environment that supports them, the delivery of high quality rehabilitative and reintegrative services as well as staff safety.

Capital expenditure

Corrections incurred \$246.7 million of capital spend in 2015/16. This comprised \$120.4 million for property assets, \$102 million on Public Private Partnership (PPP) arrangements, \$16 million on information technology and \$8.3 million on other items such as fleet and plant replacements.

Property expenditure included \$81 million for property and prison development projects, \$15.5 million for electronic security, \$11.4 million for Community Corrections site developments, \$4.5 million for early development of prison capacity works and \$8.3 million for minor works and asset replacements.

In particular, property expenditure included enhancement works at Auckland Region Women's Corrections Facility, Spring Hill Corrections Facility and Northland Region Corrections Facility, the replacement and enhancement of electronic security systems, construction works on the new Public Protection Orders facility and ongoing facilities lifecycle asset replacements.

Information technology expenditure included single web-based user interface for probation and prison offender management, business reporting and analysis, Personalised Prisoner Self Service Application (PPSSA) and upgrade of the Department's information technology platform to meet the increasing storage demands of core systems.

1 This figure includes Auckland South Corrections Facility which is privately operated through a contract with SecureFuture Wiri Limited



Contribution to Priorities and Delivery of Outcomes



❖ Public Safety is Improved

The Department of Corrections operates a safe and secure corrections system, which is fundamental to public safety and effective justice in New Zealand.

Increasing prison population

Prisoner numbers have risen significantly in the 2015/16 financial year, which has altered our approach to several long term initiatives to improve the prison network. With increased numbers we have continued to establish and maintain a secure prison environment.

The Department of Corrections has a statutory obligation to accommodate all prisoners sentenced to imprisonment by the Judiciary. The prison population is influenced by many factors outside of Corrections' control. These include legislation, judicial decisions, crime levels and policing trends.

With the increased prison population, Corrections still maintains a secure environment

We establish and maintain a secure environment at prisons through a combination of management practices and physical features and systems. These reflect the level of risk related to a prisoner's security classification. Corrections has invested in a range of security improvements at sites across the country during the last decade, including enhanced perimeter fencing, installation of detection and surveillance systems and the introduction of single points-of-entry into prisons.

2015/16 has seen a continuation of the solid performance in core custodial services including no physical breakout escapes and low levels of incidents within prisons.

The higher prison population does result in increased costs for Corrections

The prison population has consistently increased since 1985, and Corrections has responded by increasing prison capacity, delivering more rehabilitative services, buying more reintegrative services and ensuring staffing matched demand.

The investment in new staff, who wish to make a difference in the lives of others and build a career with Corrections, is now supported by the Frontline Futures programme. Frontline Futures is a programme of work designed to refresh our recruitment, preparation and development of new staff, and to give existing frontline staff more opportunities as probation officers, corrections officers, case managers, programme facilitators and offender employment instructors.

To meet future needs for the accommodation of prisoners, Corrections was tasked in March 2016 with developing a programme to identify and deliver an appropriate capacity response over the next ten years. The primary objective of the programme is to deliver a safe and fit-for-purpose prison network, which can accommodate expected growth in demand while remaining resilient to uncertainty.

As a result of the increased costs associated with a higher prison population, Corrections' baseline funding was reset in Budget 2016 in acknowledgment that it is unlikely that the overall prison population will decrease in the short term.



Integrity of prison sentences

The integrity of sentences is maintained when Corrections' facilities have minimal internal crime (such as the introduction of contraband) and few escapes.

Preventing prisoner access to drugs

The stability, safety and security of prisons is improved by controlling or limiting the availability of contraband, particularly drugs.

From July 2015 all prison sites have developed contraband detection plans, which aim to identify and address key issues surrounding detection and prevention within the prison system. The plans have also been shared between prison sites, to enable learning and replication of best practice across the network. These plans have seen significant engagement and commitment from key personnel at prison sites, and are instrumental in our ongoing work to improve security and integrity across the prison network.

As well as being illegal, drug use undermines the safety, security and good order of prisons. Corrections places considerable emphasis on reducing the supply and demand for drugs in prisons.

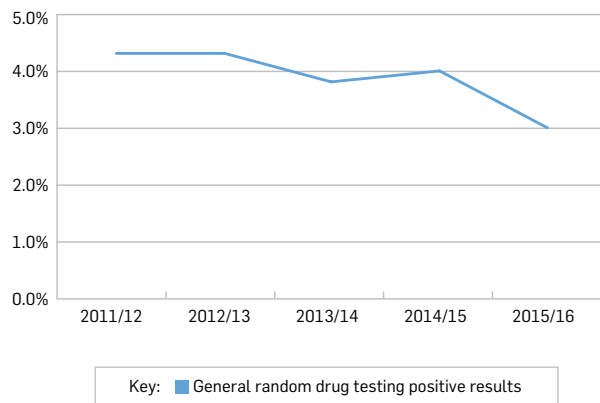
Searches of prisoners, their property and the places where they work, sleep and congregate are an important part of our contraband prevention strategy.

Staff work constantly to identify and mitigate risk areas in a prison's physical environment, and to stay informed about new methods of concealment. In recent years, Corrections has introduced clear-case rental televisions for prisoners, which cannot be used to introduce or hide contraband. The Department has 15 drug detection dog teams who efficiently and effectively disrupt the supply of drugs and other criminal activity.

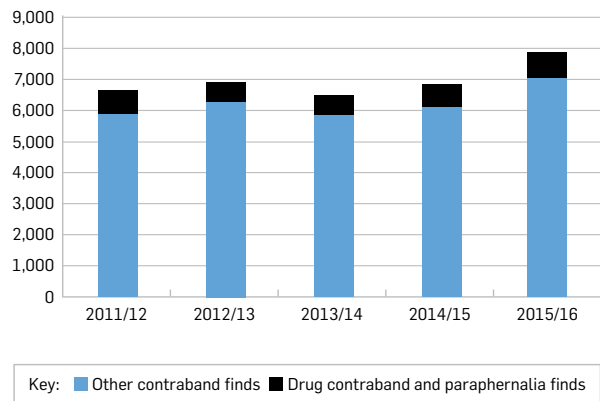
As illustrated in the graphs to the right, this additional investment has resulted in higher contraband finds year on year and a continued decrease in positive general random drug tests over the same period.

Factors affecting contraband volumes include prisoner numbers, the volumes of new arrivals and transits from courts, the profile of the prisoners and their visitors, and the design and layout of the prison and grounds. For example, some prison perimeter fences are close to public roads, and prisoners may attempt to receive "throw-overs" of contraband from outside.

Percent of general random drug testing positive results



Number of contraband finds



The percent of prisoners testing positive in general random drug tests continues to decline, reaching an all-time low of 3.4% in 2015/16, down from 4.0% in 2014/15. In comparison, the rate of positive results in 2009/10 was 10% and in 2000/01 it was around 22%. The 2015/16 result is particularly impressive, considering that the prison population has doubled since 1995.

If prisons are clear of drugs and prisoners are close to home, prisoners are less likely to abscond or escape

For the past two financial years there have been no physical breakout escapes from prisons, which is a reflection of our long term, successful investment in security and the management of offenders in prison.

Prisoner transits are one of the most common situations in which prisoners find opportunities to escape. Transits require prisoners to be temporarily outside the prison and, unlike Release to Work or rehabilitation programmes, prisoners involved in transits cannot always be screened or excluded based on their level of risk.

On average there are more than 82,000 prisoner movements each year, and just over half of these are between prisons and courts. Each movement requires a secure escort provided either by Corrections or a contracted security provider, and Corrections currently maintains a fleet of over 100 vehicles for this purpose.

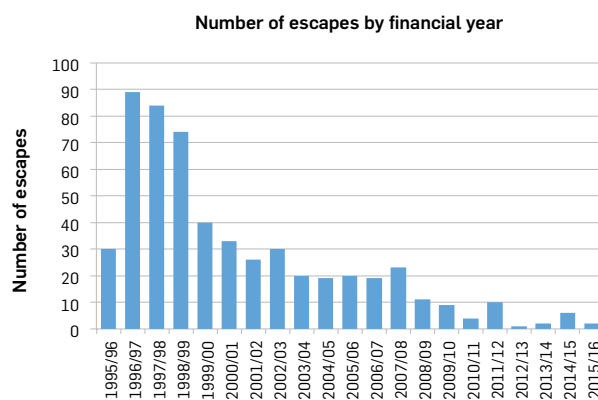
Corrections continues to utilise Audio Visual Link (AVL) technology as a means to reduce the need for transits and escorts. This can significantly reduce the risk of prisoners attempting to escape, and also reduces opportunities for acquiring contraband or becoming violent during transport.

In this financial year there have been two escapes from Corrections' custody. One of these was from Auckland Region Women's Corrections Facility, and the other from Christchurch Men's Prison. Both occurred while the prisoner was being escorted.



Breakdown of escapes 2011/12 - 2015/16

Financial Year	From Escort	Breach of temporary release	Abscond	Breakout
2011/12	5	0	2	3
2012/13	1	0	0	0
2013/14	1	0	0	1
2014/15	4	1	1	0
2015/16	2	0	0	0



The graph shows the total number of escapes since the formation of the Department as an agency in 1995. The total escapes include breakout, abscond, breach of temporary release and escape from escort.

Minimising the risk of harm to others

Violence is always a risk to our staff, as many offenders have a history of resorting to violent behaviour as a means of resolving issues or expressing themselves. Violence reduces the likelihood of an offender successfully completing their sentence, creates an unsafe work environment for staff and diverts resources to respond effectively. Understanding and managing this risk is a challenge common to all correctional jurisdictions, and reducing violence in prisons is a key priority for Corrections.

Corrections has a responsibility to protect the health and safety of our staff and the offenders that they manage. Central to this goal is our ability to record incidents of violence, so that such cases can be investigated to inform improvements in the future. Corrections has put initiatives in place in 2015/16 to advance this goal.

We have seen improved reporting of assaults this year, as a result of the campaign to make all instances of violence in prisons unacceptable. In 2012 a corrections officer was seriously assaulted by a prisoner, which was the catalyst for change in safety measures within Corrections, for seeking more severe punishments being handed out to offending prisoners and the beginning of the Staff Safety Plan programme. This particular prisoner was given a 10 year jail term on top of their existing sentence.

As a result of the Staff Safety Plan and increasing prison population we have seen the reported number of non-serious and no injury assaults on staff increase compared to the previous financial year.

Serious assaults on prisoners by other prisoners occurred 45 times in 2015/16, which is in line with the average of the past five years, and shows that progress is being made against an increasing prison population.

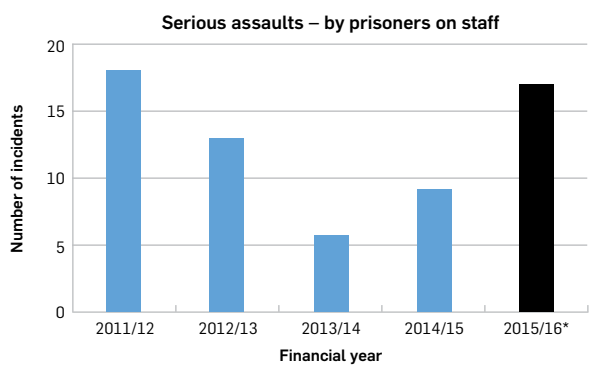
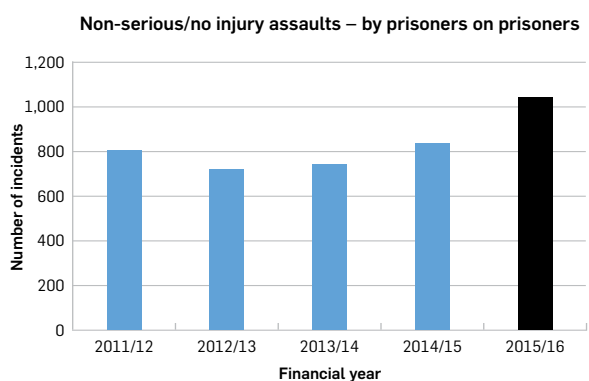
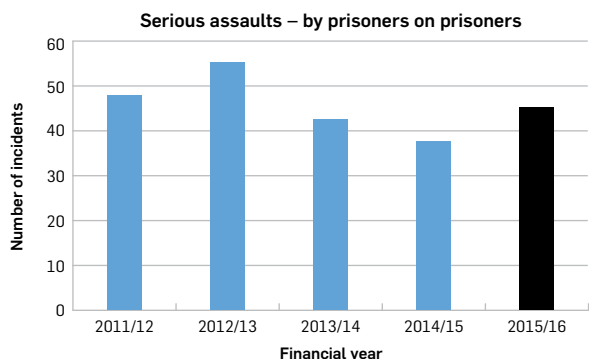
Corrections has a continued focus of zero tolerance for violence

We are working continuously to improve safety and security at all prison sites. Every instance of violence is taken seriously, and we will not tolerate prisoners using violence against others. A prisoner responsible for violence will be held to account for their actions.

While no assault is acceptable, it is an unfortunate reality that they will occur from time to time as we manage some of New Zealand's most difficult and challenging citizens.

Identifying and understanding the drivers for assaults is critical to reducing levels of violence in prisons. Prisoners are motivated by a range of factors, and knowledge of these factors can help Corrections to manage them more effectively and so reduce violence. We use a framework of prevention first, followed by responding, holding perpetrators to account, and then reviewing processes to improve our efforts in the future.





* This financial year, the number of prisoner on staff assaults was adversely affected by two incidents involving the same prisoner. In one event the prisoner assaulted three staff members and in the second event, the same prisoner assaulted another staff member. In addition, the increase in the number of assaults has occurred during a period that has seen an increase in the prison population by approximately 1,000 prisoners over the last two years.

Our staff are equipped to be safe and respond where necessary

Staff safety is our priority. The Staff Safety Plan increases our potential to predict violence in prisons and improve our capacity to respond through additional staff training and interventions.

Custodial staff receive specialist training in tactical communications, de-escalation techniques and negotiation skills to manage non-compliant prisoners. This training provides staff with the skills to remove themselves from dangerous situations, where a Control and Restraint team is not an immediate option or cannot respond in time.

Corrections is also progressing through a three year Staff Safety Plan. This plan directly contributes to making prisons a safer environment, through the creation of tools to support the early identification of risks or heightened tensions in prisons.

Corrections' first priority is to prevent violence

Our staff work closely with prisoners, by actively managing them and motivating them to make more positive decisions. Officers are encouraged to role model acceptable behaviour to prisoners, listen to their concerns, help them solve problems and provide positive direction where necessary. Staff use tools such as the Prison Tension Assessment Tool as an indicator of the level of tension within a prison unit.

Prison Tension Assessment Tool

This tool helps staff to identify and assess daily changes in the overall level of tension, and to ensure staff are made aware of this prior to beginning their shift the following day. The tool works on the basis of a simple form that is completed at the end of the day by unit staff. All forms are combined to generate a wider picture of the situation in each unit. This information is used by unit and site management to take any specific or site-wide actions that are necessary, such as redirection of staff to areas of concern or a reminder at site-wide morning briefings.

The tool sits alongside the Dynamic Appraisal of Situational Awareness (DASA) tool, which is targeted more specifically at individual prisoners within a unit (although, if applied across multiple prisoners, it can indicate risk across the unit), and the Promoting Risk Intervention by Situational Management (PRISM) tool, which looks at systemic issues within the prison environment that may be contributing to violence.

The Prison Tension Assessment Tool is being trialled at Manawatu and Rimutaka Prisons and in parts of Spring Hill Corrections Facility.

Violence reduction panels

Violence reduction panels have been established at four sites (Manawatu Prison, Spring Hill Corrections Facility, Rimutaka Prison and Northland Region Corrections Facility) since September 2015. The panels focus on incidents of violence, assaults, bullying and unexplained injuries, in order to identify and manage perpetrators, protect victims and address bullying 'hotspots'. The overall aim is to reduce the number of incidents of violence and bullying.

Positive interaction between prisoners and staff results in potential problems being identified and resolved quickly, thereby reducing the number of incidents occurring in prison.

On-body cameras

We have recently finished a successful product test of on-body cameras, and have contracted for 800 units. When the first set of 230 units are received, they will be distributed to eight prison sites.

The aim of the trial was to ascertain if wearing the cameras had positive effects on prisoner behaviour and assisted in de-escalating potentially violent situations. Preliminary results from the trial suggest the cameras reduced the rate of prisoner-related incidents by 15%–20% (compared to the same period last year). The cameras have contributed to a less volatile environment, where prisoners are less likely to use physical attacks. This was corroborated by officers' feedback and reflected in a reduction in the number of times officers' needed to resort to physical force to resolve an incident.

Following a review of the deployment at the eight initial sites, the cameras are expected to be rolled out to all other prisons over the next 12 months.

If violence does escalate then staff are required to respond

Staff in prisons carry radios to immediately raise an alarm when an incident occurs, and additional staff will arrive to provide assistance and bring the incident under control. Staff are also issued with equipment to enable them to respond to a violent incident, and to protect themselves and others.



Stab Resistant Body Armour (SRBA)

By June 2016 all custodial staff across the country had been measured for their new, personal issue, stab resistant body armour (SRBA). All eligible staff are expected to have their new SRBA by December 2016. The new SRBA is more lightweight than older versions, and is more suitable for long term use. It is required that staff wear the SRBA while on duty, however there are some situations where this is not possible as it constricts the officer in specific aspects of their work. One example is working at heights in the construction yard. SRBA was previously used only for emergency responses, due to the unsuitability of previous versions for long term use. The new version can be worn as a standard item in a greater range of environments.

Pepper spray

Corrections staff use pepper spray in planned Control & Restraint (C&R) incidents. It is strictly controlled under a carefully managed process, and is not carried by individual corrections officers.

Pepper spray can be the least harmful way of responding when force is required, both for staff and prisoners. When sprayed directly onto a prisoner or into their cell, the effect is immediate. This temporarily incapacitates the prisoner, making it easier and safer to restrain and relocate them.

Emergency Response Operational Project

The Emergency Response Operational Project is exploring the future of both Control and Restraint and Advanced Control and Restraint. These work streams will ensure that operating practices and tactics are current, promote staff and prisoners safety and meet the wider needs of the organisation.

Site Emergency Response Teams

Corrections has commenced a programme to establish Site Emergency Response Teams (SERT) across the prison network.

SERT provide additional resources and tactical options when responding to incidents in prisons. They are designed to provide an intermediary response between standard Control and Restraint and the Advanced Control and Restraint teams who are assembled to respond to serious disorder events. The teams also have a monitoring and improvement focus to support operations to enhance security and safety for their sites.

SERT staff go through a thorough selection process. They must pass a fitness assessment, formal interview and most critically undertake an operational simulation where they must demonstrate their ability to remain calm, professional and make appropriate decisions under pressure.

As at 30 June 2016 SERT have been established at Spring Hill Corrections Facility, Auckland Prison, Christchurch Men's Prison and Otago Corrections Facility with plans for introduction of SERT at Rimutaka Prison, Hawkes Bay Regional Prison and Northland Region Corrections Facility underway.

Instigators of violence are held to account

Prisoners are held to account for their involvement in violent incidents. This can include reassessments of security classifications, as well as transfers to other prison units. Victims of violence may also be moved to different units if this is deemed necessary to protect them from further violence, or if they apply to be moved into a segregation unit. When appropriate, prisoner assaults are treated as criminal matters and details may be sent to Police for investigation and future legal action.

We are also focused on ensuring that staff who work in the community and our vendors are safe

This year, through the Staff Safety Plan, we have encouraged staff and managers to talk more about safety, and to implement additional safety-related projects to focus on the prevention of violence.

- > We have developed practice guidance for frontline staff to deal safely with gangs and minimise their influence.
- > We are supporting sites to conduct effective emergency drills and exercises.
- > We are investigating ways to further protect the personal information of our staff to prevent harassment and intimidation.
- > We are continuing research into new ways to improve staff safety, and to evaluate the effectiveness of personal protective equipment and other safety options.
- > We are using intelligence to identify and mitigate the greatest threats to our staff.
- > We are reviewing home visits to ensure staff have the training and information they need to stay safe during home visits.
- > We are developing a high-risk address register and improving the way we share information with partners.
- > We are investigating the benefits of on-body camera technology for home visits and community work supervisors.

'Keeping each other safe'

Staff Safety Plan - Year Three

All staff

- > Developing practice guidance for frontline staff to deal safely with gangs and minimise their influence
- > Identifying the top three health and safety risks at each site and investigating ways to address them
- > Recognising the importance of mental health awareness and building on previous work to further educate staff
- > Reviewing incidents to ensure we learn from them and share what we've learned
- > Supporting sites to conduct effective emergency drills and exercises
- > Ensuring staff and offenders understand we don't tolerate violence or abuse, and that managers proactively support staff
- > Using intel to identify and mitigate the greatest threats to our staff
- > Investigating ways to protect the personal information of our staff to prevent harassment and intimidation
- > Continuing to ensure safety is an integral part of building design, and reviewing our sites to improve their safety
- > Continuing to research new ways to improve staff safety, and to evaluate the effectiveness of personal protective equipment and other options.

Prison staff



- > Establishing Site Emergency Response Teams (SERT) at three further prisons; Rimutaka Prison, Hawkes Bay Regional Prison and Northland Region Corrections Facility
- > Making 800 on body cameras available across prisons
- > Issuing all corrections officers with personalised stab resistant body armour
- > Reviewing processes to ensure we have effective responses to incidents and emergencies
- > Trialling a new, formal incentive and earned privileges scheme in our two youth units. We will learn how this improves prisoners' behaviour and consider rolling it out to all prisons
- > Targeting the causes of prison violence, and ensuring we deal with violence robustly.

Community-based staff

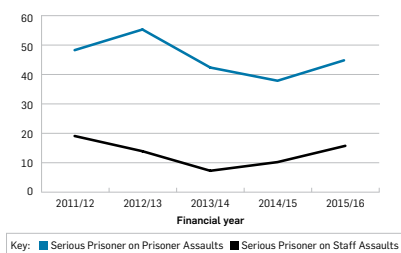


- > Reviewing the challenges of the community work supervisor role and ensuring safety practices and equipment are fit for purpose
- > Reviewing home visits to ensure staff have the training and information they need to stay safe during home visits
- > Developing a high-risk address register and improving the way we share information with partners
- > Conducting a review of communication device options for remote areas
- > Investigating the benefits of on body camera technology for home visits and community work supervisors
- > Upgrading more than half of Community Corrections sites across the country to improve safety, security, and facilities by early 2019.



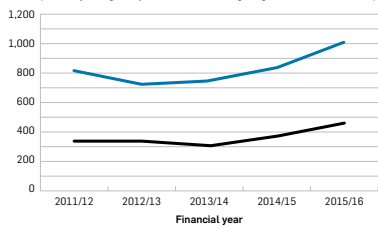
What we know about assaults:

Serious Assaults



Key: ■ Serious Prisoner on Prisoner Assaults ■ Serious Prisoner on Staff Assaults

Non-Serious Assaults
(not requiring hospitalisation or on-going medical treatment)



Key: ■ Non-serious / No Injury Prisoner on Prisoner Assaults ■ Non-serious / No Injury Prisoner on Staff Assaults

Assaults against prison staff

- > Generally are against COs, SCOs, or PCOs
- > Mostly involve a spontaneous punch to the head
- > Often occur at un-lock or lock-up
- > When a weapon is used, it is most likely to be a body fluid.

Assaults against community staff

- > Rarely involve physical violence
- > Mostly involve verbal threats and intimidation
- > Have been reported more as tolerance decreases.

Assaults against other prisoners

- > Are usually premeditated
- > Often occur when prisoners think no-one is watching (eg in a camera blind spot, or if officers are busy elsewhere)
- > Are gang related
- > Involve an improvised stabbing weapon (a shank).



Safety initiatives we've already introduced include:

- > Staff Safety Forums established
- > Random drug testing for frontline staff
- > Prisons introduced pepper spray, slash resistant gloves, tactical communications, and exit training
- > Community sites introduced CCTV, duress alarms, electronic entry, and remote access
- > Improved home visit practices
- > Anti-violence posters
- > Procurement and construction contracts have safety built into them
- > Sites upgraded to include safety features
- > Enhanced recruitment processes and training with stronger safety focus.

- > Sites developed and implemented their own safety plans
- > Personal issue stab resistant body armour
- > Site Emergency Response Team trial at Spring Hill
- > Mental health awareness training
- > Site violence reduction strategies
- > On body camera pilot
- > Smart phones with enhanced safety features for frontline community-based staff
- > Security classification review.

- > Corrections' three-year Staff Safety Plan 'Keeping Each Other Safe', outlines the actions we will take to improve staff safety. The Plan also encourages staff and managers to talk more about safety and implement additional safety-related projects. The plan came out of the review of the Expert Advisory Panel for Staff Safety.



Offenders in the community

Maintaining the integrity of sentences and orders served in the community, and holding offenders to account, is our primary focus while ensuring that staff and service providers who work with offenders are safe.

Around three quarters of offenders serving sentences administered by Corrections serve part or all of their entire sentence in the community. This includes those serving home detention, community detention, a range of other community-based sentences and orders as well as those released from prison on parole.

Corrections monitors offenders on a range of sentences

Corrections monitors on average approximately 36,000 offenders per year on community-based sentences. These range from community work to home detention and extended supervision.

Over 40% of sentences served in the community are for community work where we have an obligation to ensure that work undertaken is meaningful. We partner with hundreds of community organisations to deliver approximately two million hours of labour around New Zealand each year.

In order to service community work, Corrections has 151 Community Corrections sites that are equipped to facilitate community work sentences.

Highlights in the 2015/16 year include preparing the grounds at Te Tii Marae for Waitangi Day celebrations and cleaning up the surrounding properties after the Whanganui River burst its banks.

Corrections has also partnered with the Department of Conservation to help maintain conservation sites, upgrade and maintain tracks and help in the war against weeds across the country.

As an alternative to custodial sentences, the Judiciary can sentence offenders to serve a sentence under Electronic Monitoring (EM). Corrections increased the level of GPS monitoring through the 3M contract to 55% (from 5% previously), providing a greater level of information over a larger amount of offender movements.

Corrections is also responsible for ensuring offenders who have served a custodial sentence comply with any post release or parole condition.

Additional demand created by returning offenders

Recent changes in Australia's visa cancellation policy have resulted in a large increase in the number of offenders being deported to New Zealand after serving a prison sentence.

On 18 November 2015, a supervision regime of offenders who return to New Zealand following a sentence of more than one year's imprisonment in another jurisdiction came into effect. Corrections is responsible for managing this supervision regime including national coordination, and the prosecution and imprisonment of offenders who breach their conditions.

As at 30 June, Corrections staff managed 172 offenders who had been returned to New Zealand since the supervision regime came into effect. All are subject to returning offenders orders (ROOs), imposed by the courts, that allow Corrections to supervise the new arrivals on conditions similar to parole. More than 300 offenders have returned to New Zealand since the *Returning Offenders (Management and Information) Act 2015* came into force. The law change means that Corrections can work with eligible offenders who previously would have returned to the community without the reintegrative support and supervision required to safeguard them and the public.

Sentence types by average number of offenders					
	2011/12	2012/13	2013/14	2014/15	2015/16
Community detention	1,770	1,950	1,719	1,655	1,600
Community work	20,892	17,702	15,825	15,963	15,014
Extended supervision	192	207	218	226	215
Intensive supervision	2,531	2,464	2,381	2,577	2,867
Supervision	7,883	8,243	7,751	7,300	7,597
Home detention	1,469	1,610	1,618	1,557	1,620
Post detention conditions	1,224	1,244	1,329	1,270	1,273
Parole/residential restrictions	2,303	2,360	2,404	2,428	2,301
Post release conditions	3,473	3,350	3,277	3,218	3,581
Compassionate release	0	0	1	1	2
EM bail	–	–	–	161	430
Returning offender orders	–	–	–	–	172*

* An average number has not been used as Returning Offender Orders only came into effect in late 2015. Consequently numbers are stated as at 30 June 2016.

Corrections funds Auckland Prisoners' Aid and Rehabilitation Society (PARS network) to provide support to offenders released from New Zealand prisons, and increased that funding by \$200,000 to support the increase in workload. The funding is used to provide support, which ranges from guidance for applying for a benefit, applications for identification documents and bank accounts, to immediate needs for shelter, food and healthcare.

The services are voluntary and returning offender deportees can choose to take the help or not. Many of the returned offenders will have very little or no support networks within New Zealand.

Re-offending among offenders serving sentences in the community

Re-offending in the community while on a sentence or order may occur. In 2015/16 the rate of re-offending within the 12 month follow-up period, resulting in a reconviction, was at 28%. The reduction in the rate of offenders who committed a new offence while under a home detention sentence was at 7.3%, for offenders on parole it was 19.9%, and for offenders who started a community sentence or order, then committed a new against-the-person offence during the following period of management it was 10.1%. These results are not at our target levels, reflecting the challenges of this year, and efforts are ongoing to improve the management of these offenders. Overall, 82% of community-based offenders complied with their sentences and orders in 2015/16 and 90% of those who did not were held to account.

To aid our probation staff in helping offenders, Corrections has identified Standards of Practice

Ensuring that community-based offenders adhere to the conditions of their sentences or orders and are held to account if they fail to do so is the responsibility of Corrections' approximately 1,060 probation officers. 'Being held to account' may range from a warning, through to being issued with a breach (which may result in imprisonment).

We ensure a quality service by setting robust Standards of Practice for the management of offenders in the community, which focus on achieving optimum outcomes for offenders while holding them to account for non-compliance with their sentences or orders, and ensuring completion of sentences. These new standards form part of an Integrated Practice Framework, in which not only minimum standards but layers of quality are described and evaluated. This allows Corrections to acknowledge quality of practice that is over and above the standards, and to give staff and managers constructive feedback is an important feature of the framework.

Cases managed under the Practice Framework will continue to be subject to regular monitoring by the Quality and Performance and Chief Probation Officer teams. This will include ongoing analysis of results in order to identify areas of strength and opportunities for practice improvement. Targeted practice reviews and quality audits are also undertaken to ensure high-risk sentences and orders are meeting compliance and quality practice standards, and that improvement opportunities are maximised.

Electronic monitoring of offenders

Corrections make use of proven electronic monitoring technology to enhance our management of offenders.

Electronic monitoring (EM) allows individuals to be tracked in their homes and in the community. There are two types of technology used for electronic monitoring: Radio Frequency (RF) sets up an electronic boundary to manage curfew-based sentences such as community detention; and Global Positioning System (GPS), which allows for real time tracking of movements and the establishment of exclusion zones (areas where someone is not allowed to be), and can also be set to monitor curfews. GPS is used primarily for people serving home detention, and those subject to EM conditions as part of their parole or extended supervision order.

EM devices (trackers) are attached around an offender's ankle on a strap, and assist Corrections to monitor compliance with their sentence or order. EM tracks that an offender remains at home if they are under a curfew, that they do not go into certain areas if that is a condition of their release, and that they are at their proper place of work while on a community sentence. EM is also used for minimum security prisoners who have been granted temporary release from prison to undertake paid work.

EM strengthens Corrections' ability to enforce the conditions of sentences or release orders. It does not replace regular visits to Community Corrections sites, or visits by a probation officer to an offender's home; neither does it replace regular contact with an employer to confirm if an offender has attended work. It simply adds an extra level of assurance, and provides information to a probation officer to better understand a person's movements.

EM is one part of the tool-kit that probation officers use to manage offenders, which also includes regular risk assessments, rehabilitation programmes, other programmes focused on delivering employment and education outcomes, positive community support and one on one meetings with the offender. In certain circumstances, details provided by EM can help police to track an offender if their movements place them at the scene of a crime.

Corrections has used EM since 1999 when a pilot for home detention was undertaken. Up until 2012 Corrections used only RF technology; at this point we introduced GPS technology for a small number of offenders subject to EM as part of their management in the community. In 2015 we transitioned to the use of GPS for home detention and offenders on parole with an EM condition. New Zealand is now one of the single biggest users of GPS technology in a corrections jurisdiction, with countries such as England beginning to convert their RF technology to GPS.

The types of devices that we use are also used in 40 jurisdictions across Europe, the US and Asia. The company 3M is our supplier with over 200,000 offenders worldwide fitted with an EM device. The strap used to hold the device on the ankle must meet health and safety standards, which means that it can be removed in an emergency. This is a common standard across comparable jurisdictions.

Corrections works with other agencies when using EM

Corrections does not decide who gets to wear EM anklets. The court will decide if EM is appropriate for a community detention or a home detention sentence. The court may also impose an extended supervision order (ESO), however it is the Parole Board that imposes any special conditions attached to it, including EM. For electronically monitored parole restrictions, it is the Parole Board that may make it a condition of a prisoner's release.

Corrections also has a staff member dealing with EM at Police headquarters, to ensure that communication between the two agencies is fast and efficient.

Electronic monitoring improves our ability to hold offenders to account

The trackers receive GPS signals sent to them from satellites, which pinpoint the offenders location. This information is passed on to the monitoring centre through the cell phone network.

All offenders on EM are monitored 24/7 and the centre monitors around 4,000 offenders on EM sentences and orders, and on EM Bail. It provides additional monitoring support for a small group of higher-risk offenders, those subject to EM conditions on parole and ESOs.

The information that the monitoring centre and response team receives is matched against an offender's release conditions. If the tracker shows a breach then the monitoring centre and/or response team are alerted, who in turn contact the appropriate probation officer for action. This may include a police response.

In August 2015, Corrections enhanced its response if an offender tampers with their tracker. If a strap tamper occurs, 3M must take action within 60 seconds of the alert being activated. For all alerts that require a field officer to be dispatched, this must be done within 10 minutes of receiving the alert. On receipt of a dispatch the field officer will travel directly to the location. If the field officer finds that the offender has absconded, 3M will notify Corrections immediately, who will then notify police.

For the higher-risk offenders (around 200) 3M now contacts the Department's GPS Immediate Response Team. This response is proportionate to the type of incident and the nature of the sentence being served. This can include direct escalation to police, dispatching a field officer, making contact with the offender or a combination of these.

Offenders on the highest level of sentence in the community are on ESOs. These offenders are subject to intensive monitoring conditions and a small group are monitored 24 hours a day by live in staff at their accommodation with EM trackers worn. Offenders on an ESO without intensive monitoring but with EM are subject to a range of special conditions and rigorous oversight from their probation officers.

Offenders serving a sentence of home detention in their house have regular visits from probation staff as well as wearing trackers, and their risk is generally lower.

As at 30 June 2016:

- > 1,629 offenders were on community detention with EM
- > 1,603 were on home detention with EM
- > 448 were on EM Bail
- > 142 were on temporary release from prison with EM
- > 105 were on parole with EM
- > 94 were on extended supervision orders with EM

The average length of time these offenders were on EM was 3 years and 55 days.

Breaches while on EM

EM trackers set off an alarm in the monitoring centre if an offender has failed to charge the batteries of a GPS tracker, or if they attempt to cut or interfere with the anklet strap. If the offender is considered high-risk, the GPS Immediate Response Team will send out a field officer or the police, and will alert the probation officer immediately.

Altogether, 93.2% of these incidents were responded to within timeframes set by Corrections to ensure a prompt response. These incidents, both serious and non-serious, are recorded as breaches of electronic monitoring.



At any one time Corrections monitors around 4,000 offenders on EM. Approximately half to one percent (0.5% – 1.0%) of these offenders (including those on EM Bail) may have illegally removed their trackers and absconded (this equates to between 20 and 40 individuals).

As at 30 June, 15 offenders had absconded and were being sought by police.

