

MINISTRY OF SOCIAL DEVELOPMENT

ANNUAL REPORT 2010/2011



Chief Executive’s foreword	1
Our role and outcomes	3
Leadership	4
Emergency management	6
More people get into work and stay in work	10
More children are safe	13
More young people stay on track	18
Reduced re-offending by young people	21
Improved quality of life for older people	23
Communities are better able to support themselves	26
Maintaining performance integrity	29
Organisational health and capability	33
Statement of Responsibility	39
Independent Auditor’s Report	40
Statement of Objectives and Service Performance	44
Financial Statements	71
Statement of Accounting Policies: Departmental	72
Statement of Accounting Policies: Non-Departmental	106

Chief Executive's foreword

The 2010/2011 year has been another challenging one for the Ministry and all New Zealanders alike. Together we have continued to weather the effects of the recession, responded to New Zealand's worst mining disaster, and worked with the people of Canterbury following the tragedy of the Canterbury earthquakes.

While the Canterbury earthquake recovery has played a huge part in our work this year, we have continued to focus on the effects of the recession. We are starting to reduce benefit numbers, particularly for unemployment. The number of New Zealanders receiving an unemployment benefit fell by nine per cent during the year. In addition, 46 per cent of people who attended a Work for You seminar did not need a benefit within the following 28 days. This is an eight per cent increase on the 2009/2010 figure (38 per cent).

The recession continued to place pressure on families and contributed to the more than 20 per cent increase in the number of notifications received by Child, Youth and Family this year. Child, Youth and Family are on top of this core business and their response times have reduced to an all-time low.

Keeping children safe remains a priority for us and we continue to work with other agencies and organisations to develop and deliver joined-up services and support for children and their families.

We know that a joined-up approach delivers better services to New Zealanders. This is why we have continued to strengthen our relationships with our government and non-government partners. This collaboration helped to develop the successful Community Link/Integrated Service Response way of working. The way we work makes sure that individuals and families get the whole-of-system support they need in the way they need it.

It has been satisfying to see innovative social solutions starting to emerge now communities and providers have more say in how social services are delivered in their communities. Twelve regional panels and a national panel approved \$29.6 million from the Community Response Fund to social service providers to support our most vulnerable individuals and families. We have also reduced the administrative burden on service providers by signing High Trust contracts with providers who have a reputation for working well with their clients and delivering on their contracts.

The Canterbury earthquakes presented us with many new challenges. I am hugely proud of the way we responded, working alongside others, often in very difficult conditions, to support the people of Canterbury. We learnt a lot, and the experience has given us new insights into how we can better deliver services to people in need at the same time as providing better value to taxpayers.

The nine per cent drop in unemployment numbers in 2010/2011 contrasts starkly with the increases of almost 25 per cent in 2009/2010 and 187 per cent in 2008/2009.

Child, Youth and Family met all its performance standards relating to getting help to kids.

At the busiest times, we staffed the Government Helpline for the Canterbury earthquake seven days a week, 24 hours a day.

“The core strength of the Ministry is ... the way in which staff at the front line are given a lot of discretion to make the most sensible decision in the context of each individual, family and community.” Performance Improvement Review, May 2011.

Over the last ten years, the Ministry has made great progress in improving the lives of New Zealanders and we are well positioned to take on new challenges. Recently the Ministry participated in an independent review, conducted as part of the Performance Improvement Framework, overseen by central government agencies. The reviewers noted that the Ministry is agile, able to change direction fast, and respond quickly to events both nationally and locally. They also commended our strong external and internal communication. These attributes will help us implement the Benefit Reform programme stemming from the Welfare Working Group report, and decisions resulting from the Government’s Green Paper for Vulnerable Children.

Strategies developed through our Value for Money programme over the last couple of years will continue to free up funding to improve services to those most in need of support.

As my time with the Ministry draws to a close, I would like to thank our Ministers, the Hon Paula Bennett, the Hon Tariana Turia, and the Hon Craig Foss, as well as the many other Ministers and Associate Ministers I have served over the years, for their trust, confidence and support.

I also want to say thank you to the many thousands of volunteers and partners in government and non-government organisations who have worked with us and with each other to support New Zealanders in need of help. What you have achieved is remarkable, particularly in recent times with increasing demand and limited resources.