Looking back over 2015/16

During the 2015/16 year, 13,499 offenders were monitored on EM for all or part of the year. 97.1% of these offenders did not remove their tracker during the course of their sentence or order. When excluding those offenders managed under EM Bail this level of compliance increases to 98.2%.

Offenders monitored under EM Bail pose a higher level of complexity (compared with other EM monitored sentences) for the Department to manage. As part of the application process for EM Bail, the Department will submit an EM Suitability Report to court and often recommend that an offender is unsuitable for EM Bail monitoring. The final decision on sentence is made by the court. During 2015/16 two thirds of offenders on EM Bail who removed their tracker and absconded were not recommended as suitable by Corrections.

Notwithstanding the marginal level of non-compliance (tracker removal) with the conditions associated with EM, the performance results demonstrate that the use of EM is an effective alternative to more costly custodial sentences. If it was not for these sentence and bail options, as many as half of those electronically tracked would be on a custodial sentence. The use of EM also enables Corrections to work with these offenders in the community where rehabilitation outcomes achieved can be more effective than that which could be achieved if the offender was given a custodial sentence.

There were 108 offenders serving ESOs under EM in the community, with three having removed their EM tracker in the ten months from August until June this year (the period for which removal figures are available). EM was also in place for 268 offenders on parole, with 11 of these having removed their EM trackers across the same period.

In this period, 171 tracker removals were by offenders on home detention, and 41 by offenders on community detention, making a total of 226 offenders serving Corrections managed EM community-based sentences who removed their trackers.

There are a range of consequences for breaches, from bail being cancelled and the offender moved into custody on remand, through to the cancellation of their community-based sentence and replacement by a prison sentence, or recall to prison for those subject to parole.

The overall performance results for offenders serving sentences with EM conditions for the 2015/16 year were:

- > Only 3.5% of offenders on EM were reconvicted of a new offence while still serving their sentence under EM conditions (that is, the offence and the entering of a conviction and sentence occurred during the period when the EM conditions were in effect).
- > 10.0% of offenders on EM were reconvicted of a new offence committed while under EM conditions but where the conviction and sentence was entered either during the period when the EM conditions were in effect or was entered in the months after the end of the sentence.

We hold 3M to high standards of performance

The contract that Corrections has with 3M has performance standards in it. For example, each month, 95% of equipment is required to be free from defects and operating as designed. In 2015/16, 99.2% of equipment was free from defects in each month, well above the level required in the contract.

A total of 87.5% of performance standards have been met or exceeded for 2015/16. Standards not met related to time frames around checks to ensure that locations for offenders in the community were feasible, through to response actions and installations of trackers. Penalties were applied for failed standards.

Managing offenders on EM requires at least 5,700 pieces of equipment to be operating effectively every month. A process that involves the production and distribution of complex electronics will involve some instances of defects, and a system involving the real time monitoring of around 4,000 offenders will experience some level of disruption from time to time.

EM provides a level of assurance that enhances the work of our community probation staff to ensure that offenders adhere to the conditions of their release and sentences.

It does not replace the personal intervention of our staff to monitor offenders in the community, but it does improve offender management because it shows where the offender has been between visits to Community Corrections sites, as well as their whereabouts at other times.

Any breaches are taken seriously, and we are working well with 3M and police to hold any offender to account who tampers with their tracker or absconds.

During the 2015/16 financial year no performance notices were issued to 3M.

Corrections will continue to test the use of new technologies to strengthen its ability to monitor offenders in the community, with the success of EM being part of this process.

EM Bail

EM Bail is a form of bail that people remanded in custody while awaiting trial or sentencing can apply for. The remanded person can apply to the courts for EM Bail as often as they like.

Those on EM Bail are not under a sentence managed by Corrections, as they are still progressing through the court process and are awaiting a conviction or sentence. Corrections will make recommendations as to whether a person should be monitored on bail, but the decision rests with the judge.

Corrections' monitoring role is simply to ensure that the person on bail meets their movement conditions, and we contact police if they do not.

Corrections assists with the EM Bail application process by interviewing the defendant and assessing them for suitability. Corrections also assesses the prospective residence and checks for suitability for EM, and will also interview the other occupants of the residence to gain their consent and assess their ability to support the defendant.

Corrections submits its EM Suitability Report to court as part of the application for EM Bail. Corrections may recommend that someone is unsuitable for EM Bail for a range of reasons, including previous non-compliance or if the occupants of the residence have not given their consent. However, it is the judge who determines whether someone is granted EM Bail, not Corrections.

If someone is granted EM Bail they may have a number of bail conditions they must adhere to, such as abstinence from alcohol or drugs, or not contacting victims and witnesses. Police are responsible for the person on EM Bail and ensuring that they meet their bail conditions.

Corrections supports police with EM Bail by providing the EM component. EM bailees are monitored by 3M as with other offenders on EM sentences and orders. Corrections provides support for the monitoring of any approved absences for defendants on EM Bail.

As at 30 June this year 448 bailees were on EM Bail, and 19 had absconded and were being sought by police.

The EM Assurance Team

Provides oversight and support within the Electronic Monitoring space, enabling a broad view of practice that is informed by operational experience and specialist GPS understanding. As well as technical support, the EM Assurance Team provides a higher-level view to generate improvements throughout Corrections' electronic monitoring.

Offenders subject to Electronic Monitoring as at 30 June 2016:

- > 1,629 offenders on community detention sentences
- > 1,603 offenders on home detention sentences
- > 448 offenders on electronically monitored bail
- > 142 offenders on temporary release from prison
- > 105 offenders on electronically monitored parole
- > 94 offenders on extended supervision orders

3M

Provides and installs EM anklets and home beacons, and operates the Monitoring Centre that receives alerts from these devices.

Corrections EM staff

Receive alerts from the 3M Monitoring Centre, assess these alerts and determine appropriate responses.

Probation officers

Respond to alerts generated by offenders that they manage, and liaise with EM staff to ensure that informed decisions are made during non-working hours.

Police

Are contacted when deemed appropriate, to apprehend offenders regarded as posing an imminent risk to public safety or in regard to breaches of EM.

Immediate Response Team

- > Monitors approximately 200 offenders, who are deemed to be at high-risk of re-offending and endangering public safety.
- > Primarily uses GPS monitoring technology, to precisely track the location of offenders.
- > Provides 24 hour proactive monitoring of these offenders, regularly checking their locations and rapidly responding to alerts.
- > Escalates directly to police when alerts cannot be promptly resolved.

Standard EM

- > Monitors approximately 3,000-3,500 offenders, who are deemed to pose a low to medium-risk to public safety.
- > Uses a combination of radio frequency (RF) and GPS technology, to track an offenders' proximity to an RF beacon or their precise location.
- > The monitoring team responds to alerts, which are generated when an offender strays from prescribed times and locations.
- > Escalation is at the discretion of the monitoring team, responses can begin by contacting the offender or their probation officer, and will only be escalated to police when deemed to pose an imminent risk to public safety.

The Judiciary and New Zealand Parole Board

Corrections works with the Judiciary and New Zealand Parole Board (NZPB) to ensure that they make informed decisions that reflect the risks and issues posed by the offenders that we manage.

Our advice is based on the institutional knowledge that we hold about offending behaviour, and on our individual assessments of offenders that we have worked with through our case managers and probation officers.

The first priority is maintaining and improving public safety, followed by promoting rehabilitation to contribute to reducing re-offending. In line with these, Corrections provides advice and documentation to support assessments, helping them to make decisions that are appropriate for the individual circumstances of each offender.

Continued focus on public protection

Corrections is involved in the drafting of legislation and, when passed, enacting changes that will further enhance public safety.

Public protection orders facility at Christchurch Men's Prison

A secure facility to house offenders subject to public protection orders is being built on the grounds of Christchurch Men's Prison. Public protection orders are imposed for offenders who have reached the end of a prison sentence, but who are regarded as being at imminent risk of serious sexual or violent re-offending. One offender was being held under an interim detention order at the end of the 2015/16 financial year.



Legislation that was enacted in the 2015/16 year

Returning offender orders

The *Returning Offenders (Management and Information) Act 2015* enables Corrections to manage and monitor certain offenders returning from overseas.

The supervision regime applies to eligible offenders who have served a term or terms of imprisonment of more than one year in another country. The law applies regardless of whether the offender is deported, removed or returns voluntarily.

This means that Corrections is able to work with offenders who previously would have returned to the community without the reintegrative support and supervision required to safeguard them and the public.

Corrections staff are part of the multi-agency contingent that meets returning offenders upon their arrival in the country. We work alongside Customs, NZ Police, the Ministry of Social Development, the Ministry of Health and reintegration support organisations to ensure that returning offenders understand what is required of them under their supervision order and where they can get help.

Corrections is responsible for managing the supervision regime once each individual has been processed at the airport. The supervision is similar to parole conditions and requires offenders to report as instructed to their probation officer. It is our role to ensure that sentences and orders are managed appropriately, and to see that offenders have access to reintegration support.

Child Protection (Child Sex Offender Government Agency Registration) Act 2016

On 14 September 2016, the *Child Protection (Child Sex Offender Government Agency Registration) Act 2016* received Royal Assent, after completing its third reading in Parliament on 8 September. The legislation will commence on 14 October 2016. This act will require offenders convicted of a qualifying sexual offence against a child to register a range of personal details for specified periods of time.

The register will see NZ Police and Corrections working together to share relevant information. This will enable better approaches to joint offender management and appropriate responses to changes in risk factors.

The register will provide the first nationally coordinated body of up-to-date information about offenders living in the community. All registered offenders, when residing in the community, will be required to provide a range of personal information to the register, administered by NZ Police with support from Corrections. The information must be updated either annually or when their information or circumstances change.

Electronic Monitoring of Offenders Legislation Bill

A bill that will amend the *Sentencing Act 2002* and *Parole Act 2002* received Royal Assent on 23 September 2016, to remove the legislative constraints on the use of electronic monitoring. The legislation will commence at the end of October 2016. The changes will enable courts to impose electronic monitoring (using GPS technology) as a condition of release from a prison sentence of less than two years and, where required, for a sentence of intensive supervision.

Bills that are still being considered by the House

Drug and Alcohol Testing of Community-based Offenders and Bailees and Other Persons Legislation Bill

Parliament is considering a bill to allow drug and alcohol testing of offenders on community-based sentences (when they are subject to conditions prohibiting consumption or use). The bill will enable Corrections and NZ Police to require selected offenders, bailees, and other individuals, who are subject to abstinence conditions, to undergo drug or alcohol testing.





❖ Re-offending is Reduced

Reducing re-offending is our ultimate goal.

Reducing the rate of re-offending

Reducing re-offending is at the heart of what Corrections does. It is a theme being tackled by justice systems around the world, however no other country has attempted or achieved the target that New Zealand has set.

We are invested in providing safer communities through rehabilitating offenders and reducing re-offending

Contributing to Better Public Services

Our work across the Justice Sector is vital to making a difference for New Zealanders. As part of this we have an ongoing focus on delivering the Government's priorities for better public services.

In line with this, we contribute to the cross-government effort to achieve the target for Better Public Services Result 8. Result 8 is to "reduce re-offending by 25% by June 2017". This means 4,600 fewer offenders returning each year, and around 18,500 fewer victims each year.

Effective rehabilitation of offenders

Corrections has a comprehensive and well-designed conceptual framework for achieving reductions in re-offending rates, primarily through the rehabilitation of the offenders that we manage. Around \$176 million was spent in 2015/16 on services to rehabilitate and reintegrate offenders.

This financial year Corrections have managed over 60,000 offenders, each of whom presents with a unique combination of risk and needs. While it is not feasible or effective to provide rehabilitation to all offenders, the information that Corrections holds enables evidence-based interventions to be delivered where they are most needed and most likely to succeed in turning an offender's life around.

Evidence based interventions and programmes that work

The programmes and interventions delivered by Corrections address the full range of problems, difficulties and circumstantial issues known to drive offending and re-offending. The main elements include:

- > violence propensity
- > drug and alcohol dependence and abuse
- > pro-criminal thinking patterns
- > low self-control
- > criminal associates
- > sexual deviance
- > alienation from one's cultural roots
- > low literacy
- > lack of employment skills
- > housing and financial difficulties.

Interventions delivered by Corrections are grounded in research and evidence of effectiveness because we are able to accurately evaluate the extent to which individual rehabilitation programmes are successful (refer to p50). As a result, we are able to make well informed decisions on where we put our resources and money to ensure we work towards the goal of reducing re-offending.

How will we know we are achieving the result?

Corrections has a range of measures that show performance towards the goal of reducing re-offending. A measurement methodology known as the Rehabilitation Quotient gauges the extent of each intervention's success in reducing re-offending, by comparing rates of reconviction and reimprisonment amongst offenders who received the intervention against the rates recorded for offenders who have an equivalent level of risk but no exposure to the intervention.

Measuring the seriousness of re-offending

Since 2011/12, Corrections has been able to measure the seriousness of re-offending. The figure for this is derived from the Ministry of Justice's Seriousness of Offences Scale*, which assigns a numeric score for every criminal offence; for example, murder has a seriousness score of 10,000, while a minor theft offence has a seriousness score of 70.

In 2015/16 the seriousness figure for prison releases was 358.4, while for community-based sentences it was 176.1. Both of these are slightly above target.

* For more details, search <https://www.justice.govt.nz/>

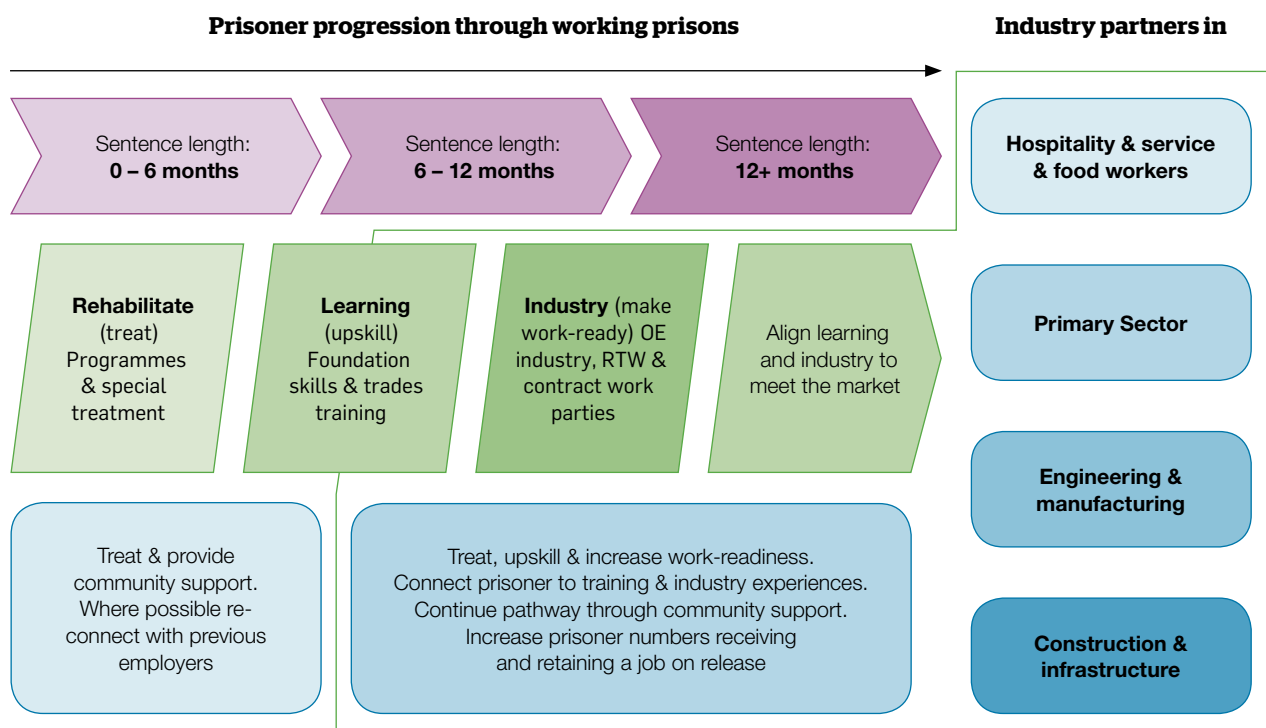
Industry, Treatment and Learning programme

Industry, Treatment and Learning is based on a structured environment where all prisoners take part in some form of work, education or rehabilitation programme. They provide offenders with the skills and opportunities that they need, to take greater control of their lives.

Industry, Treatment and Learning (ITL) has been growing and evolving since the initial implementation of the working prisons pilot at three prisons in 2012. In 2015/16, Corrections completed implementation of the ITL framework in all public prisons.

Under this framework, every eligible prisoner is engaged in education, training, employment programmes or constructive activity as part of a structured 40 hour week. There is no 'standard' day at a prison as each prisoner's day is targeted towards their individual needs – whether that is studying towards qualifications, learning a trade or attending rehabilitation programmes. Whatever their day looks like, most prisoners in ITL prisons are active for 40 hours of every week.

Corrections has also entered into partnerships with multiple employers, to provide job opportunities for prisoners. Jobs can help prisoners lead crime-free lives when they are released. As well as making an offender less likely to re-offend, a job is also good for the families and communities that offenders are part of.



Industry

Assisting offenders to gain meaningful and fulfilling employment can be central to breaking the cycle of re-offending. International research has shown a positive link between the stability, income, and satisfaction gained from work and a reduction in an offender's likelihood of re-offending. Employment can provide structure and purpose in a person's life, and can cement an offender's transition to a sustainable and law abiding lifestyle.

The following outcomes make up Corrections' framework for offender employment:

- > forming a pathway to stable, real jobs on release
- > representing the most cost effective way for offenders to gain experience and skills
- > avoiding unacceptable risks to public safety.

Offender employment includes the delivery of vocational training and on the job training, that may lead to qualifications and work experience to build the work ethic, knowledge and experience needed by employers.

A vital link exists between the ITL framework and our offender employment strategy. A prison that has the ITL framework is characterised by a structured environment where all prisoners are engaged in some form of rehabilitation, learning, industry or other purposeful activity.

We know that reimprisonment rates are positively influenced when prisoners are guided through a progressive pathway of rehabilitation, learning and industry.² Our offender employment contributes by providing real experiences for prisoners to be work-ready on release. Securing employment is a protective factor in reducing the likelihood of re-offending, and reimprisonment rates may be further reduced when prisoners are assisted into a job on release.³

Results in offender employment are positive for the 2015/16 financial year, with reductions in re-offending recorded for all forms of offender employment. The best performers in the 2014/15 financial year were engineering and community services, and for the 2015/16 financial year there were excellent results for community services, farming and horticulture as well as food preparation, maintenance and cleaning.

Whare Oranga Ake

One of Corrections' successful programmes is Whare Oranga Ake, which uses a kaupapa Māori environment to help prisoners train for employment, find work, find accommodation on release and form supportive networks with iwi, hapu and community organisations while strengthening their cultural identity. The service is based in two 16 bed units at Hawkes Bay Regional Prison and Spring Hill Corrections Facility. Both units are located outside the prison's perimeter fence.

Release to Work

Release to Work is when a prisoner is granted temporary release from prison, in order to take part in paid employment. There are understandable risks involved in this, as there are whenever an offender is allowed outside of a controlled environment and extensive screening and preparatory work is done in every case to minimise risks. When Release to Work takes place, it can play a fundamental role in developing the habits, skills and capabilities for an offender to live a stable, sustainable and law abiding lifestyle following the end of their sentence.

Release to Work has continued to show positive results, with the most recent Rehabilitation Quotient results showing that participating offenders are 4% less likely to be reimprisoned and 3.7% less likely to be reconvicted.



² Based on 2015 RQ results giving cumulative impacts for offenders completing offender employment, trade & technical training, and a Drug Treatment Unit.

³ Based on 2015 RQ results for Release to Work.

Treatment

Before offenders can take part in on the job training or Offender Employment, the underlying causes of their offending behaviour need to be treated. This can include managing dependence on alcohol or drugs, addressing gaps in an individual's education or qualifications and addressing aspects of attitude or habit that contribute to anti-social behaviour. Rehabilitative treatment addresses the reasons for a person's offending in order to reduce their chances of re-offending in the future, rather than simply punishing offences after an offence has been committed.

International research shows that re-offending is not reduced simply by incarcerating offenders or increasing the length of sentences. Well designed and delivered rehabilitation programmes and reintegrative activities can have a real impact on re-offending.

During 2015/16, Corrections continued its RR25% Boost strategy, to intensify efforts to achieve our target of reducing re-offending by 25%, and by focusing on preventing crime.

RR25% Boost focuses on offenders with sentences less than 2 years. Corrections received \$6.5 million of funding from the Justice Sector Fund, which contributed to the development and establishment of the Work and Living Skills and road safety interventions, and the continuation of the Out of Gate Post Release Support initiative.

We need to reduce alcohol and drug abuse

Research shows a clear link between alcohol and drug use and crime. Around half of New Zealand prisoners have substance abuse problems, and over 50% of crime is committed by people under the influence of alcohol or other drugs.

In order for offenders to build stable and law-abiding lifestyles, it is essential that these issues are addressed, managed and, if possible, resolved.

In 2015/16, Corrections set an annual target of delivering alcohol and drug treatment to 4,774 prisoners. During 2015/16, 6,413 prisoners (including drug treatment unit) received a brief, intermediate or intensive alcohol and drug treatment programme.

Corrections has Drug Treatment Units (DTU) in selected prisons. The DTU are a live-in therapeutic environment for prisoners with alcohol and drug related issues. The DTU teaches prisoners about addiction, change, relapse and the effects of their actions upon others. The aim of the programme is to reduce re-offending by assisting programme participants to address their dependence on alcohol and other drugs.

The six month version of the DTU has shown positive results in the 2015/16 financial year, with reductions in rates of both reconviction and reimprisonment.

There is also a three month version of the DTU for prisoners serving shorter sentences, as well as an eight week intensive treatment programme available in select prisons.

Corrections has been allocated \$8.6 million in funding over three years, commencing in 2015/16, for the Alcohol and Other Drug Aftercare package. One of three components of this package is the Alcohol and Other Drug Aftercare Worker Pilot, providing graduates of the DTU with ongoing support for six to twelve months from an Alcohol and Other Drug Aftercare Worker employed by the provider and based at the prison.



Special Treatment Units

Special Treatment Units (STUs) offer high-intensity⁴ offence-focused psychological interventions, delivered by appropriately qualified staff in accordance with the programme design, goals, theoretical basis and supporting research.

STUs perform at close to optimal levels. STUs have seen a reduction in reimprisonment for the fourth year in a row, and the reduction in the rate of reconviction (i.e. re-offending resulting in either prison sentence or a community sentence) is the highest seen. Achieving reductions with the most challenging group of offenders that we manage (very high-risk violent offenders serving long prison sentences) continues to place this programme on par with the best programmes of its type in the world.

High-Risk Personality Programme

The High-Risk Personality Programme works to engage some of the most challenging offenders in the rehabilitative process, offenders who may be excluded from other programmes due to aggressive behaviour, high levels of risk or maximum security classifications.

The programme was updated in 2014 and is delivered in three phases, first aiming to safely engage an offender in the programme, second to explore ways for the offender to better regulate their behaviour, and third to build a more adaptive sense of self and identity. A number of participants in the programme have moved from high-risk to low or medium, and staff have reported a range of positive outcomes for offenders who had previously had minimal engagement in the rehabilitative process.

Programmes for high-risk youth offenders

High-risk youth offenders typically present with complex needs that require intensive intervention and multi-disciplinary involvement. The Mauri Tu, Mauri Ora programme was designed by Corrections in 2014 with this in mind and is being jointly piloted by Corrections and Child, Youth and Family. This programme is a specialised and intensive programme delivered and directed towards high-risk offenders aged between 16 and 20 years. The programme is grounded in well-established and researched theories and is in line with best practice. The programme draws on evidence-based interventions to address particular issues for programme participants.

The programme is divided into three broad phases. The first is induction, including pre-programme assessment and a 'starter group' to prepare new participants; the second is the core programme; and the third is a transition phase to assist participants to move beyond the Youth Unit and/or return to the community. The programme is designed to work within the context of a structured day, which includes therapy, education, employment, recreation, cultural activities and reintegrative opportunities.

The number of youth offenders aged between 16 and 19 years at 30 June 2016 was 344.

We also identify prisoner pathways

Ensuring that prisoners have an individualised pathway of rehabilitative and reintegrative interventions, aligned to their individually assessed risk and identified needs, is the responsibility of Corrections case managers who are situated within each of our prisons. We have set Standards of Practice as a minimum for the quality of service provided, which form part of the greater Case Management Integrated Practice Framework.

⁴ High Intensity refers to interventions that include social and behavioural interventions that occur alongside a core 300 hour group treatment programme.



More rehabilitation that works

Delivering effective rehabilitation programmes to 7,855 additional offenders per year is a key focus for Corrections. Programmes include the Short Motivational Programme, the Young Offenders Programme and the Medium Intensity Rehabilitation Programme. As a result of the RR25% Boost strategy, we have been able to provide more of these programmes and target additional groups of offenders that may otherwise have missed out. This year we have achieved the following:

- > Nearly 150 young people in the community took part in programmes targeted at addressing their specific needs. The target was set at 84.
- > Over 4,000 prisoners and community-based offenders received a rehabilitation programme from the medium intensity suite. This was 86% above target.
- > Over twice as many prisoners received end-to-end case management. This was an increase of 42% compared to 2014/15.
- > The overall number of interventions delivered under this area was above 18,000, well in excess of the target of 9,691.

Assessing our programmes and interventions

The Rehabilitation Quotient (RQ) indicates the extent to which re-offending is reduced by comparing rates of reconviction and reimprisonment amongst offenders who completed a rehabilitative intervention, with the rates observed amongst similar offenders (matched according to a range of risk-related factors) who had no involvement.

RQ scores are calculated separately for programmes delivered in prison and in the community. Results for the most recent annual analysis of outcomes are presented in the table opposite. These results are for interventions involving prisoners released within a 12 month period ending on 31 March 2015, and offenders who completed a programme while on a community sentence within the same 12 month period (ending on 31 March 2015). The follow-up period, during which any new offending is counted, is 12 months from the date of each individual offender's prison release, or twelve months from the date of programme completion for those on a community sentence.

RQ scores in the right-hand columns are percentage-point changes in rates of either reimprisonment or reconviction, indicating differences between "treated" and equivalent "untreated" offender groups. As such, a reimprisonment score of -10.0 would indicate that if the rate of reimprisonment among untreated offenders was 35%, the corresponding rate for matched offenders who have completed would be 25%.

In the table of results opposite, darker shading indicates that the difference between treated and untreated offenders was statistically significant at the 95% level. The lighter shading indicates statistical significance just below the 95% threshold, where a programme effect is considered highly likely.

A number of observations can be made regarding the figures in the table. Firstly, reductions in reimprisonment and reconviction rates are recorded almost uniformly for the interventions evaluated, which is a good outcome. This general trend of results being almost entirely in the right direction supports confidence in the general positive impact of our wider rehabilitative and reintegrative efforts. Further, around a third of these reductions are statistically significant or approaching significance.

Interventions in prisons	Reimprisonment	Reconviction
Offender employment, average across programmes*	-3.8	-4.7
Special Treatment Unit Rehabilitation Programme	-12.3	-16.0
Child Sex Offender Special Treatment Unit	-4.5	-5.2
Medium Intensity Rehabilitation Programme	-4.4	-6.0
Drug Treatment Unit (6 months)	-5.0	-7.9
Drug Treatment Unit (3 months)	-3.5	-1.4
Kowhiritanga	-4.0	-5.8
Mauri Tu Pae (Māori Therapeutic Programme)	-2.4	-2.1
Saili Matagi	-1.5	-3.4
Short Motivational Programme	-1.3	-6.0
Short Intervention Programme	-1.2	-1.7
TEC delivery/industry training	-4.5	-4.0
Release to Work	-4.0	-3.7
Out of Gate	-4.0	-0.5
Whare Oranga Ake	-3.4	-6.1
Interventions in the community	Reimprisonment	Reconviction
Medium Intensity Rehabilitation Programme	-2.7	-5.4
Short Motivational Programme	-4.3	-3.0
Short Rehabilitation Programme	-3.8	-3.6
Alcohol and Other Drug Programme	-2.3	-5.5
Alcohol and Other Drug (residential programme)	-3.5	-4.3

* Offender employment is broken down into different employment types (engineering, timber, construction and so on). The figures here are the average effect across the multiple offender employment programmes.

Learning

Offender education and training

Corrections is committed to supporting offenders to engage and progress in education and training. Evidence demonstrates that participation in quality education can help reduce the likelihood of re-offending, and support overall improved outcomes for individuals, their whānau and communities.

To further help realise the rehabilitative potential of education and training, Corrections introduced a number of changes to how offender training and education is understood and delivered. In particular, Corrections has worked to develop each prison's capability and capacity to better understand and address each offender's education and training needs. This includes working more closely with prisoners to develop a learning pathway that is responsive to their individual needs and aspirations.

In addition, Corrections has sought to more effectively integrate culturally responsive approaches within education service delivery, to ensure that identity, culture and language are treated as core strengths that work to improve both engagement and achievement.

To increase opportunities for prisoner progression, we have continued to work with our education service partners to extend the suite of education and training programmes and qualifications available in prisons.

This remains a future focus of our work, as ensuring a diversity of education and training options is crucial for improved educational and employment outcomes within a dynamic labour market.

The Learning Pathway

In July 2015 Corrections implemented a new Education Assessment and Learning Pathway Process, to better identify prisoners' education and training needs and create a plan for their education and employment progression.

In addition to addressing offenders' literacy and numeracy needs, this process allows for Corrections and prisoners to gain a more comprehensive understanding of their education and training needs. This helps connect prisoners to those services that will be most effective for them in the future.

To support the above, in 2015/16 Corrections recruited 10 full time education tutors, resulting in the delivery of over 6,000 Education Assessments within prisons and 4,769 Learning Pathways.

Intensive literacy and numeracy

During 2015/16 we redesigned the literacy and numeracy support provided to prisoners, to be more intensive and to align with services that are available in the community. This included increasing the prioritisation of prisoners identified on the Adult Literacy and Numeracy Progressions as having the highest need.

As part of the redesigned services, we have placed a greater emphasis on ensuring Māori world-views inform curriculum design and delivery.

Te Wānanga o Aotearoa was successful in securing a national contract to deliver these services, with the Methodist Mission being successful for delivery in Otago Corrections Facility. In 2015/16, 961 Intensive Literacy and Numeracy Interventions were delivered to prisoners, and up to 1,300 will be made available each year in the future.

Secure Online Learning

In August 2015 Corrections launched Secure Online Learning (SOL), which gives prisoners access to a range of online educational resources. These services aim to provide prisoners access to more study options, and help future-proof prison-based education delivery as education progresses further towards electronic learning platforms.

At present, prisoners are able to access online services in the areas of literacy and numeracy support, digital literacy, driver licence theory, job searching and preparation and Te Reo. This year, 959 prisoners have taken part in SOL.

In 2016/17 Corrections will undertake further work to extend SOL to the three remaining prisons, and to increase the range of services available through SOL. This will mean providing access to a wider variety of life skills training, information on community services and tertiary-level qualifications.

Vocational and industry training

Corrections remains committed to providing offenders with access to vocational and trades training that supports prisoner transition into employment. In 2015/16 some 4,628 qualifications were awarded to prisoners, a 25% increase from 2014/15 levels.

We have particularly focused on increasing the number of higher level qualifications achieved by prisoners in the areas of trades and technical training, as these are generally in higher demand from employers. For example, level three trade qualifications grew from 645 in 2014/15 to 1,216 for 2015/16, an increase of 89%.

To improve the effectiveness of industry training, we have continued to support our staff to achieve the National Certificate in Adult Literacy and Numeracy Education (Vocational) Level 5, allowing literacy and numeracy to be embedded as part of a prisoner's industry training. To date we have supported over 170 staff to achieve this qualification.

We continue to work with our partners the Tertiary Education Commission and education service providers, to develop the mix of qualifications available in prisons. This will help to ensure that the right education and training pathways are available for prisoners, allowing them to gain the skills needed for employment and community reintegration.



Partnering with iwi and community groups

Following a successful pilot programme, the Te Ihu Waka framework for Tikanga Māori programmes delivered in prisons and communities will become standard practise from July 2016. Te Ihu Waka is a culturally responsive framework, which has been developed in consultation with providers of earlier Tikanga Māori programmes and makes use of Māori philosophy, values, knowledge and practices to motivate offenders to address the underlying causes of their offending behaviour.

Corrections has exceeded its 2015/16 target of delivering 4,301 interventions through partnerships with iwi and community groups. This includes young Māori community-based offenders receiving reintegrative support. This level of delivery sets a basis from which to improve our performance in 2016/17, and to work towards delivering more interventions that work.

All community-based offenders are in contact with probation staff which gives all community-based offenders the chance to complete an intervention.

Corrections plays a vital role in ensuring that community-based offenders are given the opportunity to complete effective interventions and develop work and living skills.

Our Work and Living Skills interventions play an integral role in efforts to reduce re-offending. Corrections has identified six focus areas that will have the greatest impact on reducing re-offending among low-risk community-based offenders, while providing meaningful training that will have a positive effect on their lives. The focus areas are:

- > road safety
- > driver licences
- > alcohol and other drugs
- > health and wellbeing
- > finance and budgeting
- > education and employment.



Corrections also offers community offenders the Medium Intensity Rehabilitation Programme (MIRP), which is also available within prisons. This programme helps offenders to understand what led to their offending, and builds on their skills to make positive changes in their lives. Results for the MIRPs in the 2015/16 financial year were significantly above results from 2014/15, with 2,298 offenders in the community receiving programmes within the MIRP suite, compared to 1,417 in the previous year.

Other community-delivered programmes include the Short Motivational Programme, which was delivered to 803 offenders against a target of 542, and the Short Rehabilitation Programme, which was delivered to 1,262 offenders compared to 502 in the previous year.

Corrections will continue to look for new ways to rehabilitate offenders

We pride ourselves on researching the best interventions from around the world, to ensure that we can be world leading in reducing re-offending.

Short programmes targeting violent offenders

A new brief skills programme at Waikeria Prison aims to help violent offenders to 'climb into the light'.

Ka Upane⁵ targets high-risk, short-serving prisoners who might otherwise miss out on treatment interventions due to the lengths of their sentences.

The group is led by a psychologist and runs for eight weeks, giving participants the opportunity to engage in a meaningful and empirically supported intervention. In 2015/16, the programme was delivered to 12 offenders.

New parenting skills programme in prisons

Our new prison-based parenting skills programme is not only for parents. Broader eligibility criteria are designed to make the programme available to more prisoners, and so benefit more families.

This short programme aims to teach basic parenting skills to prisoners, so that they can play a greater, more positive and supporting role in the lives of children. This year, 470 offenders have taken part in the programme.

A feature of the new programme is community support after release. Participants who complete the programme will have the option of community support, which can range from one or two home visits to phone calls in the first three months after release.

Family violence

Family violence is a serious problem in society, and finding effective ways to address it is an inescapable part of Corrections' work to improve public safety and reduce re-offending.

The Family Violence and Sexual Violence Ministerial work programme

The Family Violence and Sexual Violence Ministerial work programme includes 11 work streams focused on improving the outcomes and response to family violence and sexual violence. The work programme is driven by a number of objectives, namely:

- > less family violence and sexual violence in New Zealand
- > harm to victims is minimised
- > more perpetrators end or reduce their use of violence and sexual violence and are held accountable for their behaviour
- > more men, women and children have respectful and non-violent relationships.

The Department has been nominated as the lead agency for the Perpetrator Interventions Work Stream. The purpose of this work stream is to identify a range of interventions that will target individuals' risk factors for family violence and sexual violence perpetration (and address any barriers to treatment).

This work includes developing all follow-up responses; including immediate, medium-term and long-term interventions, for any person who uses family violence or sexual violence within a family context. The risk, need



5 Ka Upane means to climb from a place of darkness into a place of light (knowing and using skills to live a pro social life).

and responsivity (RNR) principles will guide the optimum service mix by determining the level of intensity/dosage of treatment required (risk), the specific offending needs which should be addressed (need), and the way an intervention should be delivered (responsivity), which are most likely to minimise future harm and increase community safety.

To support Corrections to carry out its role as lead for the Perpetrator Interventions Work Stream, a cross-agency governance group and oversight group has been established. These groups consist of representatives from each participating agency, who can assist with strategic oversight, information sharing, expertise and design. Key sector stakeholders including iwi, Pasifika, NGO providers and networks as well as service users, will also be engaged to provide input into this programme of work.

This work is intended to create transformational change for the sector. As such, it requires a coordinated and dedicated approach across all of the key agencies involved.

Integrated Safety Response pilot

The Integrated Safety Response pilot is bringing together a team of Corrections, NZ Police, Child, Youth and Family, Health, specialist family violence NGOs and Māori service providers to support victims of family violence.

The 12 month pilot is part of the comprehensive cross-agency work programme overseen by the Ministerial Group on Family Violence and Sexual Violence. The pilot will test an early multi-agency triage approach, to collaboratively assess and support families experiencing family violence. This will better support victims, safely manage perpetrators and smooth the path to support services.

The model is based on international best practice, and is being tailored to New Zealand's unique circumstances.

It is expected that the pilot will cost less than \$1 million for the first year, which will include set up and evaluation. The pilot will largely be met from within agency baselines, with additional support from the Justice Sector Fund.



Our approach to reintegration

One of the keys to reducing re-offending is helping people live crime-free after they have served their sentence or order.

Around 15,000 people are released from our prisons each year, and thousands more complete community-based sentences.

Research shows that people are less likely to re-offend when they have the right support around them, and less re-offending means that everyone is safer. Key forms of support include employment, accommodation, education and training, skills for life, oranga, and family/whānau/ community relationships.

Reintegration is the process of successfully transitioning offenders back into the wider community following the end of their sentences. An offender is said to have successfully transitioned when they remain crime-free and settle into the wider community with pro-social, constructive attitudes and behaviours. Reintegration is most successful when offenders take responsibility or ownership of their needs, and have strong community involvement/engagement.

Supported accommodation providers use a case management approach to transition offenders from prison to the community. Offenders are assisted to develop a reintegration plan, find sustainable accommodation and reconnect with the community. Of the 931 places available nationwide, 305 include support for the offender to find employment.

In 2013/14 Corrections contracted just over 200 supported accommodation places for prisoners and emergency accommodation in a variety of locations. Now at 931 places, this has increased by over 300%. The growth is part of our ongoing strategy to support offenders transitioning into the community, to reduce their risk of re-offending and keep the public safe.

Corrections has continued to offer the Out of Gate programme. Out of Gate supports offenders at a particularly vulnerable stage of their lives, when they are released from prison and reintegrating into the community. Offenders in prison are isolated from society and support networks, and upon release they often have little money, few relationships and no job or accommodation. Out of Gate works with the offenders both before and after release, supporting them through every aspect of their reintegration. This can include assistance to attend doctor's appointments, set up bank accounts, prepare for interviews or write CVs to apply for employment, and maintaining programmes of rehabilitation and other forms of treatment.

The reimprisonment rate for completers of the Out of Gate service has been 4.0% lower than for comparable offenders who did not receive the service. This is below than in the 2014/15 financial year, but still a good result for a reintegrative support service.

Our reintegration partners range from dedicated volunteers to contracted service providers. Some provide practical support like clothing and advocacy, while others offer ongoing motivation and moral support. We also work with:

- > families/whānau
- > community groups and community agencies
- > churches and prison chaplains, faith-based groups
- > Quitline and drug and alcohol treatment providers
- > district health boards and primary health organisations
- > iwi/Marae based groups and organisations
- > sports groups
- > counselling and mental health providers.

Reintegration is not just for people leaving prison. People who have served community-based sentences and orders may also need help to make a fresh start, and to play a positive role in their communities and families.

Our reintegration efforts go hand-in-hand with rehabilitation; every interaction is an opportunity to encourage a crime-free future.

Enhanced management of prisoner releases

In New Zealand, almost every prisoner will one day be released back into society. Serving prisoners may also, from time to time, be eligible for temporary release for rehabilitation or compassionate reasons. In both situations we are responsible for minimising the risks of harm that offenders may pose to the public.

Following the Phillip Smith Inquiry we are implementing new practices to enhance our management of prisoner releases, and to improve public safety.

Advisory panels have been established to provide advice to support prison directors' decisions on the suitability of prisoners who have applied for temporary release from prison. Panel membership will vary depending on the specific circumstances of each request, but will typically comprise Corrections staff, external agencies (such as NZ Police and Child, Youth and Family), and community representatives.

From 2016/17 onwards, case managers will work more intensively with long-serving prisoners (those serving sentences of two years or more) to identify, plan for and carry out specific and meaningful reintegration activities. This approach will bring together the prisoners, their family or community support, and Corrections staff for comprehensive reintegration planning.

We arrange for real jobs on release

Working with employers and industry to provide real jobs for offenders is a second step in helping prisoners to build stable and law-abiding lifestyles following their release from prison. In 2015/16, 1,857 prisoners and 8,754 community-based offenders received improved services to assist them in finding stable employment. This is above our target of 7,500, and reflects an increase of around 50% in the delivery of such services from the rate in 2014/15.

To date, Corrections has signed 67 Memorandums of Understanding (MoU's) with employers, totalling 469 positions for our job seekers. There are a number of other MoU's currently in the pipeline with employers across the regions.

The Employment Support Service (ESS) initiative commenced in July 2014, with an annual contract value of \$1 million per annum. This service provides job placement and in-work support for prisoners due for release, and for offenders on a community sentence who are motivated to get a job and keep it.

In the 2015/16 financial year, a total of 320 full-package jobseekers were enrolled onto ESS. Of the 320 enrolled, 117 were successfully placed into employment, equating to a conversion rate between enrolment and employment placement of 37%.

Outcomes-based contracting

A move towards outcomes-based contracting has improved Corrections' ability to recognise and expand successful rehabilitative and reintegrative programmes. Outcomes-based contracting means that external providers are assessed on the outcomes of the programmes that they deliver to offenders, as well as simpler metrics such as the number of programmes delivered. This gives us greater scope to adjust the suite of externally-provided programmes in line with what is successful in reducing offenders' likelihood of re-offending, and is part of a larger shift towards emphasis on the results of the rehabilitative programmes that we deliver.





Reintegration Services

Our reintegration services are designed to help you support offenders in a variety of ways to engage with their communities and to live offence-free lives when they leave prison.

These are nationally contracted services and you can make referrals from any part of the country, subject to the normal referral processes. For more detailed information, including locations of each service and other services available visit the Rehabilitation and Reintegration Practice Centre.



Supported Accommodation for Long Servers (RSLs - Supported Accommodation)

Accommodation for up to 90 days and ongoing support for a further three months.

- ✓ Any risk
 - ✓ Long serving (two years or more) who need accommodation
- Available in all regions.

Navigation for Long Servers (RSLs - Navigation)

Navigational support service for up to one month for long servers.

- ✓ Any risk
 - ✓ Long serving (two years or more)
- Available in most regions.



Reintegration Support for Short Servers (RSSS)

Accommodation provided for up to four weeks and employment support for short servers who want to live in Auckland.

- ✓ Any risk
 - ✓ Short serving (less than two years)
- Available in Auckland only.

Reintegration Support in Rotorua, Taupō, Tokoroa (RTT)

Accommodation provided for up to 12 weeks and employment support for those who have an enduring connection to Rotorua, Taupō or Tokoroa.

- ✓ Medium to high-risk
 - ✓ Short and long serving
- Available in Rotorua, Taupō and Tokoroa.



Tiaki Tangata

Supports Māori offenders to find accommodation, paid employment and to reconnect with their whānau/community on release.

- ✓ All risks
 - ✓ Long serving (two years or more)
- Available in all regions.

Succeeding with Māori

Tenei au, tenei au
 Te hokai nei i taku tapuwae
 Ko te hokai-nuku
 Ko te hokai-rangi
 Ko te hokai o to tipuna
 A Tane-nui-a-rangi
 I pikitia ai
 Ki te Rangi-tuhaha
 Ki Tihi-i-manono
 I rokohina atu ra
 Ko Io-Matua-Kore anake
 I riro iho ai
 Nga Kete o te Wananga
 ko te Kete Tuauri
 ko te Kete Tuatea
 ko te Kete Aronui
 Ka tiritiria, ka poupoua
 Ki a Papatuanuku
 Ka puta te Ira-tangata
 Ki te whai-ao
 Ki te Ao-marama

Te Ara Poutama

Te Ara Poutama is the chosen name for the Department of Corrections, and it metaphorically highlights our goals both as a Department and for our people (staff and offenders) to step up, challenge and better ourselves.

Corrections is concerned that Māori are over-represented in crime and offending statistics, making up just over half of all offenders. This is one of the most significant challenges that we face. We recognise that to be successful we have to deliver a range of programmes which cater to the particular needs of those we are trying to rehabilitate.

Specific Māori-centric programmes continue to be developed, enhanced and delivered both at an operational level and at a strategic level, working across the Justice Sector and in partnership with service providers, communities, iwi and others to achieve better outcomes. We apply what works and in some cases general (non-culturally specific) programmes are evidenced to be more effective for Māori than for non-Māori. We are also innovative and try new approaches, testing and evaluating their efficacy and then expanding upon what works.

The public often forget that the majority of Māori offenders are on community-based sentences, and focus tends to be upon the smaller Māori prison population. The overall complexity of what we deal with is often not fully appreciated. A particular challenge is the over-representation of Māori offenders who are gang affiliated. Evidence shows that if a person is affiliated with a gang, they are twice as likely to re-offend no matter what level of support they receive in prison.

A focus on the gang problem therefore is high priority, which will have a dramatic effect in reducing re-offending among Māori. Corrections, in conjunction with the Justice Sector, is involved in the Whole of Government Gangs Action Plan. Corrections is at the end of the Justice pipeline, and cannot alone address the causes of the high proportion of Māori offending that is gang related.

When non-gang related Māori offender statistics are taken into account, then offending rates for Māori are consistent with other rates.



Highlights for 2015/16 and new initiatives which focus on the future

Corrections has completed the following initiatives in 2015/16 and will focus our efforts in 2016/17 on:

- > Establishment of the Chief Executive's Māori Advisory Board – authentic endorsement, guidance and input into the development and design of Corrections Services. The board has representatives from the following iwi; Waikato-Tainui, Ngati Porou, Taranaki Whanui, Te Runanga o Tupoho, Ngati Tuwharetoa, Ngati Kahungunu and Nga Puhi.
- > Te Tirohanga – The new national programme that will lift the achievement levels of the former Māori Focus Units to an elite level, and assist this intervention to reach its true potential.
- > Te Kupenga – a whānau-centric initiative developed originally by our Kaikohe team, aimed at reducing intergenerational whānau offending. This will be used in the Manurewa district after the success seen in the Far North.
- > Partnerships with community and iwi – we are collaborating with iwi and communities to reverse the model, and to achieve strong reintegrative support for offenders. Whare Oranga Ake, Tiaki Tangata and Out of Gate are initiatives that showcase reintegration that is community and iwi led, with Corrections providing the support where and when necessary.

Corrections has embedded meaningful ways of working with and alongside Māori, be it with staff, offenders, whānau and iwi. We actively seek to bring complementary elements of Te Ao Māori into our initiatives (some of which are detailed above) but also from the front line, through to the design and delivery of our services and then into the pathways for reintegration.

Kia angitu mo te katoa, me angitu me te hunga hara Māori – To succeed overall, we must succeed with Māori offenders.

Working with external organisations to reduce re-offending

Corrections cannot reduce re-offending on our own. We require the help of other government organisations, external organisations and non-governmental organisations.

Memorandums of Understanding

By signing Memorandums of Understanding (MoUs) with employers and other organisations, Corrections aims to secure greater involvement of these groups in providing paid work and other forms of support to offenders, which can be central to building the habits and skills of a law-abiding lifestyle.

Corrections also has MoUs with several government agencies, including the Ministry of Health, Housing New Zealand, the Tertiary Education Commission, NZ Police, the New Zealand Parole Board, Child, Youth and Family, and the Ministry of Social Development.



Maintaining the health and wellbeing of offenders in custody

Reducing re-offending requires Corrections to identify and address mental health issues, provide primary health care and keep all offenders safe from harm.

Many offenders who experience physical and mental health issues can have difficulty complying with their conditions, completing their sentences and engaging in rehabilitation; this can lead to re-offending. Managing offenders who are experiencing physical and mental health issues is often difficult for staff, and effective management is essential to successfully reduce offenders risks of re-offending. Through increased awareness, particularly in the areas of mental health and suicide awareness, staff can build knowledge, understanding and skills and can support offenders to access health services and so address their needs.

Mental health

Offenders in prison are significantly more likely to suffer from mental illness than people in the general community. A 2015 study into the comorbidity of mental health needs of newly sentenced prisoners found that 62% of prisoners had experienced a mental health or substance use disorder, while 20% had experienced both in the 12 months before the study.

The study also found that more than half of prisoners had received some treatment for their mental health needs in the previous 12 months. Following the introduction of the mental health screening tool in 2012, Corrections has invested over \$1 million per year in primary mental health services. This included more medical officer (prisoner doctor) hours of service, additional nursing resources and an increased budget for pharmaceutical items. In addition we contracted for packages of care – up to six one-on-one sessions for a prisoner, which can

include education about healthy lifestyles, mental illness, medications, recovery and resilience, advice and support about mental wellbeing, problem solving strategies, solution focused therapy and cognitive behavioural therapy. Mental health in-reach clinicians at three prison sites also provide brief interventions to prisoners and support staff to understand and manage prisoners with mental health needs.

In June 2016, Corrections secured additional Justice Sector funding of \$14 million to improve mental health services for offenders over the next two years.

High-Risk Response team

The High-Risk Response team provides oversight of the management of high-risk and high profile offenders across Corrections. The team works closely with the field to provide support in the management of offenders in prisons and the community, while aiming to reduce the risk of harm to others.

Health services in prison

Corrections provides primary healthcare in prisons, and we are required under legislation to provide treatment that is reasonably necessary, and the standard of healthcare must be reasonably equivalent to that which is provided to the public. The health service is comparable to what a person would access from a general practitioner in the community, though it is nurse led. Health services are important as they contribute to an offender being physically and mentally well enough to focus on rehabilitation.

Healthcare provided within the prison network has been near or above target levels in 2015/16. Over 100,000 consultations with healthcare staff have taken place, 99% of newly received prisoners received a health triage on their day of reception, and 92% of prisoners identified as requiring a cardiovascular risk assessment received one within eight weeks of reception. All prison health centres retained Cornerstone® accreditation following annual reviews.

The Cornerstone® accreditation is provided by the Royal NZ College of General Practitioners, and provides assurance that the systems, policies and procedures are in place to provide a service similar to a general practice.

High Dependency Unit

At the end of 2015 the High Dependency Unit (HDU) at Rimutaka Prison opened a new 10 bed wing, bringing the number of prisoners who can be accommodated up to 30.

Most older and disabled prisoners are managed in mainstream prison units, but the HDU opened in 2012 to house prisoners with health issues that make it difficult for them to function independently, but who are not eligible for release.

Most prisoners in the HDU are older (70s or 80s) with medical conditions, and need help with the activities of daily life such as showering, toileting and eating. They may suffer from dementia. Some are younger prisoners with significant health conditions, who need more help than they could easily access within a mainstream unit.

Prisoners are accommodated in a single cell, each containing a shower, toilet and a hospital-type bed. A disabled accessible shower room is available, along with a health office with medication administration facilities and a treatment room.

The prison population is getting older, in-line with the rest of the country. In June 2016 there were 130 prisoners aged over 70, compared with 51 in 2011.

Unnatural deaths in prisons

The most common cause of unnatural death in prison is suicide. Suicide is a serious health and social issue for New Zealand as well as for the offenders that Corrections has responsibility for. New Zealand has one of the highest rates of suicide among developed countries.

Statistics New Zealand⁶ measures the rates of suicide deaths per 100,000 every four years. In 2012, the number of men who committed suicide was 18.1 per 100,000 and the number of Māori male who committed suicide was 25.6 per 100,000. The statistics are significant for Corrections as around 90% of our offenders in prison are male and just over half of our prison population identify as Māori.

As a result of Corrections awareness around mental health and suicide, clear guidelines, good practice and capable staff, unnatural deaths were avoided in 70% of cases where staff intervened in instances of life threatening self-harm by prisoners. It can be difficult to prevent someone from harming themselves if they are determined to do so. The number of unnatural deaths in prisons has increased since last year, as has the number of self-harm threat to life incidents.



Financial year	Unnatural deaths	Self-harm threat to life incidents
2011/12	5	6
2012/13	3	7
2013/14	3	17
2014/15	8	4
2015/16	11	26

Following an unnatural death, a 'Death in Custody Review' is undertaken by the Chief Inspector of the Corrections Inspectorate (monitored by the Ombudsmen) and the Coroner undertakes an inquest, both of these outcomes can take 6-12 months depending on the complexity of the incident.

Justified complaints to the Corrections Inspectorate

The Inspectorate is Corrections' second tier of complaints resolution. As such, it is effectively our last opportunity to resolve a complaint before the involvement of external agencies or court action.

There were over 1,000 complaints referred to the Corrections Inspectorate in 2015/16. Of the complaints received, 38 (3.5%) were found to be justified. Of the 38 justified complaints, six were upheld for reasons of materiality and 32 for not meeting process requirements.

❖ Better Public Value

Corrections makes the most of our resources, ensuring value for taxpayers' money.



Modern infrastructure

Modernising our service is an important foundation if we are to achieve our reducing re-offending goal. We will continue our substantial investment programme in technologies and building designs that generate better safety and rehabilitative outcomes.

Prison redevelopment

Corrections is investing \$105 million in a multi-phase redevelopment programme, to enhance security and safety at Waikeria, Tongariro, Whanganui, Rolleston and Invercargill Prisons. Work within this programme started in 2013, and is scheduled to be completed before 2017.

Several parts of this programme had been completed by the end of the 2015/16 financial year, including:

- > the creation of a receiving office and transit station at Tongariro Prison
- > the upgrade of the administration building in Whanganui Prison
- > the creation of a new administration block, a dedicated collection unit, two new housing construction yards and spaces for new parole board and job club in Rolleston Prison.

Public protection orders facility at Christchurch

Following the enactment of the *Public Safety (Public Protection Orders) Act 2014* in December 2014, Corrections has created a temporary facility at Christchurch Men's Prison.

Public protection orders (PPOs) are a new form of detention for those prisoners who must be released from prison, but who remain at risk of imminent and serious sexual or violent offending.

The facility will house any potential residents detained under a public protection order until a new facility is built, outside the wire but still within the perimeter of Christchurch Men's Prison. They will live in individual self-care units and cannot leave the residence unescorted.

Corrections app on smartphones

With around 3,000 staff who have access to smartphones for work purposes, Corrections is always looking for new technologies to help our staff be more mobile and safe while working in the community or outside of the office environment.

All Corrections issued smartphones have a staff safety app, which sends alerts if staff are in trouble. The new smartphones allow access to work email, calendar and the internet, and the 'Offender Contacts' application will allow frontline staff to securely access offender information when they are out of the office, and to text an offender directly from the application.

Upgrading Community Corrections sites

Safety is the focus of a new induction process for staff at upgraded Community Corrections sites.

With a range of new security features being put in place when sites are upgraded, it is vital that staff know how to make the most of them. Features include duress alarms, reception counters with 'anti-climb' features, increased use of closed circuit television (CCTV) cameras and monitors, glazed interview rooms and improved lines of sight. All upgraded sites will have a main door that can be locked remotely from the reception counter, with an intercom to talk to a person standing outside.

The new security induction process ensures that staff understand all elements of the security features, and how these work together to keep staff and visitors safe.

Prisoner Kiosks

New prisoner self-service kiosks are set to roll-out nationally, and will replace the old kiosks that have outdated technology.

185 kiosks, a mix of plinth and wall mounted, will be installed nationally. The kiosks provide prisoners with static content such as legislative information and policies, and enable prisoners to order canteen items, check trust account balances, view key dates related to their sentences and request meetings with case managers.

The kiosks were piloted at Hawkes Bay Regional Prison last year, and this confirmed that kiosks are the right solution to provide self-service functionality for multiple users in a challenging environment. They are physically secure, safe, robust, easy to use, durable and leverage off the existing infrastructure. Implementation of the kiosks will be completed in 2017.

AVL - a new way for whānau to 'visit' their young men in prison

Our two Youth Units have recently installed AVL facilities. Research shows that young people in prison are less volatile and do better in education when their whānau stays in touch.

With only two Youth Units nationally, at Hawkes Bay Regional Prison and Christchurch Men's Prison, many of the young men are some distance from their homes, with limited access to family visits.

To address this, AVL facilities have been installed in the Youth Units to enable and enhance young people's access to external relationships.

Approved whānau can now 'visit' from their nearest AVL equipped Community Corrections site.

Auckland Prison Public Private Partnership (PPP)

In late 2015, work began on a significant re-development at Auckland Prison, under a Public Private Partnership (PPP) between Corrections and Next Step Partners Limited to design, build, finance and maintain a new maximum-security facility, replacing one that dates back to 1968.

A redevelopment of approximately \$300 million (accommodating up to 260 prisoners, including maximum-security) will include the construction of four accommodation buildings, secure walkways and a new central services building.

The central services building will include the receiving office, health centre, visits room, AVL facilities, kitchen, laundry and a large multi-purpose space.

Secure walkways will make moving around the site safer and more practical and will provide a link to the rest of the prison, allowing the prison to function more effectively as a unified site rather than as multiple parts.

Having no stairs in prisoner accessible areas will enable clear lines of sight, contributing to better staff and prisoner safety.

The project will also refurbish existing high security units for lower-risk offenders, and will construct a new central services building to support the entire prison complex with improved healthcare and visitor facilities.

A key part of the project is the whānau-friendly visitor's area, which will help prisoners sustain positive relationships with those outside the prison.

Construction is expected to be completed in late 2017, and the facility to be operational by early-mid 2018, marking the 50th anniversary of the opening of the current Auckland Prison site. The operation of the prison and custody of the prisoners will continue to be the responsibility of Corrections.

Governance and oversight

An organisation with the size and complexity of Corrections requires strong corporate functions and governance structures to ensure that services represent value for money for taxpayers. Corrections has well established governance groups spanning the various operational aspects of Corrections.

Financial and Risk Governance

Financial Governance Committee (FGC)

The Financial Governance Committee (FGC) is responsible for prioritising, approving and then monitoring operational expenditure and ten year capital plans.

In addition, programme and project boards meet regularly to govern projects including the Community Corrections Site Programme, Prison Development Projects and the Auckland PPP Maximum Security Rebuild.

Major Outsourced Contracts Advisory Board

A Major Outsourced Contracts Advisory Board (MOCAB), has recently been established. This board has responsibility for reviewing Corrections' strategy for outsourced contracts and providing advice and expertise on the management of these contracts. The Board has particular emphasis on the performance of external providers, and has an independent Chair.

Establishment of Commercial Services division

During 2015/16 Corrections increased the focus on the large scale commercial relationships, by establishing a new Commercial Services division to:

- > Provide greater assurance and accountability at an executive level in relation to the leadership and management of Corrections' outsourced contracted services by strengthening and aligning responsibility in a new business group.

- > Lift and broaden the range and focus of the role of our prison monitors. Prison monitors are a statutory requirement for contract managed prisons under the *Corrections Act 2004*. They have a broad legislated function to assess and review the management of a contracted prison, and to report on this management and whether the contractor is complying with the contract and legislation.
- > Bring together a range of teams from across different parts of Corrections, to better align our efforts in managing major outsourced contracts and commercial projects.

Audit and Risk Committee

The Audit and Risk Committee advises the Chief Executive on the adequacy of Corrections' risks, systems, assurance programme and control environment. The Committee specifically provides advice on the:

- > risk and risk management framework
- > internal controls
- > legislative compliance and framework
- > internal and external audit functions
- > financial and other external reporting
- > governance framework and processes.

The committee is an advisory body; it has no executive powers in relation to findings and decisions. Responsibility for implementing these rests with the Chief Executive and the Corrections' Executive Leadership Team.

In addition, the work of the Internal Audit team is objective and independent of the day-to-day work of Corrections. They are governed by the International Professional Practices Framework of the Institute of Internal Auditors (the Institute). The Internal Audit team report to the Audit and Risk Committee every quarter.

Operational Governance

Health and Safety Governance

The Department of Corrections has a broad range of activities and industries that pose inherent health and safety risks. Effective management of these activities is essential to minimise the risk of serious harm to staff, contractors, visitors, members of the public and offenders. The Health and Safety Risk Governance Committee has been established to focus on serious risks to health and safety including:

- > chronic ill-health
- > acute harm
- > catastrophic harm.

The core objective is focussed on effective hazard identification and risk management. Specifically, the process by which hazards that have the potential to cause harm are identified and controls to eliminate, isolate or minimise the risk of harm are implemented.

Integrity Unit

At Corrections, integrity takes on additional significance as staff are tasked with managing some of the most challenging people in society, and supporting their rehabilitation and reintegration. Corrections has endorsed a programme of work designed to strengthen integrity in all facets of our work. The Integrity Support Team (IST) has replaced the Professional Standards Unit (PSU), allowing a fresh focus on integrity lapses, but being proactive in leading on integrity issues.



Measuring back-office efficiency and effectiveness through Benchmarking Administrative and Support Services (BASS)

Each public sector agency provides information on the cost, efficiency and effectiveness of administrative and support services annually.

One part of delivering better public services is ensuring money is not unnecessarily spent on administrative and support services, when redirecting it to frontline services would yield better results. By tracking changes each year, Treasury and Corrections can see if investments in change programmes are delivering results.

Corrections is one of nine agencies in the Large Agency Cohort. The other agencies are the Inland Revenue Department, Ministry of Business Innovation and Employment, Ministry of Education, Ministry of Justice, Ministry of Social Development, New Zealand Fire Service, NZ Police and NZ Defence Force. In the 2014/15 year Corrections was the top performer in Human Resources, and was in the upper quartile for Corporate and Executive Services and Procurement. We were in the medium range for Finance and Information, Communications and Technology (ICT). The 2015/16 results are currently being calculated.

Investor Confidence Rating

During 2015/16 Corrections actively contributed to the initial Investor Confidence Rating assessment undertaken by Treasury on behalf of Ministers. Although the overall grading for Corrections was a C, Corrections was recognised as having strong leadership resulting in delivering projects to a higher standard. Corrections is currently undertaking a work programme to embed practices and structures more consistently and to capture benefit data more routinely, to ensure that the next assessment completed in December 2017 obtains a higher rating.

Implementation of New Zealand Business Numbers

The *New Zealand Business Number Act 2016* requires government departments to implement a number of changes in their processes of record keeping and engagement with external vendors, as part of a wider programme to improve New Zealand's business friendliness. Corrections had two requirements under this act in the 2015/16 financial year, both of which were in place as of 22 June.



Managing Official Information Act Requests and Correspondence received

Corrections receives large volumes of information requests and correspondence, which requires a specialist team that operates as a key interface between the Minister of Corrections and the public. Corrections operates a centralised team, who are responsible for supporting the Minister and the Department by processing, preparing and writing responses to information requests such as parliamentary questions, *Official Information Act* requests, and ministerial correspondence.

The Ministerial Services team also manage *Privacy Act* requests, correspondence with the Ombudsman's office, Privacy Commissioner's office and any other correspondence that is received directly into National Office.

Corrections received over 6,000 pieces of correspondence during the 2015/16 financial year; this represents an increase of more than 70% over the past five years.

The significant increase was primarily in response to higher volumes in Ministerial correspondence and Parliamentary questions, largely driven by the Mount Eden Corrections Facility Step-In.

A key focus of the team is its relationship with staff from across the business, the Minister of Corrections and their office, external partner agencies and stakeholders such as the Office of the Ombudsman – the people who are essential to the team's ability to fulfil its purpose.

Following the release of the Ombudsman's report⁷ into practices adopted by central government agencies for the purpose of compliance with the *Official Information Act 1982* (the Act), Corrections has applied additional data collection practices for all pieces of correspondence received into National Office from 1 July 2016, which will strengthen its ability to demonstrate compliance with the Act, including where information requested has been declined for release. In addition to providing increased levels of performance reporting against compliance activities to the Chief Ombudsman, the information will also be used internally to support continued process improvement within the team and across the wider business. This information will also be regularly released and available on the Corrections website in the future.

Financial Year	2015/16	2014/15	2013/14	2012/13	2011/12
Correspondence received	6,105	4,961	4,359	3,622	3,520
<i>Official Information Act</i> requests received and responded to	2,457	2,006	1,598	1,296	1,277

7 Not a game of hide and seek - http://www.ombudsman.parliament.nz/ckeditor_assets/attachments/399/oia_report_not_a_game_of_hide_and_seek.pdf?1449533820



❖ **Visible Leadership**

Our people are our greatest asset. We are committed to supporting and developing our staff, ensuring that they have the skills and training to make a difference in the lives of offenders.



Supporting our people

Visible leadership embodies the expectation that managers will be strong and active leaders who inspire their teams. Beyond Corrections, visible leadership is about us taking a lead role across the public sector and demonstrating to our partners how we can work together.

Frontline Futures

Corrections has identified a number of capability risks and challenges, and is taking active steps to manage these. Achieving our goal of reducing re-offending and ensuring a safe corrections system relies largely on the efforts of our frontline staff.

With the increasing number of offenders, ensuring that we have sufficient high-quality frontline staff is our central capability risk and challenge. A focus on our recruitment and training approaches has been underway since 2015, through our Frontline Futures programme. This has lifted our employment brand, broken down barriers for candidates to be appointed across our range of frontline roles, and has halved the time from application to first day on the front line. Further work is planned to increase recruitment levels of staff to additional positions, arising from the increasing prison population.

The second key challenge that Corrections has identified is to further enhance the capability of existing frontline staff to create a safer system and reduce re-offending. The initial training programmes for frontline roles are being progressively reviewed, leading to enhanced preparedness and greater readiness for what are challenging roles. Frontline staff have been participating in training that improves safety and enhances our ability to reduce re-offending. For example, probation officers and case managers are being trained in electronic monitoring, mental health and suicide awareness and addressing pathways to offending. There has been a major rollout of training under the RR25% Boost initiative, which has significantly widened our capability to deliver programmes to offenders. Instructors working within prisons are increasingly qualified to teach prisoners industry skills using embedded literacy techniques, providing prisoners with skills to improve their chances of employment on release. Prison-based staff continue to focus on security, care and rehabilitation.

Corrections has well established and effective talent management and leadership development programmes, which extend across our various leadership levels. Frontline staff and managers are also receiving new and extended training on health and safety.

Capability building in the Pacific

A Commission of Inquiry into the Samoan Corrections Department identified serious issues with the then Prison Services. The Samoan Government has shown a strong commitment to a new approach, including the appointment of a new Commissioner of Prisons and Corrections Services.

We have partnered with the Ministry of Foreign Affairs and Trade to support the new prison service. To do this, our custodial team is working alongside local prison staff at Tafa'igata Prison on the island of Upolu.

A lot has already been achieved – core practice policies have been planned and established, as well as an on-site health clinic. Prisoners are held more securely and entry to the site has been thoroughly overhauled, to admit only approved visitors and to prevent the introduction of contraband.

The Corrections team has been acknowledged by the Commissioners as a significant factor in maintaining safety and security at Samoa's main prison.



Health and safety

Keeping the public, our staff, and offenders safe is foremost in all we do, every day. Our people and partners are empowered to take action so that harm is eliminated or minimised.

The introduction of the *Health and Safety at Work Act 2015* has created new obligations for Corrections in the way that we respond to the health and safety needs of our employees and of the offenders under our management.

The work we have done over the last few years to address staff safety and health has put us in a good position to implement required changes, with the development of the three year Staff Safety Plan, the establishment of a Health and Safety Governance Committee, initiatives such as staff safety apps on smart phones used by community Corrections staff and improved staff training.

We have developed a health and safety strategy to reinforce our approach to keeping staff, offenders and the public safe. Year one of the *Health & Safety Strategy 2016-2020* sets out Corrections' targets for improvements in the following key areas:

- > safety leadership and culture
- > equipping staff to be safe
- > offender safety
- > health and wellbeing
- > partnerships for safety.

The strategy will help us reinforce a safety culture, which will help to reduce incidents of serious harm and minimise risks, and will enable us to better focus on our goal of reducing re-offending.

Integrity

Upholding Corrections' integrity by doing the right thing even when no-one is looking is essential for us to have pride and protect our reputation. Role-modelling positive behaviour starts with our own actions.

Because Corrections manages some of the most challenging members of society, it is important that everything we say and do is carried out with the highest standards of integrity.

Working with offenders who have done wrong, it is essential that Corrections staff are above reproach. Of course, most staff do the right thing all the time.

The Integrity Support Team investigate instances of possible misconduct. On average, the team will be investigating approximately 20 cases at any one time.

Cases vary from rare criminal cases involving theft, fraud or corruption, to serious breaches of the Code of Conduct such as breaches of privacy, unauthorised release of information, inappropriate use of technology systems or inappropriate relationships with offenders.

Strengthening awareness and understanding of what integrity means in the workplace

Corrections has undertaken a programme of work designed to strengthen integrity in all facets of our work.

As well as the investigatory role described above, the Integrity Support Team is tasked with improving integrity across our organisation, through leadership and culture, education and prevention, human resources, detection and investigation, and continuous improvement and reporting.

Since its establishment, the Integrity Support Team has:

- > Conducted nationwide workshops (across all prisons and probation districts) with staff from all levels, to help identify the specific areas that the work programme needs to focus on.
- > Reviewed the Integrity Support Team resourcing, to ensure that the structure is appropriate moving forward.
- > Introduced an investigation prioritisation framework to focus the team's investigators on the most critically important work.
- > Re-launched the Integrity Committee.
- > Developed a new integrity-focused training session within the Frontline Futures programme.

Our people

Corrections is an equal opportunity employer, and we work on retaining and developing our workforce.



Diversity

Māori and Pacific peoples continue to be over-represented in the Corrections system. As such, it is important for Corrections to ensure that our staff are representative of the full spectrum of the offender population.

More than 20% of staff identified as Māori in 2015/16, and approximately 9% as Pacific Peoples. A high number of staff identify themselves as having a multi-ethnic background, and this is reflected in the high level of the 'other' category⁸.

Turnover

Voluntary turnover at Corrections was just below 9% in 2015/16. This rate has remained between 9% and 10% for the past five years, so dropping below 9% is a notable change.

Turnover is not currently a cause for concern and is below average levels for the Public Sector. This low level of turnover reflects Corrections' emphasis on valuing and developing our staff, and the sense of achievement that can come from work that keeps communities safe and working to improve the lives of New Zealanders.