Finally, I want to acknowledge the hard work, professionalism and caring of all our staff. I commend your commitment and dedication to your work and to our clients. It has been a real privilege to lead you and to work alongside you.

I wish you all the best for the future.



Peter Hughes
Chief Executive

Our role and outcomes

We are the lead agency for the social sector. Our services are important to every New Zealander at some point of their life or their family's life. We help government to set priorities across the sector, to co-ordinate the actions of other social sector agencies and to track changes in the social wellbeing of New Zealanders. We do this by providing evidence-based advice to government, through working with other government and non-government organisations, employers and industry, private organisations, advisory groups, communities and iwi.

We have six outcomes:

- more people get into work and stay in work
- more children are safe
- more young people stay on track
- reduced re-offending by young people
- improved quality of life for older people
- communities are better able to support themselves.

Our core business is to provide services to those in need, helping people to help themselves and to be successful in their lives. We do this through:

- leadership across the social sector, and providing funding to community service providers
- the statutory care and protection of children and young people, youth justice services, adoption services and funding to community service providers
- employment and income support services, New Zealand Superannuation and the administration of New Zealand's international pension portability
- family services, providing support, information and advice for families and communities
- student allowances and loans
- ensuring the integrity of the benefit system
- challenging antisocial attitudes and behaviours
- access to concessions and discounts for senior citizens and people with low incomes.

Our services will touch the lives of all New Zealanders.

Leadership

The Ministry is focused on bringing the social sector together to achieve better results for New Zealanders.

Social Sector Forum

Other chief executives are invited to the Social Sector Forum to work on relevant social sector issues, for example, the Commissioner of Police participated in discussions about the Social Sector Trials.

The Chief Executive of the Ministry of Social Development is mandated by Cabinet to chair and lead the Social Sector Chief Executives' Forum. The Forum works to all social sector Ministers and is supported by a Deputy Chief Executives' Group and the Social Sector Strategy group, which sits within the Ministry of Social Development.

The Forum met monthly during 2010/2011. Its members include the Secretaries of Justice and Education, the Director-General of Health and senior officials from the State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet. For the first time, we included the Ministry's leadership role across the social sector in our Statement of Intent 2011–2014. With our Forum partners we are developing a joint outcomes framework so that we can measure our cross-agency work.

In 2010/2011, the Forum worked closely with the Cabinet Social Policy Committee to identify key social sector initiatives (for example, Drivers of Crime, Community Link and Integrated Service Response, Better, Sooner More Convenient Healthcare, Community Response Model and Whānau Ora) and identified barriers to effective cross-agency work. We also made good progress on several joint initiatives. Highlights include:

Drivers of Crime

The Drivers of Crime work programme is led by the Ministry of Justice and Te Puni Kōkiri.

The Drivers of Crime work programme aims to reduce offending and victimisation. During 2010/2011, we were part of a cross-agency team that identified the key outcomes that will address the underlying causes of crime. The outcomes include:

- improving maternity and early parenting support services
- addressing conduct and behavioural problems
- reducing the harm from alcohol
- identifying alternative approaches for low-level offenders.

We are taking a lead on the maternity and early parenting support workstream. In 2010/2011, we have:

- looked at the referrals being made by Work and Income to maternity and early parenting support services and identified ways of increasing these referrals
- learnt that to engage hard-to-reach families, service providers need to have skilled staff, a welcoming environment and assist with transport, childcare and other day-to-day needs
- begun developing a resource for providers and local decision makers that outlines strategies for engaging with hard to reach families.

Over the next year a key focus will be to increase the number of referrals to maternity and early parenting support services.

Social Sector Trials

The Forum, in collaboration with the New Zealand Police, has developed and rolled out Social Sector Trials in six communities to test new ways of managing funding and services to tackle issues of offending, truancy, alcohol and drug abuse, and poor education and employment outcomes amongst young people.

The Trials test the ability of an appropriately mandated individual or a non-government organisation to use cross-agency resources to make service and programme changes in a community. The non-government organisation approach is being trialled in Tokoroa, Levin and Gore. Individuals are leading Trials in Kawerau, Te Kuiti and Taumarunui.

The Trials have required agencies to pool resources (funding and in-kind), develop new cross-agency outcomes focused on young people, and devolve funding and decision-making to the local level.