Pay equality

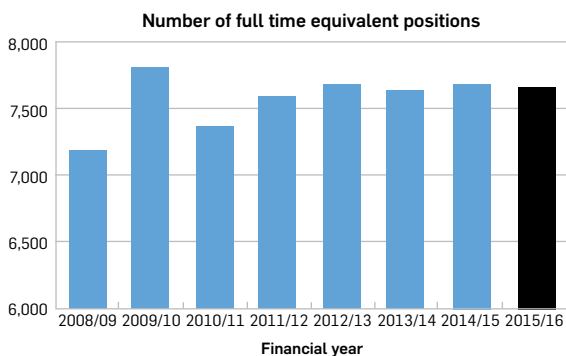
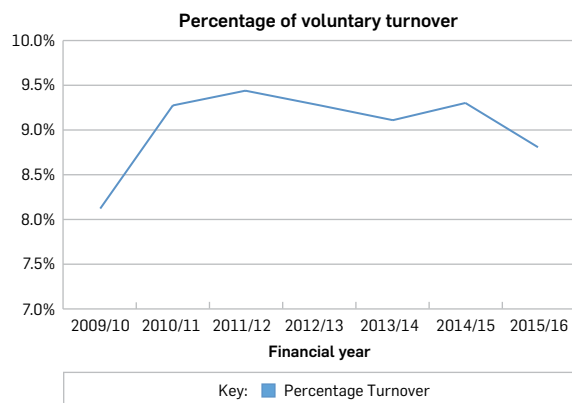
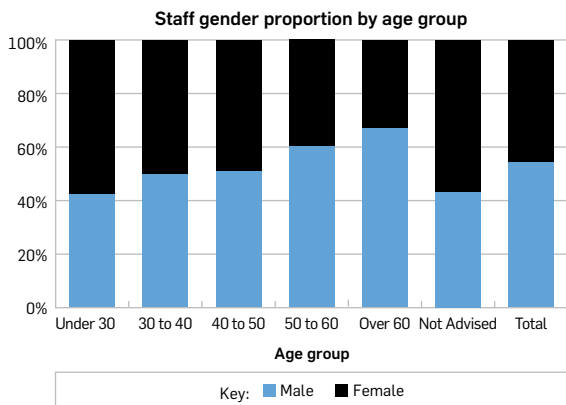
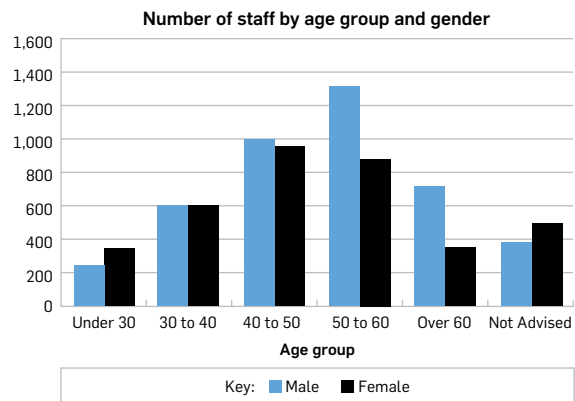
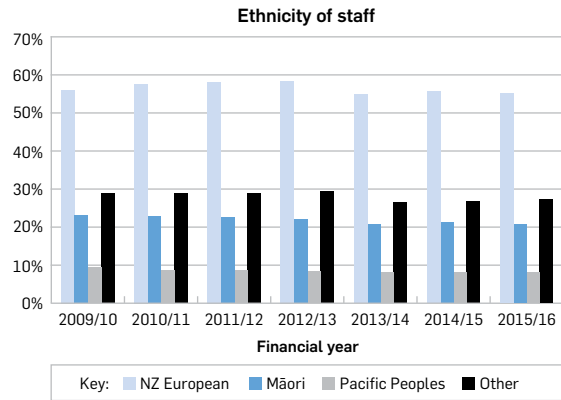
The gender pay gap at Corrections was approximately 2% in 2015/16. This is significantly below the Public Sector average of 14%, and is consistent with Corrections' results over the previous five years.

⁸ The percentages for each year in the graph will add up to more than 100%, because staff can identify as more than one ethnicity.

Driving continuous improvement: The Well Functioning Site Framework

The Well Functioning Site (WFS) framework is a strengths-based approach to completing a review of the quality of our practice and performance at each site. The aim is to support the development and strengthening of high functioning teams and sites. Strengths-based means that the evaluation looks at what is done well, and at the areas that need developing and/or improving. The framework assists senior leaders to look beneath the presenting issues to understand the drivers and barriers for quality practice. It is designed for the local sites to assist their learning and create a culture of continuous improvement.

The framework covers four domains that focus on how effective we are being for offenders, how well we are supporting staff, how we work in collaboration with the community and how we are perceived by that community. The framework has a clearly defined process and assessment criteria, and is run over one week with reports provided to the relevant site manager, Regional Commissioner and National Office senior leaders.



Community support and partnerships

We share a vital connection with our local communities. All of us want to protect the public and help offenders remain crime-free. To achieve this, for each offender we must weigh up their rehabilitation needs against the risks that they pose.

Community work is our most common community-based sentence. In 2015/16 there were an average of 27,078 offenders serving community-based sentences, and over 15,000 of these were community work sentences. Judges can require offenders to do between 40 and 400 hours of community work – so that adds up to a lot of hours in a year. In the 12 months to June 2016, almost two million hours were spent on community work projects across the country.

Work includes a wide range of activities, including gardening, painting, building, picking up rubbish, graffiti clean-up and the general maintenance of public land and buildings.

Strengthening our partnerships to deliver our shared objectives

When offenders are in our care, Corrections works to provide rehabilitative and reintegrative services that will make a difference in their lives. However, the most effective and long term forms of support come from the community that a person lives in. Recognising this, Corrections continues to be involved in a range of activities with other organisations, with the overriding aim of making New Zealand communities more supportive places to live.

Our work has included partnerships with over a hundred organisations, which deliver programmes to support the rehabilitation and reintegration of offenders. External organisations are essential to interventions such as Tikanga Māori, Family Violence programmes and Drug Treatment Units, as well as many forms of education and training. Working with other organisations enhances the provision of rehabilitative and reintegrative support to offenders, and contributes to building safer and more positive communities.

Social housing

Corrections has a contract with Housing New Zealand to refurbish around 40 state houses; prisoners are using their construction trade skills at Spring Hill Corrections Facility and Rolleston Prison to complete the houses. Corrections has nine instructors who teach prisoners trade skills in painting, plastering, electricity, carpentry, plumbing and timber joinery. The aim is to have more than 90 prisoners employed.

Habitat for Humanity is a volunteer organisation that builds new homes or repairs homes for those most in need. On 17 June 2016, a single mum with three children received a new house, which was the third built by offenders on behalf of Habitat for Humanity, and has changed the lives of this family.



The Howard League for Penal Reform

The Howard League for Penal Reform were winners of the Corrections Partner of the Year Award for 2016.

Around 70% of prisoners have low levels of reading and writing, and this award recognises the great success the Howard League has had with their literacy and driver licence programmes in New Zealand prisons. The League's literacy programme is delivered by volunteers, and aims to improve the literacy levels of prisoners.

The Howard League's Driver Licence Initiative provides offenders the tools and access they need to obtain their driver's licence. Both of these programmes are designed to provide prisoners tools and skills that can motivate them to turn their lives around and reduce re-offending.

Employer partnerships that open up job opportunities

An employer breakfast took place in Auckland in November 2015, at which around 80 of New Zealand's biggest employers heard about Corrections' work to provide offenders with jobs skills. Feedback from this event was extremely positive, with one attendee describing it as "a superb session – great speakers, meaningful messages and realistic targets for New Zealand to work towards. I felt extremely fortunate being there and hope I can in some way help to make a difference." Following this, future events are being considered for Wellington, Christchurch and Hamilton.



Prison Gate to Plate dinners - Visa Wellington on a Plate

The popularity of the Prison Gate to Plate dinners at Rimutaka Prison, as part of Visa Wellington on a Plate, continues to rise. The tickets for this annual event sell out faster than any other for the Wellington on a Plate festival – in a matter of minutes last year. In 2016 we are in our fourth year, and it is encouraging to see how the public has embraced the concept of a prison cooked meal as a sought-after event. The dinners highlight the training and job opportunities available for prisoners, while helping to dispel people's stereotypes about those behind bars.





Statement of Performance

Statement of Responsibility

In accordance with section 45C of the *Public Finance Act 1989*, I am responsible, as Chief Executive of the Department of Corrections, for:

- > the preparation of the Department's financial statements, and Statement of Departmental Expenditure and Capital Expenditure, and for the judgements expressed in them
- > having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- > ensuring that end-of-year performance information on each appropriation administered by the Department is provided in accordance with sections 19A to 19C of the *Public Finance Act 1989*, whether or not that information is included in this annual report
- > the accuracy of any end-of-year performance information prepared by the Department, whether or not that information is included in the annual report.

In my opinion the financial statements and Statement of Performance, including the forecast financial statements fairly reflect the financial position of the Department as at 30 June 2016 and the result of its operations for the year ended on that date.

Signed



Ray Smith
Chief Executive

Date: 30 September 2016

Countersigned



Neil Cherry
Deputy Chief Executive Finance,
Property and Technology

Date: 30 September 2016

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of Correction's annual report for the year ended 30 June 2016

The Auditor-General is the auditor of the Department of Corrections (the Department). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- > the financial statements of the Department on pages 115 to 151, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets and statement of trust monies as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in taxpayer's funds, 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 Department for the year ended 30 June 2016 on pages 26 to 76 and 84 to 112
- > the statements of expenses and capital expenditure of the Department for the year ended 30 June 2016 on pages 153 to 154.

OPINION

In our opinion:

- > the financial statements of the Department:
 - 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 (PBE) Reporting Standards
- > the performance information of the Department:
 - 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 statement of expenses and capital expenditure of the Department on pages 153 to 154 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

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 Department'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 Department's internal control.

An audit also involves evaluating:

- > the appropriateness of accounting policies used and whether they have been consistently applied;
- > the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- > the appropriateness of the reported performance information within the Department'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 Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand and PBE 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.
- > statement of expenses and capital expenditure, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

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.

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



Clint Ramoo

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Statement of Performance 2015/16
For the year ended 30 June 2016

Appropriation - Prison-based Custodial Services

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

WHAT CORRECTIONS DOES

Management of custodial services ensures that prisoners complete the correct imposed sentence or order, comply with the specific restrictions and requirements of their sentence or order, are not harmed, are treated fairly and that their legitimate needs are met. Safe and secure management of custodial facilities maintains public safety, prisoners are safely and securely contained, an appropriate setting for provision of rehabilitative interventions is provided and offenders are held to account.

OPERATING CONTEXT

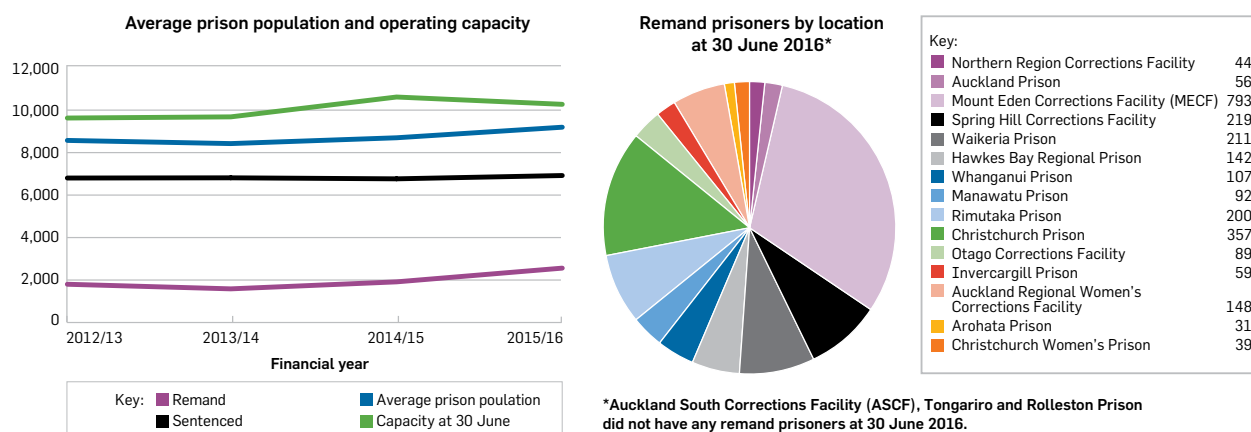
	2013	2014	2015	2016	2016	2017
Activity information	Actual volume	Actual volume	Actual volume	Actual volume	Budget volume ¹	Forecast volume
The number of prisoners received into custody	14,149	13,304	14,029	15,719	19,000 – 20,000	15,000 – 16,000
The number of prisoners released from custody	14,194	13,266	13,719	15,003	8,300 – 8,800	15,000 – 15,500
The average prison population	8,614	8,460	8,732	9,193	8,500 – 8,750	9,250 – 9,500

The average prison population in 2015/16 was 461 (5%) higher than in 2014/15 and the population as at 30 June 2016 was 9,532.

The remandee population has risen by 616 prisoners in 2015/16 compared to 2014/15. Remand prisoners represented 27% of the total prison population for 2015/16, compared with 23% for 2014/15.

The average remand period has risen from 59.4 days in 2014/15 to 67.4 days in 2015/16. The rise in the remand population is partly due to court processing time.

The increase of prisoner volumes has an impact across the network including establishing offender plans, scheduling programmes and the level of demand for health services and transportation.



1 The 2016 budget volumes for number of prisoners received into custody counted all receptions (remand and sentenced prisoners) regardless of time outside of prison. This definition has been revised to include all new receptions after 72 hours of release. The 2016 budget volume for prisoners released from custody only counted sentenced prisoners. The 2016 actual volumes include remandees.

HOW CORRECTIONS PERFORMED

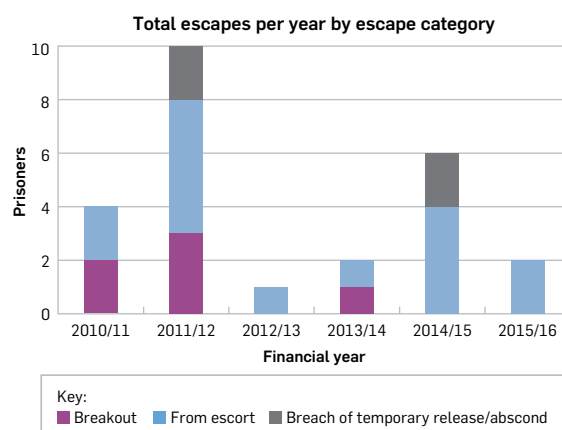
The integrity of sentences and orders

Our ongoing investment in prison infrastructure and efforts to strengthen the custodial management of prisoners, has seen a sustained reduction in breakout escapes from prison. Only one breakout escape has occurred in the last four years and there were zero breakout escapes in 2015/16.

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY						Lower than average across the past 5 years
The number of escapes	1	2	6	2	5	(5)

Corrections managed over 82,000 prisoner movements this financial year. Just over half of these are between prisons and courts. Two prisoners escaped from escorts: one from court, and one from hospital. Both of these prisoners were captured and subsequently returned to prison. A review is undertaken into each escape, and steps are taken where possible to minimise the occurrence of such events in the future.

As part of our continued effort to ensure that prisoners are held securely while serving sentences, Corrections have invested in infrastructure to reduce the risk of prisoners escaping. By utilising Audio Visual Link (AVL) technology, Corrections can minimise the number of times a prisoner needs to be transported outside of the prison environment and investments in transportation and prison escort vehicles enhance the safety and security of the transports that do occur.



A safe Corrections system

Corrections makes use of a number of measures to monitor our performance in the delivery of custodial services, such as monitoring the prison environment.

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY						
The number of prisoner on prisoner assaults that are serious	55	42	38	45	44	Lower than average across the past 5 years (46)
The number of prisoner on staff assaults that are serious	13	6	9	17	10	Lower than average across the past 5 years (11)
The number of justified complaints by prisoners to the Corrections Inspectorate	37	38	42	38	44	Lower than average across the past 5 years (42)
The proportion upheld for not meeting process requirements	–	–	New for 2016	84%	75%	N/A [#]
The percentage of Prison Services Health Centres that retained their Cornerstone [®] accreditation status following completion of an annual review ²	–	–	New for 2016	100%	100%	100%

Although there has been a marginal increase in assaults, this has come at a time when there has been a significant increase in the prison population (an increase of approximately 1,000 prisoners over the last 2 years). Through the implementation of Corrections' Staff Safety Plan and the creation of tools to support the early identification of risks or heightened tensions, Corrections have continued to make the prison system a safer environment.

Over the last three financial years, there has been a slight increase in the rate of prisoner on staff assaults. This financial year has been adversely affected by two incidents involving the same prisoner. In one event the prisoner assaulted three staff members and in a second event, the same prisoner assaulted another staff member. Our response to all serious assaults includes reviewing the prisoner's security classification, revoking privileges and referring the matter to police who then determine whether criminal charges should be laid.

There were over 1,000 complaints referred to the Corrections Inspectorate in 2015/16. Of the complaints received, 38 (3.5 percent) were found to be justified. Of the 38 justified complaints, 6 were upheld for reasons of materiality and 32 for not meeting process requirements.

[#] This measure has been excluded from the 2016/17 budget and will not be reported in this section in 2017.

² To demonstrate that the level of care in prison meet the standards of care that are available in the community, all health centres are required to be accredited under the Cornerstone[®] process. The accreditation process demonstrates that prison health centres meet the Royal New Zealand College of General Practitioners (NZCGP) Aiming for Excellence Standards for New Zealand general practice. In order to retain their accreditation, each health centre undertakes an internal review annually and updates the NZCGP on completion.

Assault mitigations

2015/16 was the third year of the Staff Safety Plan and Corrections has seen an increase in awareness among staff that any violence towards them is unacceptable. Staff are encouraged to report all incidents of assault, regardless of seriousness.

Through our 'Keeping each other safe' initiative all staff have received a Personal Safety booklet, have participated in regular group safety team meetings and have been provided with access to trained regional Corrections welfare officers who provide support as required.

The Health and Safety at Work Act 2015 came into force in April 2016 and Corrections introduced additional safety improvements as a response. Stab resistant body armour has been deployed to Corrections staff, with on-body cameras to be deployed over the next 12 months, both providing better protection when engaging with prisoners. These features are designed to improve safety and security, while maintaining a productive work environment.

During this year Corrections has upgraded the remainder of the prison escort fleet to have single cells for each prisoner. This separation enhancement within the vehicle protects prisoners from potential assaults during transport.

The new Prison Tension Assessment Tool, currently being trialled at Manawatu and Rimutaka Prisons and in parts of Spring Hill Corrections Facility, helps staff to identify and assess daily changes in the overall level of tension and ensures that staff are aware of this prior to beginning their shifts. This information is used by unit and site management to take any specific or site-wide actions that are necessary, to ensure staff and prisoner safety throughout the facility.

The Prison Tension Assessment Tool sits alongside the Dynamic Appraisal of Situational Awareness (DASA) tool, which is targeted more specifically at individual prisoners within a unit (although, if applied across multiple prisoners, it can indicate risk across the unit) and the Promoting Risk Intervention by Situational Management (PRISM) tool, which looks at systemic issues within the prison environment that may be contributing to violence.

Each one of these improvements helps to maintain a safe and secure prison system.

HOW MUCH DID IT COST?

For the year ended 30 June 2016

	2015	2016			2017
	Actual [†]	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	790,423	840,996	811,289	846,393	896,220
Departmental	140	1,042	–	1,085	–
Other	7,935	13,249	2,486	13,034	3,390
Total revenue	798,498	855,287	813,775	860,512	899,610
Total expenses	791,304	853,093	813,775	858,858	899,610
Net surplus	7,194	2,194	–	1,654	–

[†]From 2016 the Contract Management of Services Provided by Third Parties appropriation has been integrated into the Prison-based Custodial Services appropriation.

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016. The Prison-based Custodial Services appropriation has been merged into a Multi-Category Appropriation called 'Public Safety is Improved' for 2017 in order to align the appropriations with Corrections' strategic outcomes.

The total expense for this appropriation was \$853.1 million. The Corrections network includes 18 prison sites across the country and a significant amount of expenditure therefore relates to costs associated with the ownership, management and operation of these assets; this includes depreciation, asset maintenance and capital charge. Total expenditure also includes payments made to SecureFuture Wiri Limited for the operation and maintenance of the Auckland South Corrections Facility (ASCF).

Personnel costs is another significant cost associated with this appropriation as frontline staff account for a large proportion of Corrections overall staffing numbers.

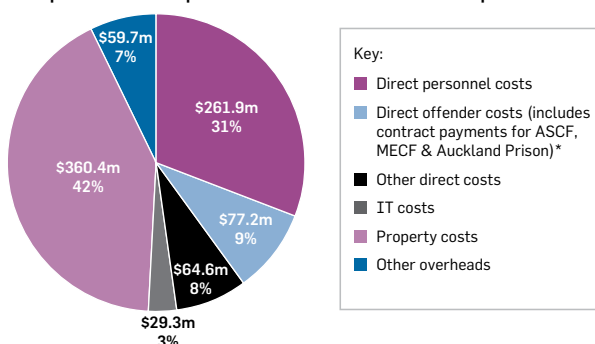
Refer to the chart for the composition of total expenditure by major expense category.

Actual expenditure was \$61.8 million higher than 2015 actuals, mainly due to:

- > increased contract costs of \$36.5 million, relating to a full year of operations at ASCF which opened in May 2015
- > increased asset ownership costs of \$15.1 million, including capital charge and depreciation, of which \$7.0 million relates to a full year depreciation impact of ASCF
- > increased personnel costs including the impact of the annual remuneration review and the management of a higher prison population.

Other revenue mainly comprises proceeds received from Serco in full settlement of costs incurred by Corrections due to the Step-In at MECF, insurance proceeds received in 2015/16 in relation to the Spring Hill Corrections Facility riot costs that were incurred in previous years and board charged to prisoners on Release to Work.

Composition of total prison-based custodial services expenses



*Auckland South Corrections Facility (ASCF) and Mount Eden Corrections Facility (MECF)

Appropriation - Sentences and Orders Served in the Community

This appropriation is limited to the management and delivery of sentences and orders served in the community and the electronic monitoring of people on bail.

WHAT CORRECTIONS DOES

Corrections manages home detention sentences, which are imposed by the courts and require the offender to reside at an approved address under strict conditions and monitoring, sometimes including electronic monitoring (EM).

Corrections also manages offenders in the community, including those serving community work sentences, community detention, supervision and intensive supervision orders.

Post-release conditions are also managed by Corrections. Post-release conditions are imposed by the courts at the time of sentencing for prisoners with short sentences. It also includes parole orders imposed by the New Zealand Parole Board (NZPB) and extended supervision orders imposed by the courts, with additional special conditions set by the NZPB to actively manage the risks posed by high-risk violent and/or sexual offenders in the community.

Corrections also manages offenders on electronic monitoring, which can include those monitored as a condition of bail while awaiting a court hearing (EM Bail) and those serving community-based sentences.

Corrections ensures the effective and safe management of offenders in the community through the use of Standards of Practice for probation officers. These are unique to each sentence or order and set the expected level of service, monitoring and compliance required for each offender.

OPERATING CONTEXT

The integrity of sentences and orders is maintained when offenders in the community comply with and complete their sentences and orders and are held to account if they do not. This is a key facet in public safety, which is always our bottom line.

Compliance is achieved when offenders follow all directives and restrictions inherent to the sentence or order (such as attendance at programmes, non-association orders, residential or employment restrictions), experience appropriate consequences in the event of non-compliance and complete the imposed sentence or order.

Any failure by an offender to adhere to a requirement of the sentence is considered to be non-compliance. This could include failure to report as instructed, breaking a curfew, or failure to notify Corrections of an address change.

	2013	2014	2015	2016	2016	2017
Activity information	Actual volume	Actual volume	Actual volume	Actual volume	Budget volume	Forecast volume
The average number of home detention sentences being served	2,854	2,947	2,827	2,893	2,700 – 3,000	2,800 – 3,000
The average number of community-based sentences being served						
- Supervision	8,243	7,751	7,300	7,597		
- Intensive supervision	2,464	2,381	2,577	2,867		
- Community work	17,702	15,825	15,963	15,014		
- Community detention Sentence	1,950	1,719	1,655	1,600		
Total	30,359	27,676	27,495	27,078	26,500 – 29,500	26,000 – 29,000
The average number of post-release orders being served						
- Post-release conditions	3,350	3,277	3,218	3,581		
- Parole/residential restrictions	2,360	2,404	2,428	2,301		
- Extended supervision	207	218	226	215		
Total	5,917	5,899	5,872	6,097	5,400 – 5,700	5,444
The total number of new home detention sentences commenced	3,527	3,340	3,253	3,473	3,300 – 3,500	3,300 – 3,500
The total number of new community-based sentences commenced	54,561	49,018	46,463	44,805	47,000 – 49,000	48,325
The total number of new post-release orders commenced	5,999	5,779	5,951	6,420	5,700 – 6,000	5,403

The average number of offenders in the community has remained relatively stable at approximately 36,000, however the mix of this grouping has been shifting over time with home detention, supervision orders and post release orders increasing in the past year.

The shift in the number of offenders serving different sentences and orders is largely due to offenders committing crimes of a more serious nature, who therefore require additional resources for monitoring and rehabilitation. Upon release, these same offenders are generally given additional conditions from the New Zealand Parole Board.

Sentence types by average number of offenders					
	2011/12	2012/13	2013/14	2014/15	2015/16
Community detention	1,770	1,950	1,719	1,655	1,600
Community work	20,892	17,702	15,825	15,963	15,014
Extended supervision	192	207	218	226	215
Intensive supervision	2,531	2,464	2,381	2,577	2,867
Supervision	7,883	8,243	7,751	7,300	7,597
Home detention	1,469	1,610	1,618	1,557	1,620
Post detention conditions	1,224	1,244	1,329	1,270	1,273
Parole/residential restrictions	2,303	2,360	2,404	2,428	2,301
Post release conditions	3,473	3,350	3,277	3,218	3,581
Compassionate release	0	0	1	1	2
EM bail	-	-	-	161	430
Returning offender orders	-	-	-	-	172*

* An average number has not been used given Returning Offender Orders came into effect in late 2015. Consequently numbers are stated as at 30 June 2016.

Electronic Monitoring Bail (EM Bail)

	2013	2014	2015	2016	2016	2017
Activity information	Actual volume	Actual volume	Actual volume	Actual volume	Budget volume	Forecast volume
The number of new EM Bail conditions imposed ³	New for 2014	392	814	966	750 – 800	1,400
The average number of EM Bail conditions ³	New for 2014	273	335	419	300 – 350	600

Corrections has continued to see a rise in the average number of offenders subject to EM Bail conditions, which allows offenders to continue to live and work in the community while awaiting trial, rather than being held in custody.

There are a number of factors that have contributed to the increased use of EM Bail, including:

- > confidence from the Judiciary in the ability of Corrections to adequately monitor high-risk defendants through the use of Global Positioning System (GPS)
- > a reduction in the turnaround time for EM Bail Suitability Reports, from 15 to 10 working days
- > more information about what EM Bail is and how to apply for it is available to defendants in the custodial system
- > the number of applications made to the courts has increased
- > Child, Youth and Family have been promoting EM Bail to youth defendants.

³ Full transition of EM Bail operations from NZ Police was completed during January 2014, meaning 2015/16 was the first full year that Corrections was operationally responsible for EM monitoring. This has seen the number and average number of EM Bail conditions increase from 2013/14.

HOW CORRECTIONS PERFORMED

Management and delivery of sentences and orders in the community

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY AND TIMELINESS						
Compliance with mandatory standards for home detention sentences ⁴	96%	94%	95%	88%	≥ 98%	N/A [#]
Compliance with mandatory standards for community-based sentences ⁴	95%	93%	95%	93%	≥ 98%	N/A [#]
Compliance with mandatory standards for post-release orders ⁴	98%	96%	97%	93%	≥ 98%	N/A [#]

For 2015/16 Corrections introduced technology which enables community-based staff to access real time information around standards that need to be met, which allows the Department to analyse performance at a more granular level than was possible in previous years.

Completion of standards can be impacted by offenders not attending appointments, which means that the probation officer is unable to meet the standard within the specified timeframe.

This provides useful information which aligns with the work we undertake and helps to identify where follow up work may be required. Using more real time data allows probation officers the ability to respond more quickly to non-compliance, which improves public safety and sentence accountability.

This measure has been excluded from the 2016/17 budget and will not be reported in this section in 2017.

4 The mandatory standards indicators measure the expected level of service to be delivered by probation officers. Probation's purpose is to contribute to safer communities by holding offenders to account and managing them to: comply with their sentences and orders, reduce their likelihood of re-offending and minimise their risk of harm to others. Each mandatory standard links to at least one of the three elements of probation's purpose providing a rationale for that standard. A set of definitions is provided to probation officers to ensure consistency of understanding the application.

HOW MUCH DID IT COST?

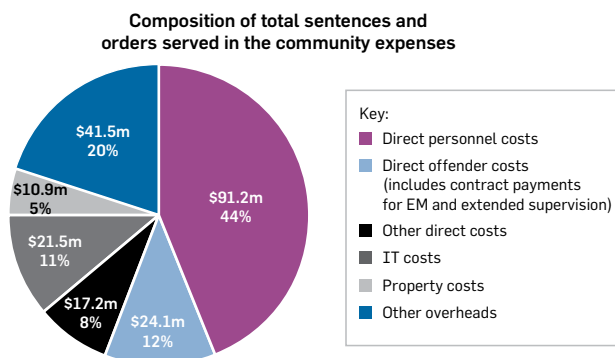
For the year ended 30 June 2016

	2015	2016			2017
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	215,151	207,328	212,539	210,785	209,104
Departmental	27	98	–	102	–
Other	–	–	–	–	–
Total revenue	215,178	207,426	212,539	210,887	209,104
Total expenses	213,723	206,387	212,539	210,887	209,104
Net surplus	1,455	1,039	–	–	–

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016. The Sentences and Orders Served in the Community appropriation has been merged into a Multi-Category Appropriation called 'Public Safety is Improved' for 2017 in order to align the appropriations with Corrections' strategic outcomes.

The total expense for this appropriation was \$206.4 million. The largest category of costs within this output class related to direct personnel expenditure. Other costs associated with this output class include property costs such as rent and utilities, vehicle costs and contract management costs including the electronic monitoring of offenders.

Refer to the chart below for the composition of total expenditure by major expense category.



Actual expenditure was \$7.3 million lower than 2015 actuals, mainly due to:

- > one-off project costs in 2015 associated with the transfer of all EM services to one provider
- > costs associated with the provision of information for EM Bail applications being reallocated to the Information and Administrative Services to the Judiciary and New Zealand Parole Board appropriation.

Actual expenditure was lower than Supp. estimates, mainly reflecting pre-approved in-principle expense transfers for Alcohol and Drug Testing of Offenders and Bailee's in the Community, Management of Offenders Returning to New Zealand and Public Safety (Public Protection Orders).

Appropriation - Rehabilitation and Reintegration

This appropriation is limited to the provision of case management and interventions designed to address the underlying causes of criminal re-offending.

WHAT CORRECTIONS DOES

Corrections reduces re-offending by providing offenders with opportunities for rehabilitation and reintegration through five outputs: case management, rehabilitation, training and education, offender employment and reintegration. Providing these opportunities allows offenders to have the skills and support to lead law-abiding lives after the end of their sentences and orders.

Case management focuses on planning and managing a prisoner's rehabilitation and reintegration needs, which are reflected in high quality offender plans for each individual.

Rehabilitation challenges behaviours that lead to offending. When appropriate programmes and pathways are made available and offenders are motivated to take part in them, there is a better chance that they will successfully reintegrate into the community at the end of their sentence or order.

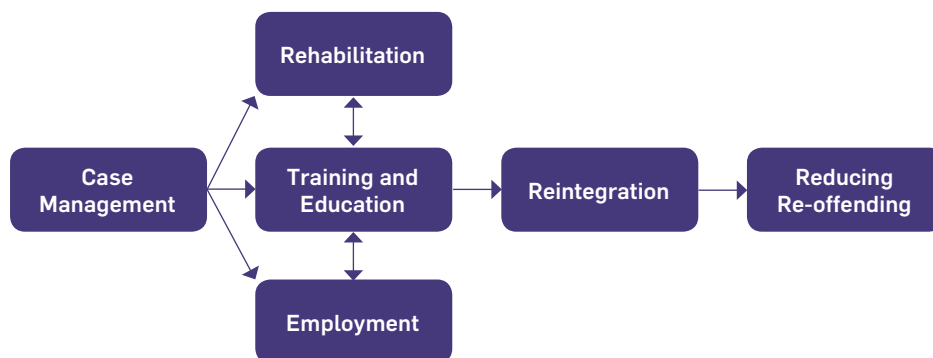
Corrections provides training and education that supports offenders to address lifelong learning barriers and to gain recognised qualifications and employment experience.

Offender employment opportunities provided by Corrections look to develop work habits, experience, training and skills, increasing offenders' chances for post-release employment.

Reintegration services managed by Corrections focus on creating pathways for people integrating back into the community, by assisting them to address employment, accommodation, living skills, health/well-being, community links and other reintegration needs.

OPERATING CONTEXT

The offender journey as it relates to rehabilitation and reintegration:



Corrections have developed targeted strategies to reduce re-offending:

- > tackling alcohol and drug abuse
- > more rehabilitation that works
- > interventions delivered by probation staff
- > education, job skills and working prisons
- > real jobs on release
- > partnering with iwi and community groups.

Case management

The process of case management encompasses the planning and management of a prisoner's rehabilitation and reintegration needs, which are detailed in an individual offender plan.

Case managers work with offenders in custody to facilitate services and deliver active and caring support to prepare the offender to live an offence-free life and to ensure a successful transition to probation colleagues or directly into the community.

After creating an offender plan, the case managers then manage the plan proactively throughout the sentence to ensure the offender is able to complete the required interventions, often by assisting the offender to resolve barriers to rehabilitation or facilitating external services to meet their needs.

REHABILITATION AND REINTEGRATION

Rehabilitation

Corrections strives to break the cycle of re-offending by identifying and working with those who are most likely to re-offend.

Research has shown that re-offending is not reduced simply by incarcerating offenders, or by increasing the harshness of their sentences. Well-designed and delivered programmes can have a real effect on re-offending.

Corrections assesses each and every offender to provide programmes that are appropriate to their level of risk, rehabilitative needs and ability to be responsive to the programme. Programmes include motivation to change, cognitive-behavioural interventions and general skills.

Reintegration

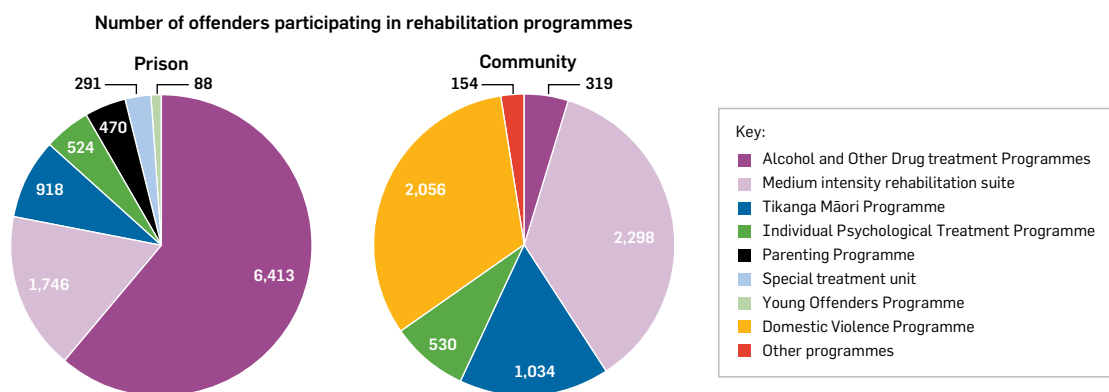
Research also shows that people are less likely to re-offend if they have the right support around them, which helps to keep everyone safe. The key areas are employment, accommodation, education and training, skills for life and oranga and family/whānau/community relationships. Support can come from many people including family/whānau, community groups, counsellors, employers and Corrections staff.

Reintegration is not just for people leaving prison. People who have served sentences and orders in the community also need help to make a fresh start and play a positive role in their communities and families.

The Industry, Treatment and Learning (ITL) framework is also a key part of reducing re-offending. Corrections began piloting the framework as Working Prisons in 2012 and since then all Corrections-managed prisons have fully transitioned to the framework. ITL prisons engage eligible prisoners in a regular 40 hour work week to prepare them for release and reintegration; the 40 hours are made up of rehabilitation and reintegration, education and training, employment and other constructive activities.

OPERATING CONTEXT

	2013	2014	2015	2016	2016	2017
Activity information	Actual volume	Actual volume	Actual volume	Actual volume	Budget volume	Forecast volume
The number of offenders who have completed a rehabilitation programme:		New for 2015				
- Prisoners	-	2015	6,837	8,372	5,549	9,000 – 9,500
- Community-based offenders	-	New for 2015	3,107	3,648	3,134	4,000 – 4,500

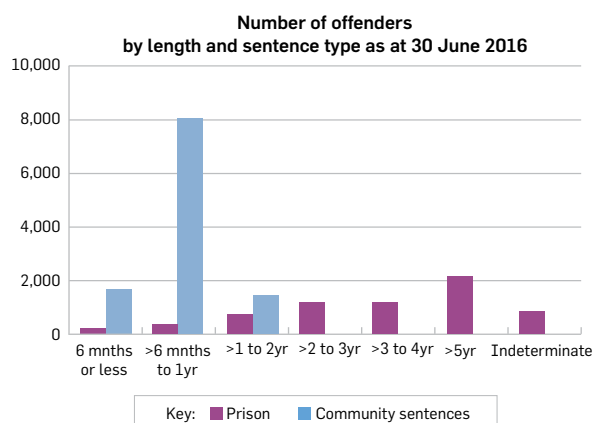


In order to continue our drive towards achieving our reducing re-offending goal, Corrections has taken a more targeted approach to addressing our use of rehabilitation programmes. Through the RR25% Boost initiative, Corrections has focused on increasing the number of short interventions to help more offenders, with the aim of improving their chances of living crime-free after completing their sentences and orders. Corrections has increased access to rehabilitation programmes and boosted participation in industries that lead to sustainable work. Corrections supports offenders and their families in the lead up to leaving prison, providing help to access ongoing treatment, rehabilitation, employment and housing.

The chart below demonstrates that the majority of offenders serving community-based sentences are serving sentences of one year or less. By increasing access to interventions in our largest cohort, Corrections is able to help more offenders to address their rehabilitation needs.

The initiative to lift participation rates has raised the number of prisoners who have completed rehabilitation programmes by 22% in 2015/16 to 8,372, up from 6,837 in 2014/15. Similarly, the number of community-based offenders who complete a rehabilitation programme has risen by 17% to 3,648 in 2015/16, up from 3,107 in 2014/15.

The cost associated with the RR25% Boost initiative has been absorbed within our 2015/16 baseline.



HOW CORRECTIONS PERFORMED

Case management

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY AND TIMELINESS						
The percentage of prisoners entitled to receive an offender plan that received one ⁵	98%	99%	98%	98%	95%	N/A [#]
The proportion of prisoners entitled to receive an offender plan that received one within Practice framework timelines ⁵	–	–	New for 2016	93%	85%	90%

Although there has been an increase in the prison population, Corrections have continued to exceed the performance target in our delivery of offender plans. Offender plans provide the basis for managing and monitoring an offender's needs. Offender plans for remand prisoners focus on reintegration needs, such as accommodation or community support. When an offender follows an offender plan, Corrections are better able to identify and monitor their evolving combination of needs.

This measure has been excluded from the 2016/17 budget and will not be reported in this section in 2017.

5 *Corrections Act 2004* – Section 51 Management Plans. This section applied to every prisoner who is:

- sentenced to imprisonment for a term of more than two months, or
- in custody for a continuous period of more than two months on remand.

Rehabilitation and Reintegration

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY						
The percentage of offenders who start and complete a rehabilitation programme:						
- Prisoners	86%	85%	86%	81%	85%	85%
- Community-based offenders	63%	63%	59%	57%	65%	65%
QUALITY						
The total number of qualifications achieved by prisoners while in prison ⁶						
	3,160	3,858	3,698	4,628	4,240	N/A [#]
The average number of hours engaged in industry and learning activities per prisoner						
	-	-	New for 2016	30	30 – 32	N/A [#]
The number of prisoners who start reintegration services						
	-	-	New for 2016	3,258	4,300	3,500

There has been a significant increase in the number of offenders (prisoner and community-based) who have completed a rehabilitation programme this year compared to 2014/15. This uplift in the number of completions is due to increased access to rehabilitation programmes as a result of the RR25% Boost initiative.

Notwithstanding the increase in the number of offenders completing a rehabilitation programme, there has been a marginal decrease in the percentage of programme completions. The completion rates are expected to improve as the programme was recalibrated to cope with the significant increase in the number of offenders attending rehabilitation programmes.

Corrections is committed to increasing the level of literacy, education and employment training for prisoners and offenders. As a result, more people will have the skills and experience that employers require and will have a better chance of obtaining work. Offenders who are able to work upon release reduce their overall risk of re-offending.

This measure has been excluded from the 2016/17 budget and will not be reported in this section in 2017.

6 Includes:

- New Zealand Qualifications Framework (NZQF) National Certificates and other NZQF Certificates levels 2, 3 or above as a completed qualification
- Limited Credit Programmes and Modularised Training Programmes
- Trade Tickets (industry specific license to practice e.g. welding)
- Vocational driver licenses
- Health and Safety qualification accredited by Industry Training Organizations (ITOs), e.g. First Aid, Grow Safe and Site Safe
- NCEA qualifications completed while in prison.

The following table shows that the number of qualifications achieved by prisoners continues to exceed expectations.

Level	Type	2015 Actual	2016 Actual	Change %
LESS THAN LEVEL ONE	LCP / MTP	92	61	
	Trade Ticket	24	12	
	National Certificate or equivalent	–	3	
	Other (Welding qualification test)	5	24	
Qualifications achieved		121	100	(17%)
LEVEL ONE	LCP / MTP	73	72	
	National Certificate or equivalent	159	360	
Qualifications achieved		232	432	86%
LEVEL TWO	Driver Licence	229	159	
	LCP / MTP	1,112	1,152	
	National Certificate or equivalent	869	963	
	Health and Safety	453	584	
	Trade Ticket	29	–	
Qualifications achieved		2,692	2,858	6%
LEVEL THREE	LCP / MTP	478	999	
	National Certificate or equivalent	167	217	
Qualifications achieved		645	1,216	89%
LEVEL FOUR	National Certificate or equivalent	8	22	
Qualifications achieved		8	22	175%
TOTAL		3,698	4,628	25%

HOW MUCH DID IT COST?

For the year ended 30 June 2016

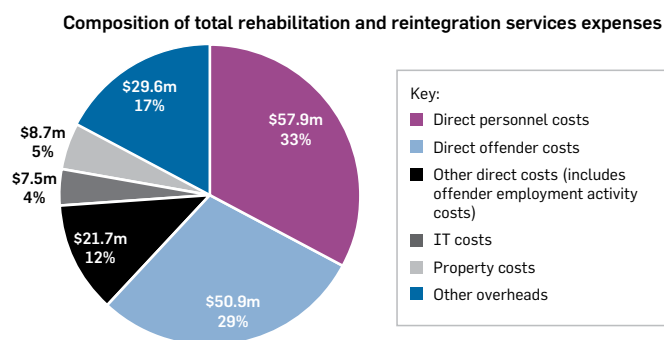
	2015	2016			2017
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	134,770	145,982	162,649	149,925	152,689
Departmental	40	174	-	181	-
Other	39,204	23,038	29,694	23,876	29,498
Total revenue	174,014	169,194	192,343	173,982	182,187
Total expenses	169,122	176,308	192,343	180,300	182,187
Net (deficit)/surplus	4,892	(7,114) **	-	(6,318) **	-

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

**Corrections obtained Cabinet approval to run an output class deficit for 2016 as a result of an expected shortfall in offender employment activity revenue, with the expectation that sufficient future surpluses will be retained to cover the deficit.

The total expense for this appropriation was \$176.3 million. Direct expenses accounted for 74% of total expenses in 2016, which included approximately \$82.1 million on the provision of intervention programmes and case management, \$30.3 million on offender employment activities, and \$18.1 million on psychological services.

Refer to the chart below for the composition of total expenditure by major expense category.



Actual expenditure was \$7.2 million higher than 2015 actuals, mainly due to:

- > increased contract costs of \$12.2 million relating to a full year of operations at ASCF which opened in May 2015 (contract expenditure being split between custodial and rehabilitation)
- > increased programme facilitator costs to support the RR25% Boost initiative, partly offset by
- > a reduction in offender employment activity costs of \$5.5m following the sale of the Tongariro/Rangipō forest crop at 30 June 2015.

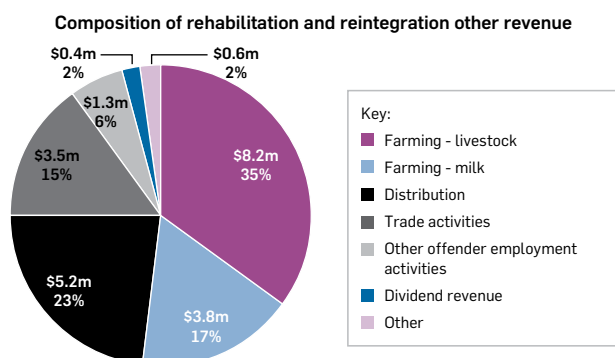
Actual expenditure was lower than Supp. estimates, mainly reflecting pre-approved in-principle expense transfers for the Out of Gate programme and the Alcohol and Other Drug Aftercare initiative.

Other revenue mainly comprises sale of goods relating to offender employment activities, over half of which relates to farming.

Other revenue was \$16.2 million lower than 2015 actuals, mainly due to the sale of the Tongariro/Rangipō forest crop and land at 30 June 2015, and a continued reduction in milk prices.

Other revenue was slightly lower than Supp. estimates mainly due to timing of livestock sales.

Refer to the chart below for the composition of other revenue.



Appropriation - Information and Administrative Services to the Judiciary and New Zealand Parole Board

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

WHAT CORRECTIONS DOES

Information services to the Judiciary focuses on the preparation of reports that provide sentencing judges with information about offenders, to assist with the sentencing process. This service includes attendance at court, prosecutions and attendance at sentencing resulting from probation initiated proceedings. This output ultimately supports the Judiciary to make informed decisions.

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

Information and administrative services focuses on the administration of victim notification services. Corrections has a responsibility to notify eligible victims about specific events as detailed in the *Victims' Rights Act 2002*. The NZ Police refer details of eligible victims to Corrections.

OPERATING CONTEXT

	2013	2014	2015	2016	2016	2017
Activity information	Actual volume	Actual volume	Actual volume	Actual volume	Budget volume	Forecast volume
The number of court attendance hours	97,561	106,740	83,651	108,713	99,000 – 101,000	109,000 – 111,000
The number of Electronic Monitoring Bail (EM Bail) applications submitted to court	New for 2014	1,319	2,835	3,794	2,500	3,818
The number of NZPB hearings where administrative support is required	8,614	8,718	8,045	8,113	8,000 – 8,500	8,000 – 8,500

HOW CORRECTIONS HAVE PERFORMED

Information services to the Judiciary

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
TIMELINESS						
The percentage of reports provided to court within agreed timeframes before sentencing: ⁷						
- Probation reports	94%	94%	94%	88%	95%	95%
- Psychological reports	84%	94%	89%	99%	95%	95%

In the 2015/16 financial year there has been a significant increase in the volume of reports expected to be provided to court as a result of additional sentencing being introduced. In addition, timeframes to deliver probation reports have reduced from 20 to 15 working days (if the offender is in custody) and 30 to 15 working days (for all other cases). Last financial year it took an average of 20 working days to complete a probation report, whereas in this financial year it took an average of 16 working days to complete the same report. Although Corrections has improved on the average time to complete a probation report, the shorter delivery targets remain a challenge and mean that Corrections is continuing to look at options to further accelerate the delivery timeframes.

Information services to the New Zealand Parole Board (NZPB)

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
TIMELINESS						
The percentage of parole reports provided to agreed timeframes pursuant to NZPB requirements:						
- Parole Assessment reports	88%	88%	90%	92%	75%	90%
- Parole Progress reports	96%	93%	96%	95%	95%	95%
- Psychological reports	94%	94%	95%	93%	90%	95%

Corrections has continued to exceed the performance standard for the quality and timeliness of reports provided to the NZPB.

⁷ Probation reports are completed to timeframes as set out in the Integrated Practice Framework. Specific timeframes are provided in respect of each of the individual report types that are included under the heading of 'probation' reports or such time as agreed with the NZPB. Psychological reports are provided to court at least two working days before sentencing where a request is received.

Administrative services to the New Zealand Parole Board (NZPB)

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY						
The percentage of offenders who are notified as per NZPB requirements ⁸	100%	100%	100%	100%	98%	98%
The percentage of victims who are notified as per NZPB requirements ⁹	100%	100%	100%	100%	98%	98%
TIMELINESS						
The percentage of all cases to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	100%	98%	98%

Corrections continues to exceed the performance standard for administration services to the NZPB.

Information and administrative services to victims

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY AND TIMELINESS						
The number of justified complaints about notification services received from registered victims ¹⁰	1	2	0	2	0	0

Corrections received two justified complaints for the 2015/16 financial year. Corrections maintain a zero tolerance policy on justified complaints about notification services that registered victims receive; procedures have been changed in light of the two instances in 2015/16 to ensure that similar incidents do not occur again.

⁸ Offenders are notified of an impending hearing and of a Board decision within agreed timeframes.

⁹ Victims are notified of an impending hearing and of a Board decision within agreed timeframes.

¹⁰ The *Victims Rights' Act 2002* imposes clear obligations on specified agencies to provide information and offer assistance to victims of offences. This measure demonstrates that Corrections is meeting its legislative requirements and providing victims with notification of events relating to those who offended against them.

HOW MUCH DID IT COST?

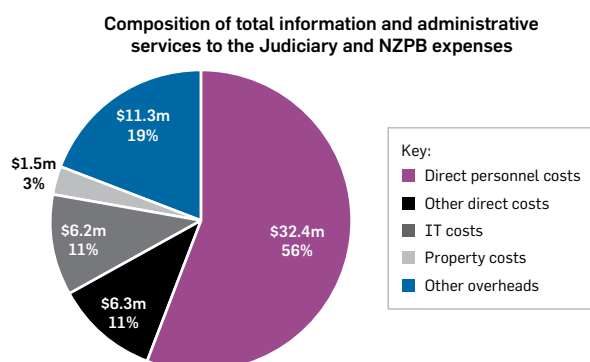
For the year ended 30 June 2016

	2015	2016			2017
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	51,687	59,140	50,768	59,140	59,196
Departmental	8	15	–	16	–
Other	–	–	–	–	–
Total revenue	51,695	59,155	50,768	59,156	59,196
Total expenses	51,672	57,672	50,768	59,156	59,196
Net surplus	23	1,483	–	–	–

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016. The Information and Administrative Services to the Judiciary and New Zealand Parole Board appropriation has been merged into a Multi-Category Appropriation called 'Public Safety is Improved' for 2017 in order to align the appropriations with Corrections' strategic outcomes.

The total expense for this appropriation was \$57.7 million. Over half of the costs associated with this appropriation are staff related. Reports written by our staff are used to provide the Judiciary and NZPB with relevant offender information.

Refer to the chart below for the composition of total expenditure by major expense category.



Actual expenditure was \$6.0 million higher than 2014/15 actuals, mainly due to:

- > an increase in probation officer court attendance hours providing advice, information and recommendations on offenders, sentences and interventions
- > costs associated with the provision of information for EM Bail applications being reallocated from the Sentences and Orders Served in the Community appropriation.

Appropriation - Policy Advice and Ministerial Services (Multi-Category Appropriation)

APPROPRIATION: POLICY ADVICE

This output class is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

WHAT CORRECTIONS DOES

Corrections provides advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

OPERATING CONTEXT

Policy advice was provided across a number of issues including:

- > *Sentencing (Electronic Monitoring of Offenders) Legislation Bill* as it moved through Select Committee stages
- > *Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill*, through Select Committee stages
- > Advice on potential amendments to governing legislation, including the *Corrections Act 2004* and associated regulation
- > Working with NZ Police to support the *Child Protection (Child Sex Offender Register Bill)* through Select Committee stages
- > Ensuring that offenders deported from other countries are managed appropriately
- > Development of *Breaking the cycle: Our drug and alcohol strategy through to 2020*
- > Collaborative work to improve identity management in the Justice Sector.

HOW CORRECTIONS PERFORMED

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
POLICY ADVICE AND MINISTERIAL SERVICES						
The office of the Minister of Corrections is satisfied with the level of quality of policy advice, and of draft Ministerial correspondence, provided by the Department (determined by an Annual Survey of Satisfaction)	–	New for 2015	91%	94%	84%	84%
QUALITY						
Technical quality of policy advice papers assessed by a survey with methodological robustness of 90% ¹¹	New for 2014	75%	75%	72%	At least an average of 70%	At least an average of 70%
The office of the Minister of Corrections is satisfied with the quality of policy advice provided, including quality of the written material and quality of the advice provided (measure through an annual survey) ¹²	New for 2014	100%	83%	82%	78%	78%
COST						
The total cost per output hours of professional staff time devoted to policy advice and other policy functions ¹³	New for 2014	\$98	\$92	\$98	\$105	\$105

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

11 This indicator provides a standardised score for the policy technical quality reviews undertaken by the third party assessor, in this case the New Zealand Institute of Economic Research.

12 This indicator is a quantitative representation of the Minister of Corrections' satisfaction with the policy advice provided by Corrections against the following standards:

- completeness/alignment
- timeliness
- robustness
- value for money
- likelihood to recommend
- overall satisfaction and possible improvements in the delivery of policy advice.

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

HOW MUCH DID IT COST?

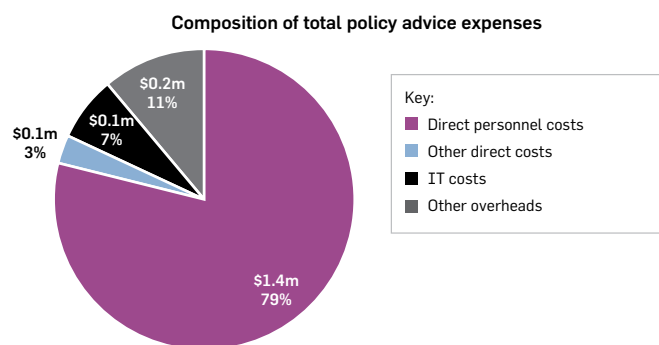
For the year ended 30 June 2016

	2015	2016			2017
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	3,836	1,644	3,331	1,644	1,646
Departmental	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	3,836	1,644	3,331	1,644	1,646
Total expenses	3,332	1,785	3,331	1,644	1,646
Net (deficit)/surplus	504	(141)	-	-	-

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

The total expense for this appropriation was \$1.8 million. Expenses within this output class are primarily staff related costs incurred in providing policy advice.

Refer to the chart below for the composition of total expenditure by major expense category.



Actual expenditure was \$1.5 million lower than 2015 actuals, mainly due to a change in cost allocation methodology relating to research expenditure. In 2015 all research expenditure was allocated to this output class, while allocations for this year reflect the contribution of such expenditure to multiple output classes (e.g. research on rehabilitation activity is now recognised in the Rehabilitation and Reintegration output class if not directly linked to a current policy).

APPROPRIATION - MINISTERIAL SERVICES

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

WHAT CORRECTIONS DOES

Corrections provide responses to ministerial correspondence and parliamentary questions.

OPERATING CONTEXT

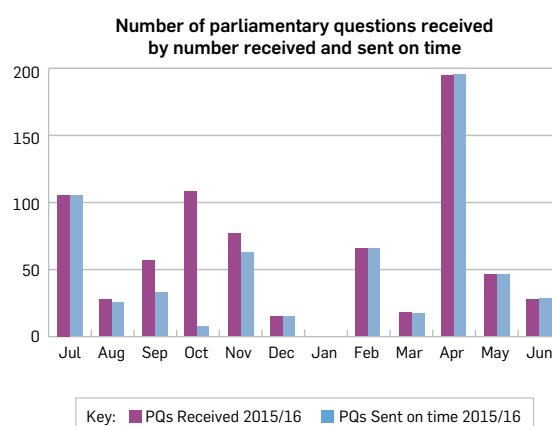
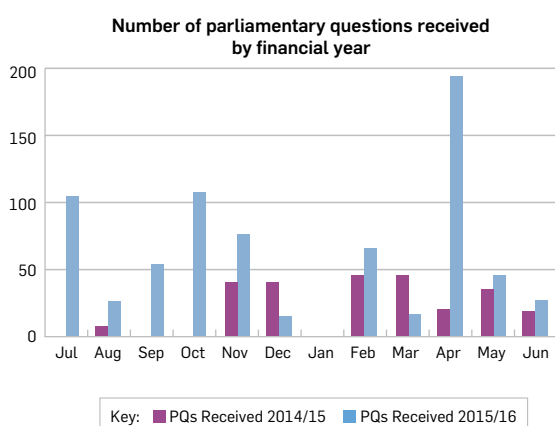
Corrections ensures that timely, accurate and relevant responses are provided to ministerial correspondence, parliamentary questions, and requests for information made under the *Official Information Act*.

HOW CORRECTIONS PERFORMED

	2013	2014	2015	2016	2016	2017
Assessment of performance	Actual standard	Actual standard	Actual standard	Actual standard	Budget standard	Budget standard
QUALITY						
The percentage of ministerial draft correspondence that is signed without changes	96%	96%	98%	97%	90%	95%
TIMELINESS						
The percentage of all responses to parliamentary questions that are completed within five working days	100%	99%	98%	81%	98%	98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	100%	100%	100%	98%	98%

From September to November, Corrections traditionally receives a low volume of parliamentary questions (PQs) and our resource capacity model reflects these historical volumes. Due to an unexpected increase in both the number and complexity of questions, Corrections were unable to deliver 100% of the parliamentary questions during this period. Corrections have since increased resource capacity and from December to year end Corrections answered 100% of parliamentary questions within five working days.

Refer to the charts below for the comparison of the number of parliamentary questions received this financial year compared to last financial year and the number of parliamentary questions answered this year compared to the number received.



HOW MUCH DID IT COST?

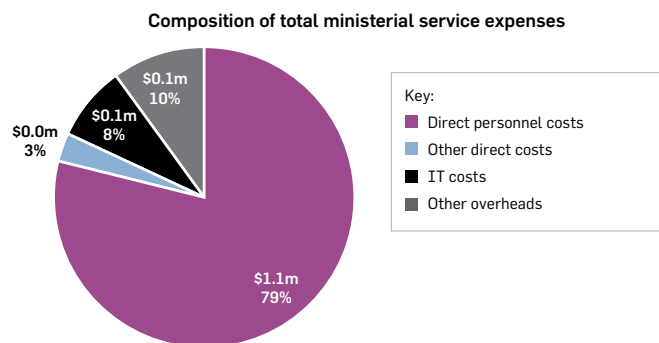
For the year ended 30 June 2016

	2015	2016			2017
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	976	1,640	1,040	1,640	1,041
Departmental	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	976	1,640	1,040	1,640	1,041
Total expenses	1,008	1,341	1,040	1,640	1,041
Net surplus/(deficit)	(32)	299	-	-	-

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

The total expense for this appropriation was \$1.3 million. Expenses within this output class are primarily staff related costs incurred in providing responses to ministerial and parliamentary questions.

Refer to the chart below for the composition of total expenditure by major expense category.



Glossary of Terms

Appropriation	An appropriation is a parliamentary authorisation for the Crown or an Office of Parliament to incur expenses or capital expenditure.
Actual	For an amount, the actual incorporates the actual amount spent for the financial year.
Budget	For an amount, the budget incorporates the amount set for spending at the start of the year.
Community detention	Community detention (CD) is a community-based sentence that requires the offender to comply with an electronically-monitored curfew imposed by the court. Offenders can be sentenced to CD for up to six months. Curfews can total up to 84 hours per week. The minimum curfew period is two hours.
Community work	The sentence of Community work requires offenders to do unpaid work in the community for non-profit organisations.
Driver Licence	Qualifications composed of unit standards authorising individuals to drive prescribed types of vehicles.
Escape	Refers to any incident when a prisoner has become free of custodial control. Escapes are categorised irrespective of whether external charges are laid against the prisoner for escaping custody. Corrections has four categories of escape: <ul style="list-style-type: none"> - breakout - from escort - absconding - breach of temporary release
Expenses	Amounts consumed or losses of service potential or future economic benefits, other than those relating to capital withdrawals, in a financial year (an accrual concept measured in accordance with generally accepted accounting practice).
Extended supervision	Extended supervision is aimed at managing long-term risks posed by child sex offenders in the community. An extended supervision order, imposed by the court, allows Corrections to monitor child sex offenders for up to ten years following their prison sentence.
Forecast	For an amount, the forecast incorporates the amount or volumes that have been set for spending in the coming year.
Health and Safety	Qualifications sanctioned by Industry Training Organisations (ITO), underpinned by or containing unit standards. Examples are: First Aid, Grow Safe and Site Safe.
Home detention	Home detention (HD) is a sentence that requires an offender to remain at an approved residence at all times under electronic monitoring and close supervision by a probation officer. It can help offenders to maintain family relationships, keep working or actively seek work, attend training or rehabilitative programmes. Sentences may range in length from 14 days to 12 months.
Intensive supervision	Intensive supervision is a rehabilitative community-based sentence that requires offenders to address the causes of their offending with intensive oversight from a probation officer. Offenders can be sentenced to intensive supervision for between six months and two years.
Internal services employment activity	Internal services activities include asset maintenance, catering, distribution of goods, grounds maintenance, laundry, manufacturing and sundry services.

Justified complaints	Justified complaints are complaints received by the Inspectorate about the treatment of prison-based offenders, where the complaint has required the Inspector's intervention in order to bring about a resolution.
Limited Credit Programme (LCP)	Qualification listed on the NQF administered by the NZQA, composed of a number of unit standards and is a pathway towards a National Certificate.
Modularised Training Programme (MTP)	Qualification not listed on the NQF administered by an Industry Training Organisation (ITO), composed of a number of unit standards and is a pathway towards a National Certificate.
National certificate	Qualification listed on the National Qualifications Framework (NQF) administered by the New Zealand Qualification Authority (NZQA), composed of a prescribed number of unit standards and is a complete qualification.
Outputs	Goods or services supplied by departments and other entities to external parties. Outputs are a variety of types, including policy advice, administration of contracts and grants and the provision of specific services.
Post-release conditions	When an offender is released from prison they are required to comply with their standard and/or special conditions of release. These conditions are imposed by the NZPB. The conditions can be for six months or more.
Primary employment activity	Primary activities include farming, dairy and horticulture.
Reintegration	<p>Reintegration services build upon the rehabilitation programme provided within New Zealand's prisons, enabling and supporting offenders' transitions into the community, or assisting offenders servicing sentences in the community to fulfil the conditions of their sentences and orders.</p> <p>Reintegration services are demand driven and can be accessed by offenders while in custody (remand and sentenced) and post release. The timing of reintegration is based on the offender's needs and supports other interventions.</p>
Residential restrictions	Under the <i>Parole Act 2002</i> , the NZPB can impose special release conditions on an offender's release. One of these conditions is residential restrictions requiring the offender to remain at a specified residence at all times or at times specified by the Board.
Serious assault	<p>Defined as an act of violence that involves one or more of the following:</p> <ul style="list-style-type: none"> - sexual assault of any form or degree where police charges have been laid or - physical assault resulting in bodily harm requiring medical intervention by medical staff or - physical assault resulting in bodily harm requiring extended periods of ongoing medical intervention.
Supervision	Supervision is a rehabilitative community-based sentence that requires offenders to address the causes of their offending. Offenders can be sentenced to supervision for between six months and one year.
Supp. estimates	For an amount, the Supp. estimates incorporate all changes since the budget and becomes the final amount for spending for the financial year.
Timber employment activity	Timber activities include building refurbishment or joinery.
Trade Ticket	Qualification underpinned by unit standards indicating trade currency and competency. Examples: 4711 Welding Ticket or Electrical Limited Regulation Ticket.



Department of Corrections
Annual Report - Part C

Annual Financial Statements

The Year at a Glance

IN 2015/16 THE DEPARTMENT OF CORRECTIONS:

Stewardship, financial health and sustainability

- > revised and updated its financial strategy feeding into Budget 2016
- > established an independent advisory board who will be responsible for monitoring and providing oversight of the Department's major outsourced contracts and to provide independent advice and expertise on the management of these contracts
- > took over management of the Mount Eden Corrections Facility (MECF) in the short to medium term while allowing for consideration of options for a future, permanent management arrangement of this site to be assessed
- > reviewed the performance of offender employment activities and operations
- > commenced a Prison Capacity Build Programme, phased over the next four years, to restore the network's essential capacity buffer ensuring sufficient capacity is available to accommodate the continued prison population growth forecast.

Financial improvements

- > decommissioned a number of beds across Waikeria, Tongariro and Rimutaka Prisons following the opening of the new Auckland South Corrections Facility. The decommissioned beds were expensive to operate and maintain, presented a range of seismic-related risks and were at the end of their useful life. Remaining beds originally scheduled for decommissioning continue to be used at Waikeria Prison to help us manage the ongoing increase in the prison population while the Prison Capacity Build Programme is undertaken
- > realised better value for money through a significant step change in the use of technology, coverage and response times following the consolidation of electronic monitoring contracts into a single supplier
- > implemented staffing structure changes within prisons to unify the delivery of services which will drive longer term sustainable efficiencies.

Expenditure

- > managed its \$1.3 billion operating budget to approximately 1% of appropriation (excluding remeasurements), at a time when the Department was managing significant fiscal pressures associated with operational challenges and disruptions to its operating environment (including the Step-In at MECF, rising prison population etc.)
- > reinvested \$20 million in initiatives designed to reduce re-offending
- > invested \$246.7 million of capital spend including property and prison development projects.

Financial pressures

- > self-funded the financial impact of the Collective Bargaining Round, incremental facilities costs such as rates increases, and increased depreciation costs related to the revaluation of land and buildings as at 30 June 2014 within the existing budget baseline
- > absorbed the impact of volatile commodity prices associated with offender employment activities, in particular the impact that a further reduction in milk prices had on revenue from dairy operations
- > self-funded new and mandatory activity across our business following health and safety legislative changes
- > managed significant pressure from the continued growth in prison population above that projected by the Justice Sector forecast.

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual	Notes	2016 Actual	2016 Budget	2016 Supp. estimates	2017 Forecast*
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
1,196,843	Crown	1,256,730 #	1,241,616	1,269,527	1,319,896
215	Departmental revenue	1,329	–	1,384	–
46,777	Other revenue	35,857	32,180	36,410	32,888
362	Dividend revenue	430	–	500	–
1,244,197	Total operating revenue	1,294,346	1,273,796	1,307,821	1,352,784
EXPENSES					
544,058	Personnel costs	558,966	539,916	566,220	585,839
346,787	Operating costs	356,698	346,123	364,358	376,149
134,142	Depreciation and amortisation	152,007	157,700	152,342	163,487
201,107	Capital charge	195,565	196,057	195,565	194,609
4,067	Finance costs	33,350	34,000	34,000	32,700
1,230,161	Total operating expenses	1,296,586	1,273,796	1,312,485	1,352,784
14,036	Net operating (deficit)/surplus	(2,240) **	–	(4,664) **	–
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
REMEASUREMENTS					
(1,193)	Unrealised (decrease)/increase in fair value of biological assets	(586)	–	–	–
(7,714)	Realised (decrease)/increase in fair value of biological assets	–	–	–	–
(1,084)	Unrealised increase/(decrease) in fair value of shares	595	–	–	–
(2,071)	Unrealised (decrease)/increase in discount rates for retiring and long service leave	(2,063)	–	–	–
–	Unrealised (decrease)/increase in fair value of derivative financial instruments	(28,923)	–	(15,942)	–
(12,062)	Total remeasurements	(30,977)	–	(15,942)	–
1,974	Net (deficit)/surplus	(33,217)	–	(20,606)	–
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
(422)	Revaluation gains /(losses) on land and buildings	24	–	–	–
(422)	Total other comprehensive revenue and expense	24	–	–	–
1,552	Total comprehensive revenue and expense	(33,193)	–	(20,606)	–

Actual Crown revenue was recognised below entitlement (Supp. estimates) reflecting the transfer of funding to 2017 and outyears relating to pre-approved in-principle expense transfers.

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

** The Department obtained Cabinet approval to run an output class deficit for 2016 as a result of an expected shortfall in offender employment activity revenue, with the expectation that sufficient future surpluses will be retained to cover the deficit.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 25.

Statement of Financial Position

AS AT 30 JUNE 2016

2015 Actual	Notes	2016 Actual	2016 Budget	2016 Supp. estimates	2017 Forecast*
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
ASSETS					
Current assets					
58,459	Cash and cash equivalents	6	39,852	50,000	50,000
2,304	Prepayments		2,656	3,025	3,025
344,202	Debtors and other receivables	7	265,437	134,257	274,817
3,877	Inventories	8	3,469	5,000	4,000
408,842	Total current assets		311,414	192,282	331,842
Non-current assets					
6,064	Investments	9	6,662	7,130	6,064
2,487,607	Property, plant and equipment	10	2,579,685	2,662,683	2,637,521
76,204	Intangible assets	11	76,557	92,833	80,703
10,093	Biological assets	12	7,283	53,223	10,093
2,579,968	Total non-current assets		2,670,187	2,815,869	2,734,381
2,988,810	Total assets		2,981,601	3,008,151	3,066,223
LIABILITIES					
Current liabilities					
104,294	Creditors and other payables	13	83,721	100,001	105,000
78,965	Employee entitlements	14	83,427	72,000	78,965
10,562	Other financial liabilities	17	8,777	5,152	5,152
12,231	Provisions	15	6,983	16,500	7,500
6,322	Provision for repayment of surplus to the Crown	16	–	–	–
212,374	Total current liabilities		182,908	193,653	196,617
Non-current liabilities					
16,025	Employee entitlements	14	18,142	13,000	16,025
309,698	Other financial liabilities	17	430,573	293,048	420,965
325,723	Total non-current liabilities		448,715	306,048	436,990
538,097	Total liabilities		631,623	499,701	633,607
TAXPAYERS' FUNDS					
1,693,645	General funds	18	1,592,886	1,748,693	1,675,548
757,068	Reserves	18	757,092	759,757	757,068
2,450,713	Total taxpayers' funds		2,349,978	2,508,450	2,432,616
2,988,810	Total liabilities & taxpayers' funds		2,981,601	3,008,151	3,066,223

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 25.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual	Notes	2016 Actual	2016 Budget	2016 Supp. estimates	2017 Forecast*
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
1,234,782	Receipts from Crown	1,321,739	1,388,006	1,329,111	1,447,974
1,033	Receipts from departments	2,073	–	1,221	–
46,400	Receipts from other revenue	38,595	32,180	57,927	32,888
4,445	GST payable (net)	7,590	–	313	–
Cash disbursed to:					
(532,671)	Payments for employees	(559,620)	(539,916)	(563,520)	(583,139)
(363,760)	Payments to suppliers	(373,774)	(347,341)	(397,528)	(378,171)
(201,107)	Payments for capital charge	(195,565)	(196,057)	(195,565)	(194,609)
189,122	Net cash flows from operating activities	241,038	336,872	231,959	324,943
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
344	Receipts from interest and dividends	430	–	500	–
55,371	Receipts from sale of physical, biological and intangible assets	1,301	923	888	–
Cash disbursed to:					
(154,685)	Purchase of physical and biological assets	(130,437)	(273,295)	(178,463)	(191,542)
(22,638)	Purchase of intangible assets	(15,493)	(25,000)	(20,119)	(27,794)
(121,608)	Net cash flows from investing activities	(144,199)	(297,372)	(197,194)	(219,336)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash disbursed to:					
(63,827)	Return of capital	(72,000)	–	(2,000)	(72,000)
–	Interest payment	(31,933)	(34,000)	(34,000)	(32,700)
(27,565)	Repayment of financial liabilities	(9,699)	–	(5,410)	(907)
–	Return of operating surpluses	(1,814)	(5,500)	(1,814)	–
(91,392)	Net cash flows from financing activities	(115,446)	(39,500)	(43,224)	(105,607)
(23,878)	Net decrease in cash	(18,607)	–	(8,459)	–
82,337	Cash at the beginning of the year	58,459	50,000	58,459	50,000
58,459	Cash at the end of the year	39,852	50,000	50,000	50,000

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

The accompanying notes form part of these financial statements.