The Trials are overseen by a Ministerial group and a Joint Venture Board. The Joint Venture Board consists of the Chief Executives of Social Development, Health, Justice, Education and the Commissioner of Police to 'join up' accountability across portfolios. The Joint Venture Board oversees the implementation and management of the evaluation of the Trials. A Director, who reports to the Joint Venture Board, is responsible for the implementation and ongoing management of the Trials.

Progress reports are provided to Ministers every six months. The evaluation of the Trials covers an assessment of implementation barriers and the impact of the Trials in terms of delivering results for young people.

A Joint Venture arrangement oversees the Trials and monitors and evaluates their operation.

Emergency management

In a year where the country has faced an unprecedented level of extraordinary events, emergency management has become a core part of the Ministry's work.

Support in a crisis

The Ministry is present in almost every community in New Zealand, so we have frontline staff and resources available wherever a major crisis may happen.

The country was rocked by the Pike River Coal Mine disaster. As part of the small West Coast community, our people were directly affected by the tragedy. We worked quickly to assess immediate needs and our frontline staff provided key support to affected families. As at 30 June 2011, the mine remained closed. Since the explosion, we have also provided short-term payments to those workers who lost their income and helped workers look for other opportunities.

The farming community has suffered a number of environmental shocks over 2010/2011. We also wrapped around the farming communities to help them through the immediate effects of floods, snow and drought, often in the form of short-term payments. When stock losses are involved, the effects of an event are often longer term. Our people continue to work alongside communities to ensure the right support is provided when it is needed.

It was the earthquakes and aftershocks that started on 4 September 2010 in Canterbury, which provided us with some of the greatest challenges as an organisation.

Canterbury earthquakes

The National Civil Defence Emergency Management Plan 2005 mandated the Ministry to lead the national co-ordination of the emergency welfare response.

The Ministry led the national co-ordination of the emergency welfare response for the Canterbury earthquakes. Our size, agility and network of relationships enabled us to respond promptly.

Leading the National Welfare Co-ordination Group, we worked closely with nine government agencies, The Salvation Army, the Red Cross, Victim Support and St John's Ambulance to deliver immediate services to the people of Canterbury. Our people continue to work closely with the Christchurch City Council and provide support to the Canterbury Earthquake Recovery Authority.

Local partners on the ground included the Christchurch City Council, the Canterbury District Health Board and many non-government organisations. Public sector partners included the New Zealand Police, Housing New Zealand, Te Puni Kōkiri, the New Zealand Fire Service, Inland Revenue, and the Ministries of Civil Defence and Emergency Management, Education and Pacific Island Affairs.

The Government Helpline

The lessons we learnt from the September 2010 earthquake meant our systems and people were ready when the earthquake hit on 22 February 2011.

The Ministry operated the Government Helpline for the Canterbury earthquakes. The Helpline provided the public with free telephone access to one central source of information about the earthquake, from several government departments. This left the emergency 111 telephone number free for the co-ordination of emergency services.

Within one hour of the February 2011 earthquake, we started taking calls on the Helpline. Nearly half the early calls were from people trying to locate loved ones. At the busiest times, we staffed the Helpline seven days a week, 24 hours a day. By 30 June 2011, our staff had responded to over 175,000 calls on a wide range of topics.

Centres of Support

Within hours of the February 2011 earthquake, we opened welfare centres in Hagley Park and Burnside High School. That night, local staff and relief workers provided 900 people with security, food and shelter.

Within 14 days, we had set up another eight welfare centres. Staff took campervans equipped with laptops, generators and aerials to support people in more isolated communities. We also provided services in other cities to help people who had left Canterbury.

As people's needs began to change, we worked with several agencies to set up 10 recovery assistance centres where people could obtain services and information from several service providers.

The Recovery Canterbury Hub provided a single centre to support Canterbury businesses adversely affected by the earthquakes. The Hub was staffed by business recovery co-ordinators from across government, including the Ministry. A similar hub at Halswell Junction linked businesses and jobseekers.

We distributed information online and in hard copy through Recovery Information kiosks.

Checking on vulnerable people

On day one, we quickly established that all children in the care of Child, Youth and Family were safe, and their caregivers had the support they needed.

By day two, our contact centres had begun phoning 23,200 elderly and vulnerable people in Canterbury. They successfully contacted 96 per cent of this group. A local specialist team made follow-up calls and visits to the remaining four per cent to ensure they were all safe.

Payments

We provided Civil Defence payments to help meet people's immediate needs for emergency accommodation, food, bedding, and loss of livelihood. Inevitably some people lost their jobs or were unable to work due to the earthquakes, particularly the February 2011 earthquake. Many of these people had never needed our assistance before. Given the extraordinary circumstances, we needed to adjust some of our payment policies to help these new clients. Our policy teams worked around the clock to draft new policies, so we could pay people in need. The breadth of new policies over the year included:

- **Earthquake Support Subsidy** enabled employers with fewer than 20 staff to pay their employees while they dealt with the impact of the earthquake. Over 10,000 sole traders and over 8,000 employers received \$9.6 million following the September earthquake and \$185 million following the February earthquake. This represents nearly 47,000 employees.

Staff in other parts of the country took over the responsibility for making regular benefit payments, leaving Canterbury staff free to respond to emergency needs.

- **Earthquake Job Loss Cover** provided weekly payments to employees whose employers were no longer able to operate. Over \$13.5 million was paid through this policy.
- **Individual Support Payment** for people who applied for assistance because they had been made redundant, or had to close their businesses following the February 2011 earthquake. These payments were paid for up to six weeks to help people adjust to their change in circumstances. Over \$0.655 million was paid to 1,894 people.

We worked collaboratively with the Industry Training Federation and its members to identify recovery work opportunities, match suitable people to those jobs, and provide job-specific training. This resulted in more entry-level jobs, primarily in the trades sector. We also boosted our Straight to Work programmes in Canterbury to enable contracted providers to deliver pre-employment programmes in sectors such as construction, retail and hospitality.

Many workplaces and homes had been damaged by the earthquakes, so key business records could not be provided or verified. This was particularly a problem after the February 2011 earthquake. A legal and operational innovation allowed us to access Inland Revenue PAYE data to validate business data. This meant financial assistance could be granted safely and quickly without clients presenting their information personally.

Within hours of the February 2011 earthquake, we informed students through our StudyLink website they would continue to receive approved loans and allowances, even if their courses were not running.

Helping to recover

Many people experienced considerable emotional and social stress as a result of the earthquakes.

We led the psycho-social response for the earthquakes. We worked closely with Relationship Services to provide counselling and support services. By 30 June 2011, Relationship Services had provided 3,680 telephone counselling sessions and 3,178 face-to-face counselling sessions. Under their umbrella agreement, they provided an additional 1,700 counselling sessions. In addition to this, 1,400 people were seen by the Relationship Services' Māori Support Team.

Funding was also made available to The Salvation Army and Victim Support, and small grants were issued to organisations including Workplace Support, Save the Children, and Lifeline. Three million dollars was spent on trauma counselling over this period and we expect counselling services will be in high demand for some time.

Social service providers were also badly affected by the earthquake. We developed the Canterbury Earthquake Community Response Fund after the September 2010 earthquake to make one-off grants to providers needing emergency assistance. By 30 June 2011, we had paid out just over \$10 million to welfare organisations (inclusive of the \$3 million for trauma counselling) on 343 approved applications for grants. A further \$10 million will be available in 2011/2012.

After the September 2010 earthquake, we co-located at the Christchurch Netball Centre in Hagley Park. This gave us a base where we regularly brought together over 250 representatives from community organisations to exchange information, develop joint plans, and network.

Accommodation and housing

We worked with the Department of Building and Housing to help displaced people with accommodation and other aspects of their social and financial wellbeing.

In late June 2011, when owners of red-stickered homes learnt their homes were to be demolished, we phoned 2,155 homeowners to offer assistance. In a related initiative with Canterbury Earthquake Recovery Authority, our Canterbury staff organised 200 volunteers to visit homes in the red-zoned residential areas to ensure homeowners were aware of the Government's announcements and what help was available.

Keeping the Ministry operating

At the height of the earthquake response, up to 250 additional Ministry staff were based in Canterbury at any one time. Following the February 2011 earthquake, only 30 per cent of our usual working space in Canterbury was available. Four sites remained closed at the end of the financial year, including two buildings inside the red zone.

Our new Government Property Management Centre of Expertise co-ordinated short and medium-term accommodation requirements to meet our own needs as well as the needs of nine displaced government agencies and two new entities.