Statement of Commitments

AS AT 30 JUNE 2016

2015 Actual \$000		2016 Actual \$000
	CAPITAL COMMITMENTS	
60,328	Buildings	20,337
26	Motor vehicles	2,042
3,940	Plant and equipment	20
–	Service concession arrangements	236,866
5,739	Intangibles	1,804
70,033	Total capital commitments	261,069
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
14,092	Less than one year	12,067
36,642	One to five years	34,689
20,265	More than five years	18,575
70,999	Total non-cancellable operating lease commitments	65,331
141,032	Total commitments	326,400

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of buildings, service concession arrangements, motor vehicles, plant and equipment, and intangible assets that have not been paid for or not recognised as a liability at balance date.

The service concession arrangements capital commitment relates to the construction of a new maximum security facility at Auckland Prison. The facility will be designed, financed, built and maintained through a Public Private Partnership (PPP) with Next Step Partners Limited. Construction commenced in October 2015 and is on target for completion in late 2017.

Non-cancellable operating lease commitments

The Department leases premises at many locations throughout New Zealand.

Lease commitments include a lease arrangement for land under the Tongariro prison following the sale under treaty settlement on 30 June 2015. The prison and associated ancillary buildings were not part of the sale agreement and therefore remain owned by the Department.

The annual lease rentals are subject to regular reviews, usually ranging from two years to three years. The amounts disclosed above as future commitments are based on current rental rates.

Statement of Contingent Liabilities and Assets

AS AT 30 JUNE 2016

QUANTIFIABLE CONTINGENT LIABILITIES AND ASSETS

2015 Actual \$000		2016 Actual \$000
1,799	Legal proceedings	939
250	Personal grievances	420
2,049	Total quantifiable contingent liabilities	1,359
800	Insurance proceeds	-
800	Total quantifiable contingent assets	-

Quantifiable contingent liabilities

Legal proceedings

The Department was defending 31 legal claims by prisoners as at 30 June 2016 (2015: 40). They cover a range of areas, including breach of the *New Zealand Bill of Rights Act 1990*, seeking compensation or other redress for perceived/alleged instances of wrongful action or decision making by the Department and individuals.

Personal grievances

The Department was defending 11 employment related claims made by staff members as at 30 June 2016 (2015: seven).

Statement of Trust Monies

FOR THE YEAR ENDED 30 JUNE 2016

	As at 1 July 2015 \$000	Contribution \$000	Distribution \$000	As at 30 June 2016 \$000
Trust accounts	2,188	13,819	(14,569)	1,438
Total trust accounts	2,188	13,819	(14,569)	1,438

Trust Accounts mainly represent funds held in trust on behalf of prisoners, to account for prisoner earnings, reduced by purchases while in prison and other receipts/withdrawals of prisoner funds.

Other trust accounts represent funds held in trust on behalf of the resident subject to an Interim Detention Order, to account for resident earnings and or benefits, reduced by purchases and other receipts/withdrawals of resident funds.

Money held in trust is not included in the Department's reported bank balances. Trust money is held on behalf of prisoners and residents in the bank accounts maintained by each prison (one bank account per prison) and residence respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Department of Corrections (the Department) is a government department as defined by Section 2 of the *Public Finance Act 1989* (PFA). It is domiciled and operates in New Zealand. The relevant legislation governing the Department's operations include the *Public Finance Act 1989*, the *Corrections Act 2004*, *Corrections Regulations 2005*, the *State Sector Act 1988*, the *Sentencing Act 2002*, the *Parole Act 2002*, the *Public Safety (Public Protection Orders) Act 2014*, the *Bail Act 2000* and the *Returning Offenders (Management and Information) Act 2015*.

The Department is a wholly owned entity of the New Zealand Crown whose primary objective is to administer New Zealand's corrections system in a way that is designed to improve public safety, reduce re-offending and that contributes to the maintenance of a fair and just society.

Statutory authority

The financial statements for the Department have been prepared in accordance with the requirements of the *Public Finance Act 1989*. For the purposes of financial reporting the Department is classified as a public benefit entity (PBE).

Reporting period

The reporting period for these financial statements is the year ended 30 June 2016 with comparative figures for the year ended 30 June 2015.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 30 September 2016.

Basis of preparation

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

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with Public Sector PBE Accounting Standards (PBE accounting standards) – Tier 1. These standards are based on International Public Sector Accounting Standards (IPSAS).

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain non-current assets, actuarial valuations of certain liabilities, and the fair value of certain financial liabilities.

Presentation currency and rounding

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

Changes in accounting policies

The Department added an accounting policy for its derivative financial instruments in the form of interest rate swaps to manage its exposure to fluctuating market interest rates as a result of its PPP arrangements.

There were no other changes to the Department's accounting policies during the period.

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

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Department will apply these amendments in preparing its 30 June 2017 financial statements.

The Department expects there will be minimal or no change in applying these amendments.

Critical judgements and estimates

The preparation of financial statements in conformity with PBE accounting standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retiring and long service leave

An independent actuarial valuation is undertaken annually to estimate the present value of long service and retiring leave liabilities. The calculations are based on:

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

Note 14 provides an analysis of the exposure and assumptions in relation to estimates and uncertainties surrounding these liabilities.

Revaluation of land and buildings

Critical judgements in determining the remaining life of land and buildings have been made by the Department. Assessing the appropriateness of useful lives and residual values of land and buildings requires consideration of a number of factors such as the physical condition, expected period of use by the Department, and expected proceeds from any disposal.

Any property revaluations are certified by an appropriately qualified valuer.

Budget and forecast figures

The budget figures are for the year ended 30 June 2016 and were published in the 2014/15 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

The forecast figures are for the year ending 30 June 2017, and are consistent with the best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) 2016 for the 2016/17 year.

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 have been prepared using the accounting policies adopted in preparing these financial statements.

The forecast figures have been prepared in accordance with PBE FRS 42 *Prospective Financial Statements*.

The forecast financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 12 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.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Department's purpose and activities and are based on a number of assumptions on what may occur during the 2016/17 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the budget was finalised.

The main assumptions adopted as at 12 April 2016 were as follows:

- > the Department's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities
- > personnel costs reflect FTE levels consistent with 2015/16
- > remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes
- > operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Department's best estimate of future costs that will be incurred
- > no impact of the revaluation of land and buildings has been forecast
- > capital commitments will realise as planned
- > service concession assets nearly fully constructed
- > prison population/demand levels are consistent with the Justice Sector Forecast which projects continued growth at rates consistent with 2015/16
- > estimated year-end information for 2015/16 was used as the opening position for the 2016/17 forecast.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue - exchange transactions

Revenue – Department and third party

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

Revenue from the supply of services is measured at the fair value of consideration received, recognised on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (usually on delivery of the goods), when the amount of revenue can be measured reliably and it is probable that the economic benefit or service potential associated with the transaction will flow to the entity.

Interest Revenue

Interest revenue is recognised using the effective interest rate method.

Dividend Revenue

Dividend revenue relates to investments arising from the Department's business dealings with companies in the farming industry. Dividend revenue is recognised when the right to receive payment has been established.

Rental Revenue

Rental revenue arising from residential property leases is accounted for on a straight-line basis over the lease terms and included in revenue.

Revenue - non-exchange transactions

Revenue – Crown

Revenue from the Crown is measured based on the Department'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 funding adjustments formally approved prior to balance date.

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

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

Donated or subsidised assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue when control of the asset is transferred to the Department.

Insurance proceeds

Insurance proceeds are recognised when a settlement agreement has been reached which establishes the right to receive payment.

Capital charge

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

Finance costs

Finance costs are incurred in relation to the repayment of the service concession arrangement assets design and construction costs over the contract term. Finance costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised under the allowed alternative treatment method. Finance costs that are directly attributable to the construction of a service concession arrangement asset are capitalised as part of the cost of the asset during the construction period.

Derivative financial instruments

The Department uses derivative financial instruments in the form of interest rate swaps, entered into with the New Zealand Debt Management Office (NZDMO), to manage its exposure to fluctuating market interest rates as a result of its PPP arrangements.

The Department does not hold or issue derivative financial instruments for trading purposes and has not adopted hedge accounting.

These derivatives are measured at fair value determined on a daily basis using the NZD swap curve, which is made up of OCR, bank bill rates and swap rates. Any changes in fair value are recognised in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Cash and cash equivalents

Cash includes cash on hand and cash held in bank accounts and deposits with a maturity of no more than three months.

Debtors and other receivables

Debtors and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value. Receivables with duration of less than 12 months are recognised at their nominal value.

Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Inventories

Inventories held for resale are measured at the lower of cost (calculated using the weighted average method) and net realisable value. Inventories consumed in providing a service are measured at cost or replacement cost.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. The amount of any write-down for the loss of service potential or from cost to net realisable value is charged to surplus or deficit in the period of the write-down.

Property, plant and equipment

Items of property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Land and buildings

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, except for prison buildings, which are valued at optimised depreciated replacement cost. Land and buildings are revalued at least every three years or whenever the carrying amount differs materially to fair value. Additions between revaluations are initially recorded at cost.

Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to surplus or deficit for the asset class, the gain is credited to surplus or deficit. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Comprehensive Revenue and Expense.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Other property, plant and equipment

Other property, plant and equipment, which include motor vehicles and furniture and fittings, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Disposals

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Service concession arrangements

Service concession arrangements are recognised as assets under construction within property, plant and equipment until the in-service date at which time they are recognised as a separate asset class. As such, service concession arrangements are accounted for in accordance with the Department's policies, which comply with Property, Plant and Equipment PBE IPSAS 17.

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

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

Depreciation

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

Typically, the depreciation rates for classes of property, plant and equipment are as follows:

Class of asset	Useful life	Residual value
Land	Not depreciated	Not applicable
Buildings	3 – 75 years	–
Plant and equipment	5 – 10 years	–
Furniture and fittings	3 – 5 years	–
Computer hardware	3 – 10 years	–
Motor vehicles	5 – 8 years	20%
Service concession arrangements		
Land	Not depreciated	Not applicable
Buildings	7 – 65 years	–
Plant and equipment	3 – 10 years	–

The useful life of buildings is reassessed following any revaluation.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the leasehold improvement, whichever is the shorter.

Intangible assets

Software acquisition and development

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

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

Direct costs that are associated with the development of software for internal use by the Department are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of the relevant indirect costs.

Amortisation

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

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

Class of asset	Useful life	Residual value
Acquired/internally generated software	3 – 10 years	–

Biological assets

The Department's biological assets consist of sheep, beef and dairy cattle and pigs farmed at various locations throughout New Zealand.

Biological assets are recorded at fair value less costs associated with the sale or disposal of those assets. Gains or losses due to changes in the per head value of livestock and changes in livestock numbers, are recognised in the Statement of Comprehensive Revenue and Expense.

Investments

Investments are initially recognised at cost being the fair value of consideration given. All investments are subsequently carried at fair value. Any changes in fair value are recognised in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Fair value for investments is determined as follows:

- > listed shares are valued at the quoted price at the close of business on the balance date
- > non-listed shares are recognised at initial cost of investment and adjusted for performance of the business since that date.

Impairment of non-financial assets

Cash-generating assets

The Department does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. The Department holds some commercial assets with the primary objective of providing employment-training opportunities to prisoners as part of rehabilitation and reintegration programmes.

Non-cash-generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Assets held at cost, that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use.

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

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other similar benefits are recognised in the Statement of Comprehensive Revenue and Expense when they accrue to employees. Employee entitlements that the Department expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. The liability for long-term employee entitlements is reported as the present value of estimated future cash outflows.

Termination benefits

Termination benefits are recognised in the Statement of Comprehensive Revenue and Expense only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits expected to be settled within 12 months are reported at the amount expected to be paid. Termination benefits not expected to be settled within 12 months are reported as the present value of the estimated future cash outflows.

Defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expense as they are incurred.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of these transactions are recognised in the Statement of Comprehensive Revenue and Expense.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Comprehensive Revenue and Expense.

Financial instruments

The Department is party to financial instruments as part of its normal operations. These financial instruments consist of cash and cash equivalents, debtors and other receivables, investments, creditors and other payables and other financial liabilities.

All financial instruments are initially measured at fair value plus transaction costs unless they are carried at fair value through the Statement of Comprehensive Revenue and Expense in which case the transaction costs are recognised in surplus or deficit. Financial assets designated at fair value through surplus or deficit are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Comprehensive Revenue and Expense.

Service concession arrangement liabilities greater than 12 months are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

Financial instrument derivatives are measured at fair value determined on a daily basis using the NZD swap curve, which is made up of OCR, bank bill rates, and swap rates. Any changes in fair value are recognised in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Provisions

The Department recognises a provision for future expenditure of an uncertain amount or timing when:

- > there is a present obligation (either legal or constructive) as a result of a past event
- > it is probable that an outflow of future economic benefits will be required to settle the obligation
- > a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for net deficits from future operating activities. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increases in the provision due to the passage of time would be recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

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

Under the programme, the Department is liable for the costs of all claims for a period of five years. At the end of the five year period, the Department pays a premium to ACC for the value of residual claims, and the liability for ongoing claims passes to ACC from that point.

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

Onerous contracts

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

Taxation

Income tax

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

Goods and services tax (GST)

All statements are GST exclusive, except for creditors and other payables and debtors and other receivables within the Statement of Financial Position. These amounts are shown as GST inclusive.

The net amount of GST payable to, or recoverable from, Inland Revenue at balance date is included in creditors or debtors as appropriate. The net amount of GST paid to, or received from Inland Revenue including GST relating to investing and financing activities is classified as an operating cash flow in the Statement of Cash Flows.

Operating leases

Leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Commitments

Future expenses and liabilities to be incurred on capital contracts and non-cancellable operating leases that have been entered into at balance date are disclosed as commitments to the extent they represent unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

Contingent assets

Contingent assets are disclosed in the Statement of Contingent Assets at the point at which an inflow of economic benefits or service potential is probable.

Cost allocation accounting policies

The Department has determined the costs of outputs using the cost allocation system outlined below.

Costs that are driven by prisoner or offender related activities are recognised as direct costs and assigned to outputs. Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances, which are reviewed at regular intervals.

Indirect costs are driven by organisational support functions and are not directly related to prisoner or offender activities. Indirect costs are allocated to outputs based on appropriate resource consumption and/or activity analysis.

Changes in cost allocation accounting policies

There have been no changes in cost allocation accounting policies during the period.

NOTE 2: OTHER REVENUE

2015 Actual \$000		2016 Actual \$000
35,388	Sale of goods	22,605
3,410	Board and rents	2,905
3,454	Profit on sale of assets	473
4,508	Insurance proceeds	1,654
17	Revenue other	8,220
46,777	Total other revenue	35,857

Sale of goods mainly comprises revenue from offender employment activities such as farming, distribution and other industries.

Insurance proceeds relate to the settlement of claims for the 2013 Spring Hill Corrections Facility riot (2015: Christchurch earthquake (\$3.3 million) and Spring Hill Corrections Facility riot (\$1.2 million)).

Revenue other includes revenue received from Serco in full settlement of costs incurred by the Department due to the Step-In clause in the management contract with Serco being activated at MECF.

NOTE 3: PERSONNEL COSTS

2015 Actual \$000		2016 Actual \$000	2016 Budget (unaudited) \$000	2017 Forecast* (unaudited) \$000
521,051	Salaries and wages	541,052	524,402	569,283
936	ACC Partnership Programme	(54)	–	–
350	Government Superannuation Fund contribution expense	305	243	271
13,583	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	14,545	13,630	14,602
1,641	Retiring and long service leave	1,998	1,641	1,683
6,497	Termination benefits	1,120	–	–
544,058	Total personnel costs	558,966	539,916	585,839

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

NOTE 4: OPERATING COSTS

2015 Actual \$000		2016 Actual \$000	2016 Budget (unaudited) \$000	2017 Forecast* (unaudited) \$000
16,739	Operating lease rentals	17,241	17,500	17,792
370	Audit fees for annual audit	376	370	385
39	Fees to auditors for other services	5	–	–
71,825	Facilities maintenance	72,859	70,125	72,427
55,506	Offender management costs	49,602	53,693	58,604
32,246	Information technology costs	31,964	33,165	33,686
86,680	Contract management	101,384	107,670	95,938
24,383	Administration	30,469	25,236	27,206
7	Receivables written off during the year	1	–	–
9,104	Inventory expenses	7,904	9,022	8,498
47,492	Other operating costs	43,471	29,342	61,613
2,396	Loss on sale of assets	1,422	–	–
346,787	Total operating costs	356,698	346,123	376,149

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016.

NOTE 5: CAPITAL CHARGE

The Department pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2016 was 8% per annum (2015: 8% per annum).

NOTE 6: CASH AND CASH EQUIVALENTS

2015 Actual \$000		2016 Actual \$000
58,459	Cash and bank balances	39,852
58,459	Total cash and cash equivalents	39,852

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

NOTE 7: DEBTORS AND OTHER RECEIVABLES

2015 Actual \$000		2016 Actual \$000
CURRENT PORTION		
Exchange transactions		
1,554	Trade debtors – external	1,567
207	Employee advances	373
(6)	Less provision for impairment	(38)
1,755	Trade debtors – external and employees	1,902
1,312	Trade debtors – other government entities	456
1,312	Trade debtors – other government entities	456
Non-exchange transactions		
337,839	Debtor Crown	263,079
337,839	Debtor Crown	263,079
3,296	Trade debtors – external	–
3,296	Trade debtors – external	–
344,202	Total debtors and other receivables	265,437

The carrying value of trade debtors approximates their fair value.

The debtor Crown of \$263.1 million (2015: \$337.8 million) consists of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

There is minimal credit risk with respect to external receivables. The Department's standard terms of credit are that payment is due on the 20th of the month following the date of invoice. No further extension of credit is permitted.

All debtors are expected to be realised within 12 months and therefore classified as current. The Department classifies debtor Crown as current because it can be realised in cash within three working days.

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

	Gross \$000	2016 Impairment \$000	Net \$000	Gross \$000	2015 Impairment \$000	Net \$000
Not past due	264,866	–	264,866	342,255	–	342,255
Past due 1-30 days	269	–	269	1,164	–	1,164
Past due 31-60 days	27	–	27	441	–	441
Past due 61-90 days	55	–	55	151	–	151
Past due > 90 days	258	(38)	220	197	(6)	191
	265,475	(38)	265,437	344,208	(6)	344,202

As at 30 June 2016 (and 30 June 2015), all overdue receivables were assessed for impairment and appropriate provisions applied. Movements in the provision for impairment of debtors and other receivables are as follows:

2015 Actual \$000		2016 Actual \$000
24	Balance at 1 July	6
(18)	Provisions made/(released) during the year	32
6	Balance at 30 June	38

The provision for impairment of debtors has been calculated based on expected losses for the Department's pool of debtors. Expected losses have been determined based on analysis of the Department's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2016 the Department had no debtors that were insolvent (2015: Nil).

NOTE 8: INVENTORIES

2015 Actual \$000		2016 Actual \$000
3,328	Inventory held for the provision of goods and services	3,065
549	Finished goods	404
3,877	Total inventories	3,469

The Department's inventory consists of supplies that are available for prisoner purchases, operational supplies and inventory held for sale or use in prisoner employment. No inventories are pledged as security for liabilities.

All inventories are expected to be realised within 12 months and are therefore classified as current.

NOTE 9: INVESTMENTS

2015 Actual \$000		2016 Actual \$000
Non-current portion		
6,064	Investments	6,662
6,064	Total investments	6,662

Investments arise from the Department's business dealings with companies in the farming industry, mainly shares in Fonterra Co-operative Group Limited. These investments are classified as financial instruments and valued at fair value through the Statement of Comprehensive Revenue and Expense.

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

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Beca Group, performed the most recent valuation of freehold land and buildings and the valuation was effective as at 30 June 2014. Nigel Hoskin B.B.S (VPM), ANZIV certified this valuation. The total fair value of freehold land and buildings valued by Beca Group at 30 June 2014 was \$1,998 million. In line with the Department's accounting policy, the next valuation will be effective as at 30 June 2017, until this time the valuation undertaken in 2014 is deemed to be fair and reasonable.

The Department has land holdings that are subject to Treaty of Waitangi claims and therefore there may be restrictions on disposal unless under Treaty claim procedures. No adjustment has been made to the value of the Department land holdings to reflect these restrictions.

The Department classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale. There were no assets held for sale as at 30 June 2016 (2015: Nil).

The Department constructs prison buildings, which are classified as assets under construction. Assets under construction are capitalised at the in-service date. Assets under construction includes buildings \$131.7 million (2015: \$134.4 million), leasehold improvements \$10.0 million (2015: \$6.3 million) and service concession arrangements \$142.1 million (2015: Nil).

The Department currently holds residential properties that were purchased in the 1960s. The Department holds these properties so that it is able to provide accommodation to staff working in prisons located in rural areas or for future operational purposes. The rental revenue that is received from these properties is incidental, as opposed to being held for investment purposes. The net carrying amount of these properties is \$0.4 million (2015: \$1.5 million).

The Department holds the old prison at Mt Eden Corrections Facility as a heritage asset. The Department does not recognise heritage assets within property, plant and equipment. However, it is insured under the Department's material damage policy for an estimated total reinstatement value of \$102.1 million (2015: \$102.1 million).

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

Service concession arrangements

Auckland South Corrections Facility

Operations at the new 960 bed Auckland South Corrections Facility (ASCF) commenced in May 2015. The facility was designed, financed and built through a PPP with SecureFuture Wiri Limited (contractor). Under the agreement, the Department provided existing department owned land, adjacent to the Auckland Region Women's Corrections Facility to the contractor on which to build the prison. The contractor will continue to operate and maintain the prison for a period of 25 years, after which responsibility for on-going maintenance and operations will revert to the Department. The Chief Executive of the Department of Corrections will be responsible for the safe, secure and humane containment of prisoners on that site.

The service concession arrangements asset relating to ASCF comprises land \$8.7 million (2015: \$8.7 million), buildings \$293.6 million (2015: \$300.5 million) and plant and equipment \$15.9 million (2015: \$19.3 million).

No further finance costs were capitalised during the year due to construction being completed in the previous 2014/15 financial year (2015: \$18.0 million).

Under this agreement the Department pays a monthly unitary charge to the contractor from service commencement. This charge covers, and is allocated between:

- > The construction of the prison – these costs are not repriced and are recognised as a reduction against the service concession arrangement liability. Repayment of the service concession arrangement liability will be over a term of 25 years from service commencement at an effective interest rate of 8.79% per annum. Certain major capital expenditure incurred (such as re-roofing, replacement of heating units) during the term of the agreement is paid for by the Department at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts.
- > The finance costs – finance costs are repriced every five years and the amount the Department pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate method.
- > The service costs – these costs cover operation of the prison as well as routine repairs and maintenance required to keep the prison operational and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. This portion can be reset at year five and year 15 of the agreement. Any change in these service costs will result in a change to the amount the Department pays to the contractor. Service costs are recognised as an expense in the period incurred.

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

Auckland Prison

Construction commenced in October 2015 on the new maximum security facility at Auckland Prison. The facility will be designed, financed, built and maintained through a PPP with Next Step Partners Limited (contractor). Under the agreement, custodial operations will continue to be carried out by the Department. While the total maximum prisoner capacity will remain unchanged, the new modern facility will continue to ensure the safe containment of prisoners and allow prisoners who have high and complex needs to receive care in an environment that supports them and the delivery of high quality rehabilitative and reintegrative services.

The land under the new maximum security facility was provided by the Department. The contractor will maintain the prison for a period of 25 years following construction, which is on target for completion in late 2017, after which responsibility for on-going maintenance will revert to the Department. The contractor will also maintain the Auckland West facility which is being integrated with the new facilities via secure links as part of the construction.

The service concession arrangements asset relating to Auckland Prison is comprised of buildings within assets under construction of \$142.1 million (2015: Nil).

During the construction period in 2016, \$8.2 million of finance costs were capitalised.

Under this agreement the Department pays a monthly unitary charge to the contractor from service commencement. This charge covers, and is allocated between:

- > The construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession liability. Repayment of the service concession liability will be over a term of 25 years from service commencement at an effective interest rate of 7.37% per annum. Certain major capital expenditure incurred (such as re-roofing, replacement of heating units) during the term of the agreement is paid for by the Department at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts.
- > The finance costs – finance costs are repriced every five years and the amount the Department pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate method.
- > The service costs – these costs cover operation of the facility as well as routine repairs and maintenance required to keep the facility operational and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. Any change in these service costs will result in a change to the amount the Department pays to the contractor. Service costs are recognised as an expense in the period incurred.

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

	Land	Buildings	Leasehold improvements	Plant & equipment	Furniture & fittings	Computer hardware	Motor vehicles	Service concession arrangements	Assets under construction	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation										
Balance 1 July 2014	166,852	1,836,892	28,492	57,301	8,291	47,047	49,346	-	329,050	2,523,271
Additions	-	40,262	155	1,551	561	3,281	3,013	-	191,649	240,472
Revaluation increase/(decrease)	92	(514)	-	-	-	-	-	-	-	(422)
Disposals/write-offs	(17,621)	(707)	(295)	(1,232)	(47)	-	(8,089)	-	-	(27,991)
Transfers	(8,641)	51,360	4,917	1,361	540	562	591	329,309	(379,956)	43*
Cost or valuation at 30 June 2015	140,682	1,927,293	33,289	58,981	9,345	50,890	44,861	329,309	140,743	2,735,373
Add: Movements										
Additions	-	9,926	283	5,756	430	328	2,124	-	212,211	231,058
Revaluation increase/(decrease)	(1)	5	-	-	-	-	-	-	-	4
Disposals/write-offs	(502)	(241)	(60)	(1,216)	-	-	(2,152)	-	(1,230)	(5,401)
Transfers	-	59,539	5,330	1,822	996	344	-	-	(67,896)	135*
Cost or valuation at 30 June 2016	140,179	1,996,522	38,822	65,343	10,771	51,562	44,833	329,309	283,828	2,961,169
Accumulated depreciation and impairment losses										
Balance 1 July 2014	-	(548)	(15,407)	(36,961)	(6,535)	(44,070)	(30,622)	-	-	(134,143)
Depreciation expense	-	(105,902)	(3,253)	(3,938)	(857)	(2,610)	(4,627)	(852)	-	(122,039)
Disposals/write-offs	-	28	295	1,183	47	-	6,863	-	-	8,416
Accumulated depreciation and impairment losses at 30 June 2015	-	(106,422)	(18,365)	(39,716)	(7,345)	(46,680)	(28,386)	(852)	-	(247,766)
Add: Movements										
Depreciation expense	-	(109,927)	(4,409)	(4,191)	(1,169)	(2,915)	(4,036)	(10,220)	-	(136,867)
Disposals/write-offs	-	73	20	1,023	-	-	2,013	-	-	3,129
Revaluation increase/(decrease)	-	20	-	-	-	-	-	-	-	20
Accumulated depreciation and impairment losses at 30 June 2016	-	(216,256)	(22,754)	(42,884)	(8,514)	(49,595)	(30,409)	(11,072)	-	(381,484)
Carrying amounts per asset class										
At 30 June 2015	140,682	1,820,871	14,904	19,265	2,000	4,210	16,475	328,457	140,743	2,487,607
At 30 June 2016	140,179	1,780,266	16,088	22,459	2,257	1,967	14,424	318,237	283,828	2,579,685

* The total balance against transfers relates to the transfer of computer hardware assets under construction from intangible assets to property, plant and equipment upon capitalisation.

NOTE 11: INTANGIBLE ASSETS

	Acquired software \$000	Internally generated software \$000	Assets under construction \$000	Total intangible assets \$000
Cost or valuation				
Balance 1 July 2014	32,936	62,025	36,787	131,748
Additions	206	5,702	16,817	22,725
Disposals/write-offs	-	-	(2,071)	(2,071)
Transfers	3,896	22,185	(26,124)	(43) *
Cost or valuation at 30 June 2015	37,038	89,912	25,409	152,359
Add: Movements				
Additions	1,037	1,042	13,577	15,656
Disposals/write-offs	-	-	(28)	(28)
Transfers	181	10,688	(11,004)	(135) *
Cost or valuation at 30 June 2016	38,256	101,642	27,954	167,852
Accumulated amortisation				
Balance 1 July 2014	(22,480)	(41,572)	-	(64,052)
Amortisation expense	(3,084)	(9,019)	-	(12,103)
Accumulated amortisation at 30 June 2015	(25,564)	(50,591)	-	(76,155)
Add: Movements				
Amortisation expense	(3,204)	(11,936)	-	(15,140)
Accumulated amortisation at 30 June 2016	(28,768)	(62,527)	-	(91,295)
Carrying amounts				
At 30 June 2015	11,474	39,321	25,409	76,204
At 30 June 2016	9,488	39,115	27,954	76,557

* The total balance against transfers relates to the transfer of computer hardware assets under construction from intangible assets to property, plant and equipment upon capitalisation.

The Department develops and maintains internally generated software, which are classified as assets under construction and capitalised at the in-service date.

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

NOTE 12: BIOLOGICAL ASSETS

2015 Actual \$000		2016 Actual \$000
	Cost or valuation	
53,223	Balance at 1 July	10,093
224	Purchases	283
7,530	Net gain/(loss) due to; regeneration, maturation, and changes in unit values	5,106
(18,044)	Sales/harvest	(8,199)
(32,840)	Disposal of forest crop	–
10,093	Cost or valuation	7,283
(43,130)	Net change	(2,810)
(32,840)	Change due to disposal of forest crop	–
(1,383)	Change due to movement in quantity	(2,224)
(8,907)	Change due to movement in fair value	(586)
10,093	Carrying amounts	7,283

The Department farms sheep, beef and dairy cattle and pigs at various locations throughout New Zealand.

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers. The overall quantity of livestock decreased during the year primarily due to the continued de-stocking of the Tongariro farm as a result of the sale of land at 30 June 2015.

There are no restrictions over the title of the Department's biological assets, nor are any biological assets pledged as security for liabilities.

Financial risk management strategies

The Department is exposed to financial risks arising from changes in commodity prices, in particular the price of milk solids. The Department reviews its outlook for livestock and milk prices regularly in considering the need for active financial risk management.

NOTE 13: CREDITORS AND OTHER PAYABLES

2015 Actual \$000		2016 Actual \$000
	CURRENT PORTION	
	Exchange transactions	
14,119	Trade creditors	12,701
80,863	Accrued expenditure	64,295
	Non-exchange transactions	
9,312	GST payable	6,725
104,294	Total creditors and other payables	83,721

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

The Department classifies creditors and other payables that are expected to be settled within 12 months as current.

NOTE 14: EMPLOYEE ENTITLEMENTS

2015 Actual \$000		2016 Actual \$000
Current liabilities		
24,572	Retiring and long service leave	26,516
52,066	Annual leave	54,349
2,327	Sick leave	2,562
78,965	Total current portion	83,427
Non-current liabilities		
16,025	Retiring and long service leave	18,142
16,025	Total non-current portion	18,142
94,990	Total employee entitlements	101,569

Employee entitlements, expected to be settled within 12 months of balance date, are measured at nominal values based on accrued entitlements at current rates of pay. These include annual leave earned, but not taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months and sick leave.

The Department classifies employee entitlements as current that:

- > are expected to be settled within 12 months after the balance date; and
- > the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The present value of the retiring and long service leave obligations depend on multiple factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Independent valuer Marcelo Lardies, a member of the New Zealand Society of Actuaries, from Aon Hewitt, valued retiring and long service leave as at 30 June 2016 and 30 June 2015.

The major assumptions used in the 30 June 2016 valuation are that future salary growth rates are 3.00% (2015: 3.00%) per annum and discount rates ranged from 1.94% to 3.82% (2015: 3.18% to 5.50%) per annum.

In determining the appropriate discount rates, the valuer used the weighted averages of returns on government stock of different terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary growth assumption is consistent with the results of the Aon Economists' Survey.

NOTE 15: PROVISIONS

2015 Total provisions Actual \$000		2016 Restructuring Actual \$000	2016 Employee accidents Actual \$000	2016 Other provisions Actual \$000	2016 Total provisions Actual \$000
CURRENT PORTION					
6,833	Balance at 1 July	5,557	5,942	732	12,231
6,940	Additional provisions made during the year	57	262	557	876
(1,419)	Charged against provision for the year	(4,148)	(624)	(482)	(5,254)
(123)	Provision reversed during the year	(476)	(316)	(78)	(870)
12,231	Total provisions	990	5,264	729	6,983

Restructuring

The 2016 and 2015 provisions primarily relate to the Lifting Productivity and Performance in New Zealand's Prisons restructure announced in May 2015. The restructure is centred on unifying the prison resources and closing individual facilities at Waikeria, Tongariro and Rimutaka prisons which are no longer fit for purpose.

Employee accidents

The provision relates to the estimation of the Department's outstanding claims liability under the ACC Partnership Programme. An external independent actuarial valuer, Mark Weaver (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver provided an estimate of the outstanding claims liability as at 30 June 2016 and 30 June 2015.

Key assumptions

The key assumptions used in determining the value of outstanding claims are:

- > the development pattern of claims payments is the same for all loss periods. That is, the future claims pattern will reflect that which occurred in the past
- > the assumed loss ratios were determined by considering the observed loss ratios for developed loss quarters
- > the discount rates were based on government bond yields published by the Reserve Bank of New Zealand
- > the Department will remain in the ACC Accredited NZ Employers Programme (ACCEP) for the foreseeable future. If the Department were to exit immediately, a risk margin of 12.8% (2015: 12.8%) per annum would be added by ACC.

The estimated ACCEP outstanding claims liability as at 30 June 2016 included a provision for future claims handling expenses of 9.9% (2015: 10.8%) per annum of expected future claims costs.

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

- > implementing and monitoring health and safety policies
- > induction training on health and safety
- > actively managing work place injuries to ensure employees return to work as soon as practical
- > recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions
- > identification of work place hazards and implementation of appropriate safety procedures.

Other provisions

Parental leave

The Department provides an ex-gratia payment to employees (approximating six weeks pay) who return to Corrections for a period of time (as specified in contracts typically three to six months) after being on parental leave. The Department anticipates that this provision will be realised within 12 months.

Onerous leases

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. The Department has a number of operating lease contracts. This provision represents the future estimated irrecoverable expenses for vacant leased premises. The Department has between one to three years remaining on these leases.

NOTE 16: PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2015 Actual \$000		2016 Actual \$000
1,974	Net (deficit)/surplus	(33,217)
	Add/(less)	
1,193	Unrealised decrease/(increase) in fair value of biological assets	586
1,084	Unrealised (increase)/decrease in fair value of shares	(595)
2,071	Unrealised decrease/(increase) in discount rates for retiring and long service leave	2,063
–	Unrealised decrease/(increase) in fair value of derivative financial instruments	28,923
6,322	Total (deficit)/surplus	(2,240)
–	Adjust overall deficit	2,240
6,322	Provision for repayment of surplus to the Crown	–

Remeasurements that are reported in the Statement of Comprehensive Revenue and Expense mainly relate to unrealised changes in fair value as a result of revaluation. Under the *Public Finance Act 1989* all remeasurements are exempted from the requirement for appropriation on the basis of a lack of control. Similarly, unrealised remeasurements are not intended to affect the surplus repayable to the Crown.

The return of surplus to the Crown is required to be paid by 31 October of each year.

NOTE 17: OTHER FINANCIAL LIABILITIES

2015 Actual \$000		2016 Actual \$000
	Current liabilities	
10,562	Service concession arrangements	8,777
10,562	Total current portion	8,777
	Non-current liabilities	
309,698	Service concession arrangements	401,650
–	Derivative financial instruments	28,923
309,698	Total non-current portion	430,573
320,260	Total other financial liabilities	439,350

Service concession arrangements

Other financial liabilities include the Department's liabilities under service concession arrangements, recognised as the asset is being progressively constructed.

Repayment of the liability will be over a term of 25 years from service commencement. Service concession arrangement liabilities that the Department expects to be settled within 12 months of balance date are classified as current.

The Department has no securities against other financial liabilities.

Derivative financial instruments

The Department uses derivative financial instruments in the form of interest rate swaps entered into with the NZDMO to manage its exposure to fluctuating market interest rates as a result of its PPP arrangements.

At 30 June 2016 the total notional principal amount outstanding for the Department's interest rate swaps derivatives was \$245.5 million (2015: Nil).

The Department's interest rate swaps derivatives are classified as non-current as the maturity dates range from 2022 to 2041, and are fixed at the rate of 4.8% per annum.

NOTE 18: TAXPAYERS' FUNDS

Taxpayers' funds comprise general funds and revaluation reserves.

2015 Actual \$000		Notes	2016 Actual \$000
GENERAL FUNDS			
1,759,693	Balance at 1 July		1,693,645
1,974	Net (deficit)/surplus		(33,217)
2,267	Transfer from fair value through equity reserve		–
–	Capital contribution from the Crown		4,508
(63,967)	Capital cash returned to the Crown		(72,000)
–	Capital non-cash returned to the Crown		(50)
(59,726)	Total movement in general funds		(100,759)
(6,322)	Provision for repayment of surplus to the Crown	16	–
1,693,645	Balance at 30 June		1,592,886
REVALUATION RESERVES			
757,490	Balance at 1 July		757,068
(422)	Revaluation gains/(losses)		24
757,068	Balance at 30 June		757,092
FAIR VALUE THROUGH EQUITY RESERVE			
2,267	Balance at 1 July		–
(2,267)	Transfer to general funds		–
–	Balance at 30 June		–
757,068	Reserves total		757,092
2,450,713	Total taxpayers' funds at 30 June		2,349,978

The Department has no restricted reserves.

The transfer from fair value through equity reserve to general funds in 2015 related to an asset disposed of in a prior period.

2015 Actual \$000		2016 Actual \$000
	Revaluation reserves	
	Land	
92,776	Revaluation reserves at 1 July	92,868
92	Revaluation (losses)/gains	(1)
92,868	Revaluation reserves at 30 June	92,867
	Buildings	
664,714	Revaluation reserves at 1 July	664,200
(514)	Revaluation gains/(losses)	25
664,200	Revaluation reserves at 30 June	664,225
757,068	Total reserves at 30 June	757,092
	Fair value through equity reserve	
2,267	Revaluation reserves at 1 July	-
(2,267)	Transfer to general funds	-
-	Revaluation reserves at 30 June	-
757,068	Total reserves at 30 June	757,092

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

2015 Actual \$000		2016 Actual \$000
1,974	Net (deficit)/surplus	(33,217)
	<i>Add/(less) non-cash items</i>	
134,142	Depreciation and amortisation	152,007
(18)	Dividends received	–
–	Derivative financial instrument decrease/(increase)	28,923
2,445	Non-current employee entitlements	2,117
136,569	Total non-cash items	183,047
	<i>(Increase)/decrease in working capital</i>	
44,138	Debtors and other receivables	78,765
228	Inventories	408
(331)	Prepayments	(352)
(15,455)	Creditors and other payables	(20,573)
5,398	Provisions	(5,248)
3,543	Employee entitlements	4,462
37,521	Working capital movements – net	57,462
	<i>Add/(less) items classified as investing or financing activities</i>	
10,290	Biological assets revaluation decrease/(increase)	2,810
1,084	Shares fair value decrease/(increase)	(595)
(344)	Interest and dividends received	(430)
2,028	Net loss on sale or disposal of non current assets	28
–	Interest on other financial liabilities	31,933
13,058	Total investing and financing activity items	33,746
189,122	Net cash flows from operating activities	241,038

NOTE 20: RELATED PARTY DISCLOSURE

The Department is a wholly owned entity of the New Zealand Crown. The Government significantly influences the strategic direction, operating intentions and business operations of the Department as well as being its major source of revenue.

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 Department would have adopted in dealing with the party at arms' 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.

The Department has determined key management personnel as the Chief Executive and the individual members of the Executive Leadership Team. Remuneration applicable to key management personnel is disclosed under Note 21.

There were no related party transactions or commitments to disclose (2015: Nil).

The Treasury advises that responsible Minister Hon Judith Collins (effective 14 December 2015) and previously Minister Hon Peseta Sam Lotu-Iiga have certified that they have no related party transactions for the year ended 30 June 2016 (2015: Ministers Hon Peseta Sam Lotu-Iiga and Hon Anne Tolley – Nil).

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

The Department's key management personnel are the six members of the Executive Leadership Team (2015: six), which include the Chief Executive, four Deputy Chief Executives and the National Commissioner.

2015 Actual \$000		2016 Actual \$000
2,195	Executive Leadership Team remuneration	2,330
2,195	Total key management personnel compensation	2,330

NOTE 22: POST-BALANCE DATE EVENTS

On the 22nd September 2016 the Supreme Court of New Zealand ruled that the Department had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* the Department is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. The Supreme Court ruling made no direction as to compensation in respect of the period of unlawful detention for the claimant, nor was any sought.

As the Supreme Court ruling affects the Department's method of calculating the period of detention served by prisoners, and notwithstanding the fact that the Department's existing practice had been supported as lawful by previous Courts, it is likely that other current and past prisoners will have had their period of detention incorrectly calculated.

As at the date these financial statements were approved for issue, no complete assessment of the number of prisoners potentially affected by the ruling had been possible. In addition, as no direction or determination has been made on compensation, or claims filed and served on the Department for compensation, no adjustment to the financial statements or performance information for the period ended 30 June 2016 has been made, or considered appropriate.

There are no other post-balance date events that require consideration or adjustment to the Department's financial statements.

NOTE 23: FINANCIAL INSTRUMENTS

The Department is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash and cash equivalents, investments, debtors and other receivables, creditors and other payables and other financial liabilities.

Fair value

The Department uses various methods in estimating the fair value of a financial instrument. Fair values are determined according to the following hierarchy:

- > quoted market price – financial instruments with quoted market prices for identical instruments in active markets
- > valuation technique using market observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- > valuation technique with significant non-market observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

		2016			2015		
	Notes	Quoted market price \$000	Valuation technique observable inputs \$000	Total \$000	Quoted market price \$000	Valuation technique observable inputs \$000	Total \$000
Financial assets							
Cash and cash equivalents	6	39,852	-	39,852	58,459	-	58,459
Investments	9	6,662	-	6,662	6,064	-	6,064
Total financial assets		46,514	-	46,514	64,523	-	64,523
Financial liabilities							
Derivative financial instruments	17	-	28,923	28,923	-	-	-
Total financial liabilities		-	28,923	28,923	-	-	-

Market risk

Price risk

Price risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate as a result of changes in market prices. The Department is exposed to price risk on its investments. The price risk is nominal as the investments are held by the Department as a result of business dealings with the farming industry and, as such, are not expected to be traded and are not used to support cashflows.

Currency risk

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

The Department does not enter into forward foreign exchange contracts, as it engages in few overseas transactions, and is therefore only nominally susceptible to foreign exchange risks.

The Department has no assets or liabilities that are denominated in foreign currency at balance date (2015: Nil).

Interest rate risk

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

The Department's other financial liabilities mainly relate to its service concession arrangements which are interest bearing.

The service concession arrangement entered into with SecureFuture Wiri Limited is calculated at the effective interest rate of 8.79% per annum and there is no interest rate risk exposure at balance date as the interest rate is fixed until August 2019.

For the arrangement with Next Step Partners Limited, the Department has entered into interest rate swaps derivatives to limit its interest rate exposure. These derivatives are calculated at a fixed rate of 4.8% per annum.

The Department has obtained ministerial approval for borrowing in relation to its service concession arrangements and to enter into its interest rate swaps derivatives with the NZDMO.

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date.

The table below sets out the difference in net (deficit)/surplus had interest rates been 1% higher or lower than the year-end market rate, with all other variables remaining constant.

Any change in the net (deficit)/surplus for the period would result in a corresponding movement in the financial liability at balance date.

2015		2016
Impact on net (deficit)/surplus	Change in interest rate	Impact on net (deficit)/surplus
\$000		\$000
– Interest rate swaps	+ 1.00 %	20,401
– Interest rate swaps	– 1.00 %	(25,795)

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Department, causing the Department to incur a loss. In the normal course of business, the Department is exposed to credit risk from trade debtors, transactions with financial institutions and the NZDMO.

The Department is only permitted to deposit funds with Westpac New Zealand Limited, or with the NZDMO, as these entities have high credit ratings. For other financial instruments, the Department does not have significant concentrations of credit risk.

The Department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and debtors and other receivables presented in the Statement of Financial Position. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

2015 Actual \$000		Notes	2016 Actual \$000
Counterparties with credit ratings			
Cash and cash equivalents			
58,459	AA-	6	39,852
58,459	Total cash and cash equivalents		39,852
Investments			
6,064	A+	9	6,662
6,064	Total investments		6,662
Counterparties without credit ratings			
344,202	Debtors and other receivables	7	265,437
344,202	Total debtors and other receivables		265,437

Debtors and other receivables

Debtors and other receivables are mainly comprised of debtor Crown and receivables from other government entities. The Department does not rate its remaining individual debtors as it has a large number of customers with minimal debtor balance.

There is minimal credit risk with respect to external receivables and the incidence of default is insignificant.

Liquidity risk

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

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The Department maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below shows the Department's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2015 Actual \$000		Notes	2016 Actual \$000
Creditors and other payables			
94,982	Less than six months	13	76,996
Other financial liabilities			
10,562	Less than one year	17	8,777
29,502	One to five years		52,350
280,196	More than five years		378,223
415,242			516,346

The liability for the repayment of surplus to the Crown is not a financial liability as defined by PBE IPSAS 28 *Financial Instruments: Presentation*, as the obligation to pay arises from statute.

2015 Actual \$000		Notes	2016 Actual \$000
FINANCIAL ASSETS			
Cash and receivables			
58,459	Cash and cash equivalents	6	39,852
344,202	Debtors and other receivables	7	265,437
402,661	Total cash and receivables		305,289
Fair value through total comprehensive revenue and expense			
6,064	Investments	9	6,662
6,064	Total investments		6,662
408,725	Total financial assets		311,951
FINANCIAL LIABILITIES			
Fair value through total comprehensive revenue and expense			
–	Derivative financial instruments	17	28,923
Measured at amortised cost			
104,294	Creditors and other payables	13	83,721
320,260	Service concession arrangements	17	410,427
424,554	Total financial liabilities		523,071

NOTE 24: CAPITAL MANAGEMENT

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

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

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

The PFA requires the Department to make adequate and effective provision in its long-term capital expenditure plans and that the Department acts in accordance with financial delegations from Cabinet to the Chief Executive through the Responsible Minister. The PFA also requires that the Department complies with the requirements of the *State Sector Act 1988*, Treasury Instructions and any other legislation governing its operations, when incurring any capital expenditure.

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

NOTE 25: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variances from the Department's budget are as follows:

Statement of Comprehensive Revenue and Expense

Crown revenue was higher than budget by \$15.1 million mainly due to the additional funding the Department received to continue to manage the rising prison population.

Personnel costs were higher than budget by \$19.1 million mainly due to the impact of the Step-In at MECF and increasing prison population including higher overtime costs and increased annual leave liability.

Other operating costs were higher than budget by \$10.6 million including costs driven by increased prison population, offenders returning to NZ and electronic monitoring enhancements.

Statement of Financial Position

Cash and cash equivalents were lower than budget by \$10.1 million due to the timing of vendor payments.

Debtors and other receivables were higher than budget by \$131.2 million mainly due to an increase in debtor Crown, as a consequence of the Department requiring less cash.

Property, plant and equipment and intangible assets were \$83.0 million and \$16.3 million lower than budget respectively mainly due to the sale of the Tongariro/Rangipō land at 30 June 2015 and the reprioritisation and deferral of planned expenditure.

Biological assets were lower than budget by \$45.9 million due to the sale of the Tongariro/Rangipō forest crop at 30 June 2015 and the associated de-stocking of livestock.

Creditors and other payables were \$16.3 million lower than budget due to the timing of accruals.

Employee entitlements were higher than budget by \$16.6 million due to changes in actuarial valuations and higher rates of remuneration.

Other financial liabilities were higher than budget by \$141.2 million. This mainly relates to the Department's service concession arrangement liability with Next Step Partners Limited that was signed in July 2015 and the interest rate swaps derivatives entered into with the NZDMO in September 2015 to manage the Department's interest rate risk under our service concession arrangement.

General funds were lower than budget by \$155.8 million mainly due to capital withdrawals and re-measurement losses.

Statements of Expenses and Capital Expenditure

Statement of Departmental Expenditure and Capital Expenditure Against Appropriations

FOR THE YEAR ENDED 30 JUNE 2016

2015 Expenditure after remeasurements \$000	2016 Expenditure before remeasurements \$000	2016 Remeasurements \$000	2016 Expenditure after remeasurements \$000	2016 Supp. estimates (unaudited) \$000	2017 Forecast* (unaudited) \$000
VOTE: CORRECTIONS					
Departmental output expenditure					
	Information and Administrative Services to the Judiciary and				
51,672	57,747	(75)	57,672	59,156	–
	New Zealand Parole Board				
	Policy Advice and Ministerial				
4,340	3,126	–	3,126	3,284	2,687
	Services MCA				
3,332	1,785	–	1,785	1,644	1,646
	– Policy Advice**				
1,008	1,341	–	1,341	1,640	1,041
	– Ministerial Services				
789,299	883,310	(30,217)	853,093	858,858	–
	Prison-based Custodial Services#				
169,122	176,704	(396)	176,308	180,300	182,187
	Rehabilitation and Reintegration				
	Sentences and Orders Served in				
213,723	206,676	(289)	206,387	210,887	–
	the Community				
	Contract Management of Services				
2,005	–	–	–	–	–
	Provided by Third Parties#				
–	–	–	–	–	1,167,910
	Public Safety is Improved MCA				
	– Information and Administrative				
	Services to the Judiciary and				
	New Zealand Parole Board				
	–				
	Prison-based Custodial Services				
	–				
	Sentences and Orders Served in				
	the Community				
	–				
	209,104				
1,230,161	1,327,563	(30,977)	1,296,586	1,312,485	1,352,784
	Total departmental output expenditure				
	Appropriation for capital expenditure				
263,197	246,714	–	246,714	307,645	412,195
	Corrections – Permanent Legislative Authority				

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2016. The 'Information Services to the Judiciary and New Zealand Parole Board', 'Prison-based Custodial Services' and 'Sentences and Orders Served in the Community' appropriations were disestablished and replaced with a Multi-Category Appropriation called 'Public Safety is Improved' for 2017 in order to align the appropriations with the Department's strategic outcomes.

** Policy Advice is part of a Multi-Category Appropriation (MCA), whereby a single appropriation covers more than one output class. As such, the Department is permitted to reallocate resources between output classes within an MCA without seeking further parliamentary approval. Despite this output class incurring a net deficit for the year, the MCA was within approved levels.

From 2016 the Contract Management of Services Provided by Third Parties appropriation has been integrated into the Prison-based Custodial Services appropriation.

Refer to Part B: Statement of Performance for detailed performance against each output class.

Changes in appropriation structure

There were no changes in the Department's appropriation structure in 2015/16.

Statement of Capital Injections

FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual	2016 Actual	2016 Budget (unaudited)	2016 Supp. estimates (unaudited)
\$000	\$000	\$000	\$000
VOTE: CORRECTIONS			
– Capital injections	4,508	–	4,508

Capital injections relate to the retention of insurance proceeds from the 2012 Christchurch earthquake and the 2013 Spring Hill Corrections facility riot.

Statement of Capital Injections Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2016

The Department has not received any capital injections during the year without, or in excess of, authority (2015: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2016

The Department has no expenses and capital expenditure incurred without appropriation or other authority or in excess of an existing appropriation or other authority, in relation to the activities of the Department (2015: Nil).

Appendices

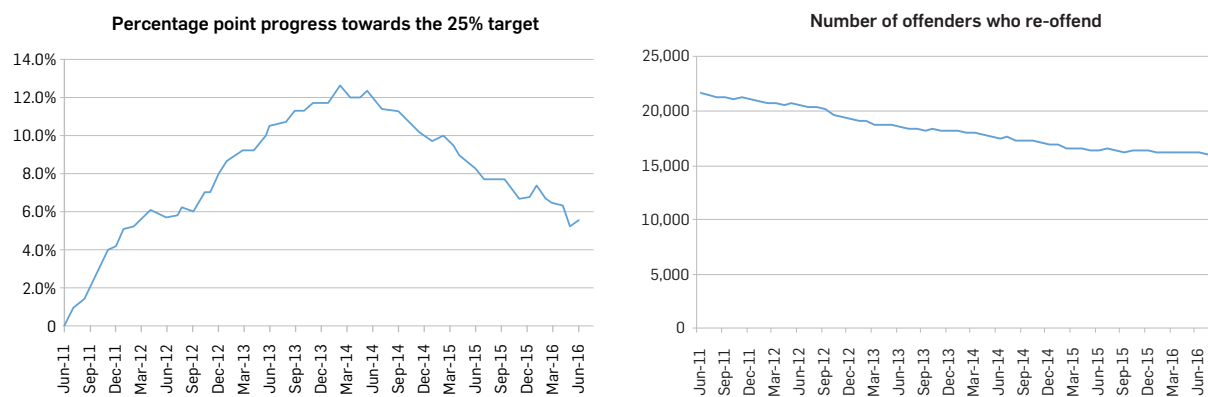
Appendix One: Progress towards the June 2017 target of a 25% reduction in re-offending

Background

Corrections' Better Public Services (BPS) re-offending measure is a composite of the reconviction rate for offenders serving community-based sentences and the reimprisonment rate of prisoners.

Analysis conducted since the target was set in 2012 shows that the overall rate of re-offending fell between June 2011 and February 2014, at which point Corrections was just over half-way towards the 25% reduction target.

Since February 2014, the rate of reduction has flattened off, and from mid 2014 it has been increasing slowly. The current rate is still well below the June 2011 rate, and reached a peak of 7.8% in this financial year.



Analysis

The stall in progress towards the 25% reduction target is at odds with Corrections' positive results in offender rehabilitation outcomes. These results have been improving year-on-year, with significant reductions in reconvictions and reimprisonment now being consistently recorded for most of our key rehabilitation programmes. In addition, the proportion of the offender population who are successfully engaged in rehabilitation programmes has never been as high as in the last three years. This has increased further since the beginning of 2015, following implementation of the RR25% Boost initiative.

The lack of reflection of these results in Recidivism Index (RI) figures implicates other factors, outside of Corrections' control, in the current trend. Analysis undertaken within the Department, as well as by the Ministry of Justice¹, has identified a number of factors that appear, either singly or in combination, to have contributed to the recent upturn in the RI rate. The factors identified are the rates of prosecution and conviction, the types of sentences imposed and court disposal times.

Further, a falling number of new sentence starts with Corrections in recent years has brought about a change in the composition of the offender population under management. This now features a greater proportion of recidivistic offenders, more of whom have gang connections, and fewer first-time offenders. This change in mix has had a direct and adverse impact on the annual re-offending rate.

¹ "Drivers of the BPS reconviction rate measure other than re-offending" (August 2015). Ministry of Justice Forecasting and Modelling Team.

Current responses

Corrections is continuing to roll out elements of the Boost initiative, and is improving the quality of existing rehabilitation and reintegration programmes.

Note on progress

It is important to note that the number of offenders who re-offend has been declining over the past five years, with almost 25% fewer re-offenders in the system than in 2011. As shown in the graph on the previous page, this decline in re-offending has occurred consistently since the setting of our BPS target. This shows that significant, positive progress has been made, although this has not been captured within the precise terms and measurements that apply to our BPS target.

Conclusion

On the basis of recent results, it is unlikely that the target of 25% reduction in the rate of re-offending by 2017 will be achieved. Analysis indicates that the measure is susceptible to a range of external influences, which unfortunately obscure the positive impacts of offender rehabilitation and reintegration. Corrections continues to ramp up efforts to ensure that the most effective rehabilitation services are delivered as widely as possible to the offenders that we manage.

Appendix Two: Recidivism Index

RECIDIVISM INDEX - 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2014/15

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2014/15)		29.7	44.2	5.6	28.1
Gender	Female	19.5	36.0	2.9	21.4
	Male	30.8	45.1	6.3	30.0
Ethnicity	Māori	33.0	48.7	7.8	34.4
	European	26.4	40.0	4.8	26.9
	Pacific	24.2	37.1	4.9	26.6
	Other (incl. Asian)	18.1	24.8	3.4	20.9
Age (at prison release or start of community sentence)	Less than 20 years	44.9	68.4	7.1	44.3
	20-24 years	37.0	55.8	6.5	32.8
	25-29 years	32.9	49.1	6.4	30.2
	30-39 years	30.6	44.6	6.2	27.1
	40 and above	18.0	26.9	3.1	16.9
Gang affiliate	Active	41.9	58.5	18.8	52.8
	Former	37.5	50.7	14.7	44.5
	Never	24.0	37.8	4.3	25.8
Offence group (Most serious or original sentence)	Breaches	35.6	53.2	12.7	35.8
	Burglary	41.7	59.7	8.0	40.3
	Dishonesty	41.8	60.7	7.6	34.4
	Drugs	11.2	18.7	4.0	21.0
	Property damage	27.6	41.8	6.0	36.5
	Sexual	6.9	11.0	1.4	10.9
	Traffic	17.8	35.1	3.0	22.8
	Violence	28.1	41.2	5.0	26.4
	Weapons	31.7	46.0	7.6	34.2
	Other offence	38.0	51.5	6.8	29.1
Community sentence	Community work	N/A	N/A	6.0	29.8
	Supervision	N/A	N/A	5.8	26.4
	Intensive supervision	N/A	N/A	7.9	33.2
	Community detention	N/A	N/A	1.7	24.8
	Home detention	N/A	N/A	5.9	19.6
Prisoner security classification (at release)	Maximum	77.8	88.9	N/A	N/A
	High	52.4	68.3	N/A	N/A
	Low medium	40.4	57.0	N/A	N/A
	Low	30.1	46.5	N/A	N/A
	Minimum	11.3	21.7	N/A	N/A
Release type	Parole	16.0	24.8	N/A	N/A
	Post-release conditions	33.2	49.5	N/A	N/A
Sentence length	Less than 6mths	36.5	54.1	4.1	25.2
	6mths to <1yr	33.7	49.0	5.7	25.8
	1yr to <2yrs	27.9	42.0	8.4	30.6
	2yrs to <3yrs	17.4	26.9	N/A	N/A
	3yrs to <5yrs	13.5	22.9	N/A	N/A
	5yrs or more	11.7	16.9	6.0	29.8
All (2013/14)		28.1	43.7	4.9	27.4

Appendix Three: Recidivism Index and Rehabilitation Quotient

The Recidivism Index (RI) is the measure Corrections uses to represent progress in reducing re-offending.

At one level the RI is fairly straightforward; it is the percentage of offenders in any given cohort that is reconvicted within a given period of time (the follow-up period), and who receive either a prison sentence (RI reimprisonment) or any Corrections-administered sentence (RI reconviction). Corrections' RI figures are produced on a monthly basis, using a 12 month follow-up period and a rolling cohort of all offenders.

When RI rates are reported, they relate to offenders who were released from prison or started a community sentence over a 12 month period, ending 15 months ago. The difference in time between the offender's release or sentence start period and the reporting of the re-offending, is to allow for the follow-up period to run its course and to ensure that convictions for new offences have been recorded by the courts.

The Rehabilitation Quotient (RQ) measures the impact of the Department's rehabilitative programmes, through comparing the rates of reconviction and reimprisonment among 'treated' offenders (who completed a rehabilitative intervention) with the rates observed among 'untreated' offenders (offenders who are matched based on a range of risk-related factors, but who had no involvement in that specific programme).

RQ scores are calculated separately for programmes delivered in prison and in the community. The cohort of prisoners are those who completed programmes in prison and were released in the 12 months ending 31 March 2015. We analyse their re-offending over the 12 months following their individual release dates.

The cohort of community offenders are those who completed a programme on a community sentence, where the programme end date occurred within the 12 months ending 31 March 2015. Corrections then measures their re-offending over the 12 months following completion of the programme.

The rates are represented by percentage-point changes in the rates of reimprisonment or reconviction of 'treated' offenders, compared to the equivalent 'untreated' offenders. A reimprisonment score of (10.0) indicates that the rate of reimprisonment for 'treated' offenders was 10% lower than for the comparable 'untreated' offenders (for example, 12% compared to 22%). 'Untreated' includes those who did not receive any form of treatment, and those who received other forms of intervention but not the specific one being tested. The statistical method used in the analysis controls for the influence of these factors.

Many prisoners and community-based offenders participate in more than one programme. Where this occurs, the effects of participation in multiple programmes are not double-counted in each of the different programme RQs. The rates of some programmes reported are small and below the level of statistical significance; however, this does not necessarily mean that the particular programme has no impact on re-offending.

Appendix Four: Report under section 190 of the Corrections Act 2004 and Parole Act 2002

Section 190(1)(A)

Requires the Chief Executive to report on how he has carried out his functions under section 8(1)(k) and prison directors have carried out their functions under section 12(d), of ensuring that processes are established and maintained to identify communities significantly affected by policies and practices in the corrections system, and giving opportunities for those communities to give their views on those policies and practices, and ensuring those views are taken into account.

The year has seen Corrections continue to engage with stakeholders, as well as actively engaging with individuals and groups where our operations could potentially impact communities, e.g. the operation of the new Auckland South Corrections Facility (ASCF), design and construction of the new facility at Auckland Prison, temporary release of prisoners and treaty settlements.

We have established formal community liaison groups where prison representatives meet with designated members of the community to consider the effects of any activity carried out at the prison on the community.

Corrections has worked with employers, government agencies and community groups to both gain a greater understanding of stakeholders' views and, in turn, provide a wider picture of what Corrections is doing to make a difference in people's lives.

We work closely with a number of large employers and industry leaders to encourage greater employment and training options for offenders. In addition to our relationships with employers who provide Release to Work opportunities for offenders close to release from prison, we have Memorandums of Understanding with over 60 employers who have agreed to provide jobs for offenders following the ends of prison sentences.

Advisory panels were first established in 2014/15, and have become embedded during 2015/16. These panels provide advice to prison directors on the suitability of prisoners who have applied for activities or special visits outside the prison perimeter, including Temporary Release, Release to Work, the Whare Oranga Ake support programme and prisoner work parties. The advisory panels are made up of Corrections staff, external agencies, and community representatives, who provide advice to the prison director to support their decision making regarding matters of necessary concern to the community.

Engagement with family/whānau, iwi and local communities is an essential part of preparing people for reintegration ahead of leaving prison and once they are in the community. Iwi and community groups contributed to our reducing re-offending work through locally initiated programmes of activity funded by our Regional Initiative Fund. These stakeholders continue to assist us in identifying new and effective rehabilitation activities in prisons and in the community.

Section 190(1)(B)

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

Chief Inspector's Annual Report for 2015/2016 Pursuant to Section 190(1)(b) of the Corrections Act 2004.

Introduction

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

Complaints to the inspectors of Corrections

Community-based sentences traditionally generate a very low volume of contacts with the inspectors. In the current year there were only 45 contacts from the community received via 0800 calls, letters, or website contacts. These contact numbers are similar to previous years and include both complaints and requests for information/clarification.

The effective and timely resolution of prisoner complaints is a primary area of focus for inspectors and generates the majority of their workload. For reasons of safety, security, fairness and the mitigation of risk the Department expects prisoner issues and concerns to be resolved as soon as practicable and at the lowest possible organisational level. In the normal course of events that is within the prison, at unit level. It is the responsibility of unit staff to resolve prisoner concerns by taking the appropriate action before they escalate into complaints or incidents. For those occasions where lower level resolution does not occur, or is not possible, the legislation provides Corrections with a two-tiered system of internal complaints resolution. At prison site level a robust, auditable internal complaints system exists so that prisoners can formally take matters for resolution to their residential manager or prison director. This constitutes the first tier.

The Inspectorate is Corrections' second tier of complaints resolution. As such it is effectively the Department's last opportunity to resolve a complaint before external agencies or court action become involved. There were 1,058 formal complaints received for the year. This was a significant decrease on the 2014/2015 year complaints of 1,641.

It should be noted that the Inspectorate has recently altered the manner in which it handles complaints. This change was to place greater accountability on prison management to manage prisoner complaints robustly in the first instance. Therefore contacts from prisoners who had not used the internal complaints processes in the first instance are referred back to prison management and are recorded by the Inspectorate as an information contact and not as a complaint. Complaints are now only recorded by the Inspectorate following a formal decision on their complaint being made by management, which the prisoner did not accept. The exception to this rule is where there is an identified risk to the safety of any individual, or the matter relates to a statutory review where timeframes are critical; in these cases the Inspectorate will immediately become involved.

Only 38 of the 1,058 complaints received in the 2015/16 year were found to be justified. At 3.5% of total complaints this is, in my view, a very low proportion of the thousands of interactions that occur between the Department and offenders every year.

While a complaint may not be categorised as justified, it does not mean that the complaint was without merit or validity. The Inspectorate has been focused on gaining a satisfactory resolution to prisoner complaints through mediation and discussion with prison management.

The highest category of justified complaints (11) related to internal complaint forms that were not processed or actioned appropriately by prison staff. These were deemed to be isolated incidents of individual staff non-compliance with the system requirements rather than any systemic issues, and in general were related to excessive time taken to resolve the issue or provide a formal response to the prisoner.

0800 Complaints Line

Since 1997, the Inspectorate has operated an 0800 free-call phone line that offenders, and in particular prisoners and their families, could use to raise a complaint directly with an inspector during normal business hours or leave a message outside those times. In 2015/16 year there were 5,418 calls received, of which 945 were recorded as a formal complaint. The remaining contacts were for general information or clarification of issues or repeat calls about the same issue. The new prison, Auckland South Corrections Facility (ASCF), had the largest number of contacts via the 0800 system with 1,078 contacts. It is noted that prisoners at ASCF have greater access to telephones as they have telephones within their individual cells.

This facility still generates the majority of the contacts prisoners make with the inspectors every year. While only 945 of these contacts resulted in formal complaints, the service is of considerable value as it allows a prisoner to immediately bring a serious concern to the attention of an inspector. The inspector is also in a position to immediately highlight a concern to prison management regarding a prisoner's state of mind and potential risk to themselves, or others, as a result of these calls.

Investigations

In addition to the prison visiting and complaints resolution activities, the inspectors have conducted full investigations of 26 prisoner deaths in custody (15 assumed natural causes, 11 assumed suicides). This is a significant increase on the 18 deaths investigated for 2014/2015. The conduct of these investigations has been monitored by investigating officers from the Office of the Ombudsmen who attended most scene examinations and interviews and were kept apprised of developments throughout.

Three further special investigations have been completed in the year. A major investigation into MECF took place following YouTube footage being released to the media showing organised prisoner on prisoner violence. As at the date that this Annual Report was approved for release, the report was yet to be released (it's release having been delayed due to court action taken by SERCO in relation to the report). A second associated investigation examined organised fighting and access to contraband in public prison sites in New Zealand. A third special investigation has been completed into the circumstances surrounding the prolonged use of a tie down bed to restrain a prisoner at Auckland Prison.

In the interests of transparency, the inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into prisoner's allegations of assault/abuse by staff. Eleven such monitoring reviews were commenced during the year; ten have been finalised and one case is currently under active investigation.

The issues identified in these investigations tend to reflect isolated instances of non-compliance with some specified systems, usually by an individual, rather than any systemic issues in practice with those systems.

Conclusion

The Inspectorate has reported progressively throughout the year on the matters arising out of their various activities to operational management, to the Chief Executive, and to the Department of Corrections Audit and Risk Committee.

It cannot be stressed enough that Corrections is, and will remain, a challenging environment to manage and in which to work. Incidents are a fact of prison life in particular, and no jurisdiction in the world has developed an effective immunity to them.

Nonetheless, it remains the Inspectorate's view that overall the Department can be proud of the quality of its services and of the ongoing dedication and professionalism of its staff and managers.

Section 190(1)(C)(D)(E)

A report on the processes and systems in place to supervise and control the monitoring of prisoner phone calls, including statistics on the proportion of prisoner calls monitored (otherwise than merely by being recorded) and the number and percentage of calls disclosed under section 117(1) and (2):

- > **to any person other than an employee of the Chief Executive or a contractor**
- > **to an employee of the Chief Executive or a contractor**
- > **of those disclosed, the number of proceedings against a person for a disciplinary offence in which a recording of any of those calls was used in evidence.**

Legislative authority for Corrections to monitor prisoners' telephone calls is provided under section 113 of the *Corrections Act 2004*.

The monitoring of prisoner phone calls made from payphones in prisons is an important part of our commitment to safety in the community and in our prisons. We use information collected from these calls to protect victims, prevent drug use, violence, escapes and to stop crimes being organised and committed in the community. We also share this information with the NZ Police, the Inland Revenue Department, the Ministry of Social Development, and other agencies to these ends.

Spark New Zealand provides standard payphones for prisoner use in units across all prisons. Prisoners can purchase phone cards to pay for their calls through the prisoner canteen system, or they can be posted to the prisoner by family members and friends. All calls are recorded and monitored on a targeted basis. The exception is prisoners' calls to the Office of the Ombudsman, legal representatives, Crimestoppers, Members of Parliament and selected Government agencies, which are exempt from monitoring.