While the Canterbury earthquakes had tragic consequences, they have generated a new way of working across the sector. We will continue to be an active part of this innovation.

Managers and staff from other parts of the country volunteered to spend time in Canterbury to provide backup to local staff.

More people get into work and stay in work

People are better off when they have a job. It is better for them individually, for their children and for their communities. The job market has remained tougher than expected. We have helped people to get into jobs and stay there.

Helping people find jobs

New Zealand's recovery from the global economic crisis has been slower than initially anticipated.

Responding to the economy

By adapting our services, we kept ahead of projected unemployment numbers. At 30 June 2011, 56,264 working-age people were receiving an Unemployment Benefit. This is down from 62,085 in June 2010, and nearly 10,000 below forecast. Eleven per cent more people cancelled their main benefit compared to the previous year. The decrease in people receiving an Unemployment Benefit has not led to the number of people on other benefits increasing. Over the same period, the levels of both Sickness Benefit and Invalid's Benefit remained essentially unchanged.

To achieve these results we:

- redirected resources to work closely with industry associations and large employers to generate employment and training opportunities for clients
- enhanced our Job Search Services to get people back into employment faster
- adjusted our approach to deal with more skilled clients who have not previously been our clients.

Getting people back into work faster

Our Job Search Service quickly reconnects people with the labour market. At the outset, people are required to attend a Work for You seminar. This introduces them to local job information, job-search activities, one-on-one case management and group workshops.

Youth have been hit particularly hard by the recession, and they have been a key focus for the year. Of the 54,630 jobseekers aged 18–24 years who attended a Work for You seminar, 51.3 per cent did not go onto a benefit within 28 days. This exceeded our target of 35–40 per cent.

Some clients needed more intensive case management. Others only required a 'light touch' service from us to find work and could do their own job searches supported by Job Connect. Job Connect, our nationally-based employment telephone service, made 45,000 proactive outbound calls in 2010/2011. It also listed 16,700 jobs and placed more than 2,000 clients into work.

Generating employment opportunities

This year we have worked directly with 86 industry partners and employers to generate employment and training opportunities for clients and to address skill shortages.

We supported our partners to take on 3,268 of our clients through programmes such as:

- **Straight to Work** which provides employees specifically trained to entry-level industry requirements.

We talk to people about work from their first contact with us.

Following the Work for You seminar, we adjust the level of service depending on a client's need.

- **Skills for Growth** which is a payment that contributes to the training costs of a new permanent employee aged 16–24 years to a Level 2 (or higher) New Zealand Qualifications Authority accreditation.

Sixty-one per cent of the participants were aged 16–24 years.

Employment support for disabled people

The Mainstream Employment programme provides a support and subsidy package to employers. Through the programme, we placed 319 people with disabilities in work across the state sector in 2010/2011.

We manage the Mainstream Employment programme.

This year we have also supported the Employers' Disability Network to take a leadership role in employing disabled people and better serving disabled clients in the private sector. With our help, a Disability Employment Summit was organised to bring together members of the Employment Disability Forum, the Employers' Disability Network and government agencies to agree on a Disability Employment Long-term Strategy.

Welfare Reform

Welfare Working Group

We provided secretariat support to the Welfare Working Group who were tasked with taking a fresh look at the problem of long-term dependency on the welfare system. Since the release of the Welfare Working Group's 43 recommendations in February 2011, our policy teams have been developing policy options to assist the Government's response.

Future Focus

During 2010/2011, we developed and implemented the Future Focus policy changes. The package was introduced in September 2010 and included:

Almost 345,000 New Zealanders were affected by Future Focus policy changes.

- a part-time work test for Domestic Purposes Benefit-Sole Parent clients with children aged six years and over
- a requirement for clients on the Unemployment Benefit to reapply after 12 months and undergo a comprehensive work assessment
- graduated sanctions when obligations are not met
- a new requirement that repeat applicants for one-off hardship payments are referred for budget advice
- more frequent medical assessments for Sickness Benefit clients in the early stages of receiving a benefit
- incentives for clients to work by increasing the benefit abatement threshold.

In May 2011, a work test was introduced for clients on the Sickness Benefit who are able to work part-time. Clients receiving Sickness Benefit for more than 12 months now have a compulsory review.

Over 5,000 Ministry staff received training and communications on Future Focus.

Since the launch of Future Focus, more Domestic Purposes Benefit-Sole Parent clients have left benefit to enter paid work. By 30 June 2011, 5,374 Domestic Purposes Benefit-Sole Parent clients with part-time work obligations had cancelled their benefits. This was a 24 per cent increase over the same period in 2009/2010.

By 30 June 2011 there had been 7,423 cancellations of unemployment-related benefits as a result of the 12 month reapplication process and just over 120,000 referrals to some kind of budget activity as a result of the new hardship model.

Our services are easy to access and streamlined

Self-service kiosks will be rolled out to all remaining Work and Income sites by July 2012.

Services Online

Our My Account service was launched in December 2010. This service is for clients on the Unemployment Benefit to access their personal information, view their contact details, and book, change or cancel appointments online. More than 68,000 benefit applications and more than 20,000 appointments have been submitted online. Clients can also check their eligibility for assistance using an eligibility calculator.

In 2010/2011 we installed self-service kiosks in 24 Work and Income sites so that jobseekers can look for work and access other online services.

Streamlining our Services

This year we maintained the gains of 30 per cent more work each day from previous Lean Six Sigma projects. This has allowed us to shift resources from transactions to engagement with clients to help them get jobs. We undertook 35 Lean Six Sigma projects to test new efficiency models before their wider implementation.

We continue to use the Lean Six Sigma methodology to improve the quality of client services.

2010–2013 Statement of Intent Performance Indicators

More people get into work and stay in work

MEASURE	RESULT	TREND/COMMENT
The average cumulative time that Unemployment Benefit jobseekers, who exit a main benefit into work, spend in employment over the course of a year will be 36–38 weeks	39.3 weeks	New measure for 2010/2011. This result reflects our focus on helping people to move from the benefit system into employment and supporting them to stay there. This is largely through enhancements to the Job Search Service which included increased proactive engagement with Unemployment Benefit clients.
The average cumulative time that work-ready Domestic Purposes and Sickness Benefit clients, who exit a main benefit into work, spend in employment over the course of a year will be 36–39 weeks	36.2 weeks	New measure for 2010/2011. This year work-ready Domestic Purposes and Sickness Benefit clients have spent on average 36.2 weeks in employment. This result reflects our enhancements to our services so we are better placed to support work-ready Domestic Purposes and Sickness Benefit clients to move into employment and keep them there longer.
The proportion of Work for You seminar youth attendees (aged 18–24) who do not require a benefit within 28 days of attending the seminar will be 35–40 per cent	51.3 %	New measure for 2010/2011. This result reflects the positive impact the Youth Opportunities package and the enhanced Limited Service Volunteer programme has had on this age group.

More children are safe

There is still more to do to ensure fewer babies, children and young people are harmed. We have implemented new ways to support all caregivers who help us look after the health and wellbeing of the children and young people in our care. We want to see more children in a 'home for life'.

Teens and babies

Supported housing for teen parents and their children

Some teen parents do not have adequate support and their children are at risk of poor social outcomes. This year we have established supported housing for teen parents in Auckland, Manukau, Christchurch, Rotorua, Hastings, Whangarei and Gisborne. More houses are planned in 2011/2012.

Trained staff are available 24 hours a day, seven days a week in these houses to support teen parents and their children. Teen parents are helped to adjust to parenting and linked to other community-based services. They are also supported to develop knowledge and skills for independent living.

Internationally, New Zealand has a very high teen pregnancy rate.

Supporting teen parents

The Ministry funded 19 intensive case workers to help the most vulnerable teen parents stay in education and prepare for future employment. In the 2010/2011 year, intensive case workers supported around 200 teen parent families.

For teen parents with less serious needs, we have established volunteer neighbourhood supporters to work alongside the intensive case workers.

Support from intensive case workers included arranging antenatal care, ensuring teen parents had safe housing, and ensuring children were up to date with Well Child checks.

Parenting support for teen fathers

This year we launched a service for teen fathers in Rotorua, Christchurch, Gisborne, Hastings and Whangarei. There are also four services covering Auckland. This service includes using volunteer fathers to mentor teen fathers, providing group support by threading parenting methods into activities, and having a male worker working alongside the teen parent intensive case worker.

In December 2010, we published a booklet 'Supporting Teen Fathers' for service providers. Over 800 hits have been recorded on the Ministry's teen father website since the booklet was published in December 2010. More than 1,600 printed copies have been sent to providers.

Children in care

As at 30 June 2011, Child, Youth and Family had 3,410 approved caregivers who were able to have children placed in their care. A small number of children spend time in a Child, Youth and Family residence.

Child, Youth and Family is continuing to improve its support for caregivers and its systems for assessing and approving caregivers. This includes:

- Our new Ways to Care programme which provides information and preparation seminars to people who are interested in offering care for children or young people, from short-term foster care to adoption.
- Strengthened support for caregivers with regular eight-weekly contact by social workers.

- Implementation of a new curriculum of training for caregivers in partnership with Fostering Kids. This is offered at different locations around the country to any family or non-family carer.

This year we started to report nationally on children in care who have been abused. This is an important step to ensure the safety and quality of our care is monitored on a regular and ongoing basis.

In 2010/2011, 30 children and young people in care were found to have been abused by their Child, Youth and Family caregiver. Twenty-six Child, Youth and Family approved caregivers were involved in these cases.

Gateway assessments

Over the last two years we have worked with the district health boards and the Ministries of Health and Education, to pilot health and education assessments of the children in care in 14 Child, Youth and Family sites. A review of the pilots showed that 88 per cent of the children in the pilots had problems that had gone unidentified, or untreated before the children had come into our care.

Planning is now underway to roll out the Gateway Assessment programme to all Child, Youth and Family sites nationally over the next 18 months. The outcomes of these assessments will help social workers develop care plans and help families and caregivers to look after children and young people in our care.

The Gateway Assessment programme has two aims. These are to:

- identify, as soon as possible, the health, education and care needs of children and young people who come to the attention of Child, Youth and Family
- develop an Interagency Child Development Agreement that will guide the collaborative delivery of services to improve the outcomes for these children and young people.

Home for Life

The Home for Life initiative began on 1 October 2010. It has provided a safe and stable home for life for 329 children over the year. Just over half of these children were under five years of age.

Family Violence Taskforce

The Taskforce for Action on Violence within Families was established in 2005 to respond to growing concerns about the high level of family violence within New Zealand.

The Taskforce is made-up of key decision makers from government, non-government, the judiciary and Crown entities. Its focus is to promote the elimination of family violence in New Zealand. The Ministry provides secretariat services to the Taskforce.

Many of the children and young people who come into our care have a combination of health and education problems.

A 'home for life' is when whānau or foster carers make a lifelong commitment to a child, and the child is no longer in Child, Youth and Family care.

Key achievements over 2010/2011 include:

- continuing to promote the “It’s not OK” message and releasing the third phase of the campaign which included two new TV advertisements focusing on receiving help
- developing a dashboard of indicators to monitor the levels of family violence in New Zealand
- establishing a dedicated Unit to give focus and urgency to the elimination of family violence.

Our results from the “It’s not OK” campaign show that 31% of people who have seen the campaign are now taking action, up from 22% in 2008.

Child, Youth and Family social workers in hospitals

During 2010/2011 we increased the number of dedicated hospital social workers working for the Ministry in major hospitals across all district health boards. There are now 21 of our social workers in hospitals.

On-site social workers ensure that when a child presents with injuries that could be non-accidental, services are linked and co-ordinated between the hospital midwives, New Zealand Police, Child, Youth and Family, other professionals and the child’s family.

By developing relationships with key hospital staff, social workers can share information and expertise in identifying at-risk children and young people.

Other ways we protect children and support families

Care and Protection Notifications

In 2010/2011, we received 150,747 Care and Protection notifications. This is an increase of 20.7 per cent from 2009/2010. The increase was due, in part, to the number of family violence referrals from the New Zealand Police and the greater visibility of child abuse in the community.

Despite the increase, we continued to reduce the number of cases waiting for allocation to a social worker. On 30 June 2006, there were 1,089 unallocated cases. Five years later, on 30 June 2011, 71 cases had not been allocated to a social worker.

Care and Protection family group conferences

In 2010/2011, we held 7,870 family group conferences. This is a way of formally bringing whānau together to talk about the concerns held for a child’s or young person’s safety or wellbeing.

A family group conference will be held when a social worker believes a child or young person is in need of care and protection.

Improving our services

In 2010/2011, we also strengthened our capability to use longitudinal data to identify factors that may indicate susceptibility to entering State care or the youth justice system. This allows us to target our efforts earlier.

The Family Start programme

The Ministry of Social Development appointed a Director of Family Start in April 2011. There are 32 Family Start providers across the country who provide intensive, home-based support services for families with high needs to give their children the best possible start in life.

Family Start is the largest early intervention programme funded by the Ministry.

The Director is strengthening the governance of the Family Start programme and improving its effectiveness by:

- tightening the referral criteria to ensure the programme works with families most in need
- tightening contract management and monitoring processes
- developing best practice guidelines for Family Start providers
- working more closely with providers.

During 2010/2011, we completed an evaluation of Family Start which focused on identifying and describing the families in the programme and the successful factors for finding and engaging those families. This evaluation and previous evaluation work, as well as data extracted from Family Start's web-based case management tool has informed improvements to the programme. There will be continued evaluation of the modified programme.

Strategies with Kids, Information for Parents develops and provides resources containing practical parenting information.

SKIP – Strategies with Kids, Information for Parents

In 2010/2011, we distributed over 750,000 resources to provide parents with a range of practical solutions to support positive parenting. All nine SKIP parenting pamphlets were translated into Te Reo, Samoan and Tongan.

SKIP also funds local initiatives which deliver innovative projects to increase the use of positive parenting. In 2010/2011, SKIP supported 44 community projects through its Local Initiatives Fund. These projects are based throughout New Zealand and help families to learn more about positive parenting.

Parents as First Teachers

The Parents as First Teachers programme is a home-visiting education and support programme. It helps parents understand how their infant develops and learns, and how best they can help their children to reach their full potential. In 2010/2011, our providers made 50,000 home visits to over 6,200 families.

Child Matters – working together workshops

Alongside the agency Child Matters, we delivered one-day child protection training workshops to approximately 1,600 health, education and social service professionals nationwide in 2010/2011. At the end of the workshops participants were better able to:

- recognise child abuse and children at risk
- understand the range of actions that can be taken
- be confident they know how to respond and seek help.

Vulnerable Children Research and Evaluation programme

In February 2011, the Minister for Social Development and Employment agreed to a strategy for research and evaluation relating to vulnerable children. This strategy draws together a broad work programme of short and medium-term projects with deliverables from April 2011 to the end of 2013. These projects fill gaps identified in New Zealand's knowledge about issues, programmes and interventions aimed at improving the outcomes for children at risk.

The work programme includes:

- evaluations of home visiting programmes (Parents as First Teachers and Family Start) and programmes for children with behavioural difficulties (Incredible Years)
- new research aimed at more detailed information about outcomes for children in care
- the identification of key indicators of child maltreatment for tracking over time.

United Nations Convention on the Rights of the Child

On 19 January 2011, we led the delegation to the United Nations to discuss New Zealand's ongoing implementation of the United Nations Convention on the Rights of the Child. This is a regular part of the reporting cycle for countries who have signed up to the Convention.

New Zealand has been a party to the United Nations Convention on the Rights of the Child since 1983.

The United Nations Committee examining the delegation, complimented New Zealand on its efforts to promote and protect the rights of children. They also asked that we continue to work on improving the situation of New Zealand's most vulnerable children. Work is already underway on some of the Committee's recommendations. New Zealand's next report back is in 2015.

2010–2013 Statement of Intent Performance Indicators

More children are safe

MEASURE	RESULT	TREND/COMMENT
Number of substantiated abuse/neglect within six months of previous abuse/neglect finding	2,509	The number of substantiated abuse/neglect cases within six months of previous abuse/neglect finding increased from 1,797 in 2008/2009, to 2,253 in 2009/2010, to 2,509 in 2010/2011.
Rate of substantiated abuse/neglect within six months of previous abuse/neglect (per 1,000 of children in New Zealand aged 0–16 years population)	2.48	The rate of substantiated abuse/neglect within six months of previous abuse/neglect finding increased from 2.21 per 1,000 children aged 0–16 years in 2009/2010, to 2.48 per 1,000 children in 2010/2011.
Percentage of children in care who achieved a primary permanency goal within two years	100%	New measure for 2010/2011. Children in care have a care plan which includes permanency goals.

More young people stay on track

Young people are a key focus for the Ministry. We know young people not engaged in education, employment