All prisoner calls are managed through a prisoner telephone call control system – which restricts the calls that prisoners are able to make. Only ten numbers are able to be loaded onto the prisoners approved calling list. This is to prevent criminal activity or harassment of victims or members of the public, from within the prison. All numbers are verified by prison staff and permission sought from the call recipient before the number is approved.

In 2015/16, of the 3,625,121 (1,219,224 in Auckland South Corrections Facility and 2,405,897 in all other prisons) recorded calls, 76,561 were monitored (not including Auckland South Corrections Facility), and a large number of those monitored calls produced valuable information to support the prevention and reduction of crime. We also know that sharing this information with our partners has made it possible to identify visitors who may pose a threat to staff and prisoners in our prisons, enhanced community safety and led to the discovery of drugs and other contraband.

Section 190(1)(F)

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

This year we released our latest drug and alcohol strategy, *Breaking the Cycle: Our Drug and Alcohol Strategy through to 2020*. The new strategy sets the direction for how Corrections manages alcohol and other drug (AOD) treatment and misuse among offenders. As part of the strategy's development, we consulted with AOD service providers, NGOs in the addiction sector, and frontline staff across the country. A number of key themes and potential solutions emerged as part of this process and informed the strategy's approach and key priorities. The strategy highlights the good work we are doing to reduce the harm caused by AOD, such as enhanced investments in AOD aftercare, expanding the use of alcohol interlocks, and progressing legislation to provide for AOD testing of high-risk offenders and bailees in the community.

A range of AOD treatment programmes are offered in prison and the number of offenders starting these programmes has continued to increase during 2015/16. In the past year Brief, Intermediate and Intensive AOD interventions were delivered to 5,395 offenders, which is an increase of more than 50% from 2014/15. In addition, 1,018 offenders were placed into Drug Treatment Unit programmes for three or six months. All AOD treatment programmes exceeded the targeted completion rate (75%) with 84% of participants completing Brief, Intermediate and Intensive Interventions and 77% of participants completing the more intensive Drug Treatment Unit programmes.

In late 2015, the Department successfully obtained funding from the Justice Sector Fund to design and deliver AOD aftercare services to the end of June 2018, with a focus on maintaining gains made during AOD treatment while in prison. The first service being launched involves the creation of a new AOD aftercare worker role, with current AOD treatment providers in prisons filling 15 positions to begin work in July 2016. These aftercare workers will offer continuity of care to treatment graduates by providing one-to-one and group maintenance sessions both in prison and upon release into the community, as well as addressing any AOD reintegration needs.

To reduce drug and alcohol use by offenders in the community, our probation officers are continuing to deliver brief AOD interventions to community-based offenders with an identified need for intervention. In 2015/16, 14,733 community offenders received brief alcohol and drug interventions delivered by probation officers.

The Brief Drink Drive Intervention pilot that began in 2014/15 was extended for a further two years with funding from the Justice Sector Fund. Between October and June, 134 interventions were delivered to 1,323 community offenders. The programme consists of brief educational and motivational sessions of six to 10 hours in length, suitable for first and second time drink drive offenders. Uptake into the programmes was strong and feedback from participants has been positive. In addition, the Department implemented an Alcohol Interlock trial (supported by the Justice Sector Fund) which fully subsidises the costs of the alcohol interlock programme for community offenders who had been granted an alcohol interlock order by the court. This trial has successfully demonstrated that cost is a barrier to uptake, with a total of 207 interlocks installed between September 2015 and June 2016 (120 of which were funded by the trial), compared with 141 offenders taking up an interlock device in the nine months before the trial began. By the end of June, a further 55 participants had signed up under this trial and will have their interlocks installed in the next few months. Both of these road safety programmes complement those provided by partner agencies such as NZ Police and other organisations.

Corrections carried out 4,419 drug tests in prisons under the general random drug testing regime during 2015/16 (2014/15: 4,454). The number of drug tests returning a positive was 3.4%. The *Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill* is being considered by Parliament. The bill will allow drug and alcohol testing of offenders on community-based sentences, when they are subject to conditions prohibiting consumption or use. When the bill is passed it will enable Corrections and NZ Police to require such offenders to undergo drug and alcohol testing, greatly improving our capacity to hold offenders to account and maintain the integrity of their sentences.

Section 190(1)(G)

A report on the operation of every security contract in force for the whole, or any part, of the year to which the Annual Report relates, including:

- > **a summary of reports forwarded to the Chief Executive under section 171(2) or (3) and a summary of reports made to the Chief Executive under section 172(2)(b)**
- > **a summary of actions taken in relation to the operation of security contracts as a result of matters raised in any report forwarded or made.**

Training provided to security officers employed by the Contractor

Prisoner Escorting & Court Custodial Services (PECCS) officers have all completed their current training in control and restraint and first aid, and all staff receive monthly toolbox updates. In addition, all new staff have completed their company induction training, health and safety induction, and Prisoner Escorting & Court Custodial Services modular training and seven staff have completed Class 2 Driver training.

The number and nature of complaints made by persons in relation to the carrying out, by security officers employed by the Contractor, of escort duties in respect of those persons, and how those complaints were resolved

One complaint was made by a prisoner in relation to security officers employed by the Contractor. The complaint was investigated and found to be without substance; no further action was taken.

The number and nature of any incidents involving violence by or against prisoners while in the custody of security officers employed by the Contractor

There were two reported incidents involving violence by prisoners against other prisoners while in the custody of security officers employed by the Contractor. Both incidents were non-serious and did not result in injury.

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

There were no reported incidents involving violence by prisoners against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties.

The number and nature of any incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor

There were no reported incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor.

The compliance, by security officers employed by the Contractor, with the requirements of sections 83, 84, 85, 87, and 88 of the *Corrections Act 2004*

A total of 37 incidents were recorded in this area. All were deemed to be compliant with the requirements as specified in the *Corrections Act 2004*.

The exercise, by security officers employed by the Contractor, of the powers conferred by sections 98 and 101 of the *Corrections Act 2004* in order to perform the functions of security officers

A total of 41,911 searches were recorded by security officers employed by the Contractor during the reporting year. This included 4,571 rub searches and three strip searches.

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

Disciplinary proceedings were initiated against three security officer employed by the Contractor for actions deemed to be misconduct. The proceedings resulted in two summary dismissals and one final written warning.

Section 190(1)(H)

A report on the operation of every contract prison that was in operation for the whole or any part of the year to which the annual report relates.

Auckland South Corrections Facility

On 10 September 2012, Corrections engaged in a Public Private Partnership (PPP) with SecureFuture Wiri Limited (SecureFuture) to design, build, finance, operate and maintain Auckland South Corrections Facility (ASCF). ASCF is a 960 bed men's prison with security classification ranging from low to high.

On 18 May 2015, SecureFuture took over operational management of ASCF and prisoner build-up commenced. In October 2015, the site reached full prisoner capacity.

The aims of the PPP agreement between Corrections and SecureFuture are to ensure the provision of a secure, safe, and positive environment for sentence compliance, reducing re-offending, and improving outcomes for Māori prisoners.

The Department employs two prison monitors at ASCF to provide assurance on SecureFuture's compliance with the relevant policies and procedures, the PPP agreement, legislation and mandatory international prison standards. As with all prisons, ASCF is subject to the wider Justice Sector's scrutiny, monitoring by the independent Ombudsmen's proactive investigations, and further assurance through the monitoring and reporting carried out by the prison Inspectorate.

Under the PPP Agreement, SecureFuture is required to provide a range of reports to Corrections. These reports provide information on custodial, rehabilitation and reintegration performance. The performance regime within the Agreement contains 37 custodial and 16 rehabilitation and reintegration Key Performance Indicators (KPIs) to which financial penalties apply. The zero tolerance approach taken to many of the custodial KPIs, including serious assaults, highlights Corrections' ongoing commitment to safety and security.

Corrections' commitment to ensuring a safe and secure site is evidenced by the implementation of a comprehensive performance framework which includes Service Failure Points for instances where SecureFuture fails to perform the services to the required standard. Service Failure Points accumulate over a nine month period before "rolling off". However, if Service Failure Points accumulate beyond set contracted thresholds within the nine month period, further contractual requirements such as additional reporting, abatements and rectification plans may be triggered.

SecureFuture is incentivised to ensure the safe and secure operation of ASCF through a rigorous performance regime. As part of this regime, repeat incidents incur sharp increases in financial penalties when thresholds are crossed. Additionally, charges of up to \$600,000 can be applied for specified charge events which include escapes, riots and unnatural deaths.

The PPP agreement includes a financial incentive for the sole purpose of reducing re-offending, which is a key priority for Corrections. SecureFuture is required to show a 10% improvement (or greater) compared to Corrections' performance to receive the incentive payment. This incentive payment is only available on a 24 month cycle.

The numbers of serious assaults at ASCF during 2015/16 were comparable to Corrections run prisons and there were zero self-harm threat to life incidents during the year.

In its first year of operation, ASCF has performed as expected with no charge events occurring. Further, the financial penalties and Service Failure Points applied during the Performance Year primarily relate to the bedding in period for procedural focussed KPIs. Accordingly, improvements in performance are expected as SecureFuture's approach to the management of the ASCF site matures.

Section 15A of the Parole Act 2002

Section 15A(4) of the Parole Act 2002 requires the Department of Corrections to include in its Annual Report information about the use of electronic monitoring.

The information required covers:

- > **the number of offenders who were at any time subject to an electronic monitoring condition**
- > **the average number of offenders who were subject to an electronic monitoring condition and the average duration of the condition**
- > **the percentage of offenders who, while subject to an electronic monitoring condition attached to an extended supervision order, were convicted for a breach of the condition, or convicted of any other offence**
- > **a description of processes and systems relating to electronic monitoring that were in place during the year reported on.**

Corrections manages offenders on parole and extended supervision, who are electronically monitored on a residential restrictions special condition under the provisions of section 15(3) (ab). The following information relates to offenders subject to electronic monitoring under either section 15(3) (f) or section 15(3) (ab) of the *Parole Act 2002* for the financial year to 30 June 2016.

As at 30 June 2016, 199 offenders were subject to electronic monitoring as a condition of parole or extended supervision.

For the financial year ending 30 June 2016, the average number of offenders who were at any time subject to electronic monitoring as a condition of parole or extended supervision was 174; 88 as a condition of parole and 86 as a condition of extended supervision. The average length of time that they were subject to such conditions during the financial year was 1,150 days, equivalent to three years and 55 days.

During the year ending 30 June 2016, among offenders subject to an electronic monitoring condition attached to an extended supervision order, nine (8% of the total)² were convicted for an electronically monitored specific breach and 15 (13.4% of the total) for other breaches.

Offenders subject to electronic monitoring are required to wear an electronic anklet at all times to allow Corrections to monitor their location. If the offender tries to remove the anklet or leaves the monitored address without permission, an alert is triggered and action is taken to assess the offender's whereabouts.

Offenders subject to an electronic monitoring condition may be required to submit to Global Positioning System (GPS) monitoring. GPS monitoring enhances the ability of Corrections to monitor an offender's compliance with any special condition they have related to their location in the community. It provides real-time information on an offender's location, which allows early detection of an offender entering prohibited locations or leaving a place in which they must remain.

² Please note that this only includes instances where the re-offending was identified and the offender convicted during the 2015/16 financial year.

Appendix Five: Report under section 121 of the Public Safety (Public Protection Orders) Act 2014

The following table presents information required under section 121(1) of the *Public Safety (Public Protection Orders) Act 2014*. The reference letters refer to sub-sections within the legislation, and the descriptions of measures are taken directly from these sub-sections.

Reference letter	Description of measure	Type	Number of persons/ times	State	# of months	Outcome
a	Number of persons who, at the end of the financial year, are detained under this Act	Residences	1 – Public Protection Order (PPO) residence 1 – Salisbury Street	Interim Interim	2 months 1 month ³	Not applicable
b	Number of persons who, at the end of the financial year, are detained under this Act	Prisons	0	Not applicable	Not applicable	Not applicable
c	Number of persons who have been released on protective supervision	Not applicable	0	Not applicable	Not applicable	Not applicable
d	Number of persons who are on protective supervision and who have again been detained under this Act	Not applicable	0	Not applicable	Not applicable	Not applicable
e	Number of times that the Chief Executive applied to the court, ahead of time and pursuant to a direction of the review panel, for a review of a public protection order	Not applicable	0	Not applicable	Not applicable	Not applicable
f	Number of appeals against orders made under this Act, and the outcome of each appeal	Not applicable	1 (interim detention order)	In court	Not applicable	Information not available
g	Number and nature of any serious incidents involving residents or staff members of residences, or both	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable

3 These durations are as at 30 June 2016.

Reference letter	Description of measure	Type	Number of persons/ times	State	# of months	Outcome
h	Number and nature of any incidents involving the use of significant force or restraints on residents	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
i	Number of times seclusion was imposed on residents, and the duration of, and reason for, each episode of seclusion	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
j	Number of times that residents were hospitalised	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
k	Number of residents who died	Not applicable	0	Not applicable	Not applicable	Not applicable
l	Number of emergencies in residence that required assistance from Corrections Officers	Not applicable	0	Not applicable	Not applicable	Not applicable
m	Any other matter that the Chief Executive considers should be included	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix Six: Report under section 50 (a) of the Victims' Rights Act 2002

Victims Code

In September 2015, the Minister of Justice launched the Victims Code.

The Victims Code is a cross-agency initiative, led by the Ministry of Justice, and explains to victims of crime how they can expect to be treated by government agencies and other organisations that provide services to them, and how to get support.

The Victims Code brings together and explains eleven victims' rights that exist in various Acts. The rights relate to five broad areas:

- > information about programmes or services
- > information about the progress of the case
- > victims involvement during proceedings
- > notifications after sentencing
- > for victims in the youth justice system, to participate in family group conferences.

The Victims Code explains how victims can make a complaint if they believe they have not been afforded one or more of their rights, and who to direct their complaint to.

In addition, the Victims Code contains eight principles that guide how all agencies and organisations that provide a service to victims of crime should treat victims.

Victim complaints

One of the ways the Victims Code aims to make government agencies more accountable when providing services to victims is through the complaints process.

Beginning 2015/16, agencies with key responsibilities to victims are required to report annually on the number of complaints received alleging a breach of a right or rights in the Code.

Not all agencies are responsible for each of the rights in the Code and the reporting obligation only applies to the right or rights that the agency is directly responsible for. Agencies work together to ensure all victim complaints are directed to the correct agency for a response.

During 2015/16, the Department received two complaints from registered victims.

Of those, one concerned incorrect information being provided and one concerned a potential breach.

Both complaints were investigated and were upheld.

Service improvements

Reviewing victim feedback and complaints is an important part of improving the Department's, and the wider Justice Sector services to victims of crime.

Corrections is part of a victims of crime inter-agency committee, which comprises representatives from key Justice Sector agencies. This committee brings together non-identifying victim complaints data from the different agencies to identify trends and make service improvements.

Over the past year, the Department has implemented a number of changes to its operations in an effort to better meet victim needs, including:

- > the ability for victims to update their contact details online
- > reviewing the victim complaints handling procedures
- > working on introducing an online complaints form on the Department of Corrections website under Information for Victims
- > working with New Zealand Police, the Ministry of Justice and the Ministry of Health to produce information about the Victim Notification Register.

Appendix Seven: Profile of our people

This appendix provides a detailed view of the composition of Corrections staff, broken down by a number of key metrics.

All employees: by gender

Employees by gender, as at June 2013-2016

Gender	As at 30 June 2013			As at 30 June 2014		
	Full time	Part time	Total	Full time	Part time	Total
Female	3,148	363	3,511	3,152	363	3,515
Male	4,146	228	4,374	4,098	210	4,308
Total	7,294	591	7,885	7,250	573	7,823
Percentage female (%)	43.2%	61.4%	44.5%	43.5%	63.4%	44.9%

Gender	As at 30 June 2015			As at 30 June 2016		
	Full time	Part time	Total	Full time	Part time	Total
Female	3,216	371	3,587	3,234	386	3,620
Male	4,087	194	4,281	4,048	184	4,232
Total	7,303	565	7,868	7,282	570	7,852
Percentage female (%)	44.0%	65.7%	45.6%	44.4%	67.7%	46.1%

Notes

- > Figures above are staff headcount.
- > Due to the consolidation of numbers, some minor rounding variations can occur between employee numbers in the report. This rounding does not affect the overall position or integrity of the numbers reported.

Employees by designation group, as at 30 June 2013-2016

Designation group	As at 30 June 2013					As at 30 June 2014				
	Female		Male		Total	Female		Male		Total
Administration officer	397	92.5%	32	7.5%	429	399	95.0%	21	5.0%	420
Administration support officer	130	84.4%	24	15.6%	154	144	87.8%	20	12.2%	164
Adviser	168	57.3%	125	42.7%	293	171	59.6%	116	40.4%	287
Clerical	57	87.7%	8	12.3%	65	55	83.3%	11	16.7%	66
Corrections officer (PCO/SCO/CO)	739	23.8%	2,362	76.2%	3,101	738	23.7%	2,379	76.3%	3,117
Deputy chief executive	2	33.3%	4	66.7%	6	3	42.9%	4	57.1%	7
Executive assistant/PA	35	100.0%	-	0.0%	35	31	100.0%	-	0.0%	31
Manager – non-custodial	124	47.5%	137	52.5%	261	132	48.5%	140	51.5%	272
Nurse	135	79.4%	35	20.6%	170	135	78.0%	38	22.0%	173
Other	305	52.4%	277	47.6%	582	231	52.6%	208	47.4%	439
Practice leader	40	66.7%	20	33.3%	60	44	67.7%	21	32.3%	65
Principal/facilitator	138	61.6%	86	38.4%	224	159	63.3%	92	36.7%	251
Principal/instructor	39	13.0%	260	87.0%	299	45	14.3%	269	85.7%	314
Principal/psychologist	147	69.3%	65	30.7%	212	167	68.4%	77	31.6%	244
Principal/senior/case manager	137	63.1%	80	36.9%	217	137	61.7%	85	38.3%	222
Regional manager	9	37.5%	15	62.5%	24	6	24.0%	19	76.0%	25
Residential manager	13	21.3%	48	78.7%	61	11	18.0%	50	82.0%	61
Service manager	96	57.5%	71	42.5%	167	95	55.6%	76	44.4%	171
Senior/community work supervisor	102	25.0%	306	75.0%	408	93	24.7%	283	75.3%	376
Senior/probation officer	668	62.7%	397	37.3%	1,065	686	64.1%	384	35.9%	1,070
Team leader	30	57.7%	22	42.3%	52	33	68.8%	15	31.3%	48
Total	3,511	44.5%	4,374	55.5%	7,885	3,515	44.9%	4,308	55.1%	7,823

Designation group	As at 30 June 2015					As at 30 June 2016				
	Female		Male		Total	Female		Male		Total
Administration officer	383	94.3%	23	5.7%	406	352	94.1%	22	5.9%	374
Administration support officer	143	88.3%	19	11.7%	162	137	88.4%	18	11.6%	155
Adviser	189	59.8%	127	40.2%	316	206	57.5%	152	42.5%	358
Clerical	57	87.7%	8	12.3%	65	58	87.9%	8	12.1%	66
Corrections officer (PCO/SCO/CO)	749	24.1%	2,361	75.9%	3,110	759	24.5%	2,336	75.5%	3,095
Deputy chief executive	2	40.0%	3	60.0%	5	2	40.0%	3	60.0%	5
Executive assistant/PA	30	100.0%	–	0.0%	30	28	100.0%	–	0.0%	28
Manager – non-custodial	130	45.0%	159	55.0%	289	142	45.4%	171	54.6%	313
Nurse	130	75.6%	42	24.4%	172	133	73.1%	49	26.9%	182
Other	258	54.2%	218	45.8%	476	271	58.0%	196	42.0%	467
Practice leader	51	68.9%	23	31.1%	74	47	71.2%	19	28.8%	66
Principal/facilitator	168	65.1%	90	34.9%	258	200	67.3%	97	32.7%	297
Principal/instructor	49	15.9%	259	84.1%	308	44	14.7%	256	85.3%	300
Principal/psychologist	179	72.2%	69	27.8%	248	177	72.0%	69	28.0%	246
Principal/senior/case manager	130	57.3%	97	42.7%	227	137	59.8%	92	40.2%	229
Regional manager	7	25.9%	20	74.1%	27	7	29.2%	17	70.8%	24
Residential manager	15	23.8%	48	76.2%	63	13	21.3%	48	78.7%	61
Service manager	109	62.3%	66	37.7%	175	100	58.8%	70	41.2%	170
Senior/community work supervisor	97	27.2%	259	72.8%	356	84	26.9%	228	73.1%	312
Senior/probation officer	680	64.5%	374	35.5%	1,054	691	65.6%	362	34.4%	1,053
Team leader	31	66.0%	16	34.0%	47	32	62.7%	19	37.3%	51
Total	3,587	45.6%	4,281	54.4%	7,868	3,620	46.1%	4,232	53.9%	7,852

Employees by age group, as at June 2013-2016

Age	As at 30 June 2013			As at 30 June 2014		
	Frontline	Non-frontline	Total	Frontline	Non-frontline	Total
0 to 24	133	18	151	117	16	133
25 to 34	823	129	952	819	108	927
35 to 44	1,623	160	1,783	1,524	164	1,688
45 to 54	2,153	208	2,361	2,084	196	2,280
55 to 64	1,480	112	1,592	1,557	113	1,670
>65	243	15	258	279	21	300
Unknown	714	74	788	764	61	825
Total	7,169	716	7,885	7,144	679	7,823

Age	As at 30 June 2015			As at 30 June 2016		
	Frontline	Non-frontline	Total	Frontline	Non-frontline	Total
0 to 24	116	19	135	139	25	164
25 to 34	801	115	916	870	107	977
35 to 44	1,449	176	1,625	1,364	153	1,517
45 to 54	2,046	179	2,225	2,045	174	2,219
55 to 64	1,617	123	1,740	1,650	104	1,754
>65	310	16	326	323	19	342
Unknown	833	68	901	818	61	879
Total	7,172	696	7,868	7,209	643	7,852

Notes

- > Figures above are staff headcount.
- > Due to the consolidation of numbers, some minor rounding variations can occur between employee numbers in the report. This rounding does not affect the overall position or integrity of the numbers reported.

All employees: by ethnicity

Ethnicity profile of staff at the Department of Corrections, as at June 2013-2016

Ethnicity	2013 Census population base (%)	Corrections profile, as at 30 June			
		2013 (%)	2014 (%)	2015 (%)	2016 (%)
NZ European	69.6	58.2	54.8	55.7	55.2
Māori	14.9	21.9	20.6	21.0	20.7
Pacific peoples	7.4	8.6	8.3	8.3	8.6
Other ethnic groups	8.1	29.2	26.3	26.6	27.0

Notes

- > Employees are given the option of recording multiple ethnic groups. If an employee has chosen to do this they are counted in each group selected, so the percentages in this table will add to more than 100%.
- > Figures are given on a full time equivalent basis, meaning that employees working on a part time basis are summed to an equivalent of a full time employee.
- > Numbers do not include employees on leave without pay.
- > Population statistics are from the 2013 Census and include all people who stated each ethnic group, whether as their only ethnic group or as one of several ethnic groups. Where a person reported more than one ethnic group, they have been counted in each applicable group.

All employees: voluntary turnover

Number and percentage of turnover as at June 2013-2016

Voluntary turnover	As at 30 June							
	2013		2014		2015		2016	
	Full time equivalent	%	Full time equivalent	%	Full time equivalent	%	Full time equivalent	%
Frontline staff	609.89	9.24%	586.71	8.82%	596.57	9.02%	553.31	8.41%
Non-frontline staff	86.13	14.04%	92.08	14.51%	96.01	15.78%	88.90	14.60%
Male	362.30	8.83%	337.74	8.20%	378.80	9.35%	318.80	8.01%
Female	333.72	10.68%	341.05	10.69%	313.78	9.85%	323.41	10.02%
Management	50.88	5.92%	52.60	6.32%	50.10	5.85%	53.90	6.03%
Non-management	645.14	10.11%	626.19	9.67%	642.48	10.05%	588.31	9.30%

* This excludes planned terminations.

Voluntary turnover at Corrections stayed steady at just over 9% in 2015/16, remaining below the public sector average. It has been at or around this level since 2010/11.

Remuneration

Remuneration of staff by salary and gender 2015/16

Remuneration band	Female	Male	Total
Hourly Paid	39	166	205
\$30,001 – \$40,000	41	4	45
\$40,001 – \$50,000	572	155	727
\$50,001 – \$60,000	914	1,487	2,401
\$60,001 – \$70,000	1,353	1,608	2,961
\$70,001 – \$80,000	237	318	555
\$80,001 – \$90,000	138	103	241
\$90,001 – \$100,000	140	130	270
\$100,001 – \$110,000	75	93	168
\$110,001 – \$120,000	33	37	70
\$120,001 – \$130,000	30	42	72
\$130,001 – \$140,000	9	25	34
\$140,001 – \$150,000	9	23	32
\$150,001 – \$160,000	5	13	18
\$160,001 – \$170,000	11	9	20
\$170,001 – \$180,000	8	3	11
\$180,001 – \$190,000	–	2	2
\$190,001 – \$200,000	1	3	4
\$200,001 – \$210,000	1	3	4
\$210,001 – \$220,000	–	2	2
\$220,000+	4	6	10
Grant total	3,620	4,232	7,852

Notes

> Figures above are staff headcount.

Remuneration of staff by salary band and age group 2015/16

Remuneration band	0-24	25-34	35-44	45-54	55-64	65+	Unknown
Hourly Paid	–	–	14	37	69	54	31
\$30,001 – \$40,000	12	12	3	5	3	–	10
\$40,001 – \$50,000	39	105	129	174	134	40	106
\$50,001 – \$60,000	94	400	487	647	400	67	306
\$60,001 – \$70,000	19	330	550	877	766	136	283
\$70,001 – \$80,000	–	57	109	166	168	17	38
\$80,001 – \$90,000	–	33	70	65	39	4	30
\$90,001 – \$100,000	–	20	59	95	59	8	29
\$100,001 – \$110,000	–	5	30	60	52	7	14
\$110,001 – \$120,000	–	6	18	15	19	3	9
\$120,001 – \$130,000	–	4	15	26	18	2	7
\$130,001 – \$140,000	–	1	6	9	10	1	7
\$140,001 – \$150,000	–	1	11	11	7	1	1
\$150,001 – \$160,000	–	2	4	9	–	1	2
\$160,001 – \$170,000	–	1	4	9	3	1	2
\$170,001 – \$180,000	–	–	3	6	2	–	–
\$180,001 – \$190,000	–	–	–	1	–	–	1
\$190,001 – \$200,000	–	–	–	1	2	–	1
\$200,001 – \$210,000	–	–	2	1	1	–	–
\$210,001 – \$220,000	–	–	1	1	–	–	–
\$220,000+	–	–	2	4	2	–	2
Grand total	164	977	1,517	2,219	1,754	342	879

Notes

- > Figures above are staff headcount.
- > The table includes all employees including part time employees, employees who had a period of leave without pay, employees who started during the year and employees who received pay increases during the year by the remuneration band that they actually received during 2015/16 not the full time remuneration at any point of the year.

Pay equality

The gender pay gap at Corrections continues to be significantly less than the Public Sector average. The most recently reported pay gap was 2.28% compared to a sector average of 14%, a difference of around 12%. This difference has been generally consistent since 2010, with the sector average remaining at 14% and Corrections' varying between 2% and 1%.

Average length of service, by age and gender, 2012/13 to 2015/16

Age group	2012/13			2013/14			2014/15			2015/16		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 25 yrs	1.62	1.46	1.57	1.73	1.39	1.59	1.39	1.38	1.38	1.02	1.46	1.19
25 to 30 yrs	15.32	16.64	16.28	2.63	2.74	2.67	2.72	2.65	2.69	2.77	2.40	2.61
30 to 35 yrs	2.33	2.54	2.42	3.99	4.04	4.01	4.14	4.39	4.26	4.32	4.44	4.38
35 to 40 yrs	3.77	3.93	3.85	5.32	5.63	5.48	5.23	5.91	5.57	5.34	6.13	5.75
40 to 45 yrs	4.98	5.4	5.21	6.05	6.32	6.19	6.34	6.60	6.47	6.68	7.11	6.89
45 to 50 yrs	5.76	5.95	5.86	6.99	8.29	7.69	7.49	8.62	8.08	7.82	8.45	8.15
50 to 55 yrs	6.45	8.16	7.4	8.28	11.48	10.17	8.69	11.64	10.45	8.73	11.58	10.39
55 to 60 yrs	7.72	11.65	10.04	10.6	14.75	13.24	10.94	14.86	13.40	11.04	14.98	13.46
60 to 65 yrs	10.3	13.92	12.67	13.96	16.18	15.48	13.91	16.90	15.90	13.67	17.67	16.31
> 65 yrs	14.29	15.88	15.36	15.27	17.28	16.7	16.05	17.07	16.78	17.52	17.42	17.45
Not Advised	3.25	3.57	3.39	3.68	4.15	3.89	3.90	4.13	4.00	4.45	4.68	4.55
Overall average	6.35	9.20	7.93	6.78	9.69	8.39	7.09	9.98	8.67	7.35	10.18	8.87

* The average length of service (in years) for Corrections employees as at the end of each financial year.

Appendix Eight: Prison Performance Table

The Prison Performance Tables provide a quarterly grading of the performance of all prisons within the Corrections network. A number of factors are used in this analysis, and results are weighted to account for the particular composition of prisoners and facilities at each site.

In previous years, all prison performance metrics were combined in a single Prison Performance Table, published quarterly. Performance is now separated into two tables, to improve the transparency and clarity of performance results and metrics.

The Custodial Performance Table includes results for core security and internal procedures:

- > Core security – a gateway test for certain incidents including breakout escapes, escapes from escort, and significant disorder events. These incidents are considered unacceptable regardless of the number of prisoners or any other factors.
- > Internal procedures – a score assigned to each prison based on the number of core security events and the level of other incidents, including assaults on staff and prisoners, justified complaints, and the percentage of positive general random drugs tests.

The Rehabilitation Performance Table is based on the performance of each prison against a number of Key Performance Indicators related to the delivery of rehabilitation programmes.

On the basis of results in the Custodial Performance Table and the Rehabilitation Performance Table, each prison is graded as exceptional, exceeding, effective, or needs improvement. The Prison Performance Tables also display the grade of each prison for the previous three quarters, so that trends and changes in performance can be noted.

The Prison Performance Tables for the previous four quarters are presented over leaf.

Prison Custodial Performance Table

Q4 2015/16 Performance grade for the 12 months to June 2016

Q4 Apr-Jun 2016	Prison	Grade change	Previous performance grades		
			Q3 Jan-Mar 2016	Q2 Oct-Dec 2015	Q1 Jul-Sep 2015
Exceptional					
	Rolleston Prison	–	Exceptional	Exceptional	Exceptional
	Arohata Prison	–	Exceptional	Exceptional	Exceptional
	Tongariro Prison	▲	Exceeding	Effective	Exceeding
	Northland Region Corrections Facility	▲	Exceeding	Effective	Exceeding
	Spring Hill Corrections Facility	▲	Exceeding	Exceptional	Exceptional
Exceeding					
Effective					
	Auckland Region Women's Corrections Facility	–	Effective	Needs Improvement	Exceeding
	Otago Corrections Facility	▼	Exceeding	Effective	Effective
	Manawatu Prison	▲	Needs Improvement	Needs Improvement	Needs Improvement
	Mount Eden Corrections Facility	–	Effective	Effective	Effective
	Invercargill Prison	▼▼	Exceptional	Exceeding	Effective
	Christchurch Men's Prison	–	Effective	Needs Improvement	Exceeding
	Rimutaka Prison	–	Effective	Effective	Effective
	Waikeria Prison	▼	Exceeding	Effective	Effective
Needs Improvement					
	Christchurch Women's Prison	–	Needs Improvement	Exceptional	Exceptional
	Auckland Prison	–	Needs Improvement	Effective	Exceeding
	Whanganui Prison	▼	Effective	Effective	Exceeding
	Hawkes Bay Regional Prison	–	Needs Improvement	Effective	Needs Improvement

Auckland South Corrections Facility (ASCF)

The Custodial Performance Table calculates the performance grade for each prison based on the results for the quarter, together with the results for the previous three quarters (to give a rolling 12 month period of historic performance results). ASCF commenced operation in May 2015. Up until October 2015 ASCF was building up to full capacity and therefore the performance results over the period to October 2015 are not directly comparable to other prisons. A comparable assessment of custodial performance can be reliably calculated for ASCF in the first quarter of the 2016/17 financial year. ASCF will therefore be incorporated into the Custodial Performance Table at that time.

Notwithstanding this, and while not directly comparable, if the results from October 2015 to June 2016 were extrapolated to a 12 month period to derive a proxy performance grade, ASCF would be graded at the top of the needs improvement category. The key determinants that influence the ASCF proxy grading are similar to those that have influenced the grade of other prisons. These include serious prisoner on prisoners assaults, prisoner on staff assaults, positive drug tests and justified complaints.

Notes

Prisons within a performance grade are ordered by their respective Internal Procedures score.

Core Security – includes breakout escapes, significant disorder events and escapes from escort.

Internal procedures – includes performance results related to assaults on staff and prisoners, justified complaints, and % of positive general random drug tests.

Prison Rehabilitation Performance Table

Q4 2015/16 Performance grade for the 12 months to June 2016

Q4 Apr-Jun 2016	Prison	Grade change	Previous performance grades		
			Q3 Jan-Mar 2016	Q2 Oct-Dec 2015	Q1 Jul-Sep 2015
Exceptional					
	Christchurch Men's Prison	▲	Exceeding	Exceeding	Effective
	Rollleston Prison	▲	Exceeding	Exceeding	Exceeding
	Auckland Region Women's Corrections Facility	-	Exceptional	Exceptional	Exceeding
	Tongariro Prison	-	Exceptional	Exceeding	Exceeding
	Waikeria Prison	▲	Exceeding	Exceeding	Exceeding
	Christchurch Women's Prison	▲	Exceeding	Exceeding	Effective
	Rimutaka Prison	-	Exceptional	Exceeding	Exceeding
	Whanganui Prison	-	Exceptional	Exceeding	Exceeding
Exceeding					
	Spring Hill Corrections Facility	-	Exceeding	Effective	Effective
	Hawkes Bay Regional Prison	-	Exceeding	Effective	Effective
	Arohata Prison	-	Exceeding	Exceeding	Exceeding
Effective					
	Northland Region Corrections Facility	-	Effective	Effective	Effective
	Manawatu Prison	-	Effective	Effective	Exceeding
	Invercargill Prison	-	Effective	Effective	Effective
	Auckland Prison	-	Effective	Effective	Effective
	Otago Corrections Facility	-	Effective	Effective	Effective

Auckland South Corrections Facility

As noted in the commentary supporting the Prison Custodial Performance Table, performance results (information) for ASCF will be reported from quarter one of the 2016/17 financial period. The rehabilitation performance results will not be directly incorporated into the Prison Rehabilitation Performance Table, but reported separately. This is due to the assessment of ASCF's performance against the rehabilitation outcomes (as set out under the current contract) being calculated on a basis that is different to, and therefore not directly comparable with, the assessment of all other prisons.

Note

Due to the Step-In at MECF the rehabilitation targets have not been able to be assessed during this time.



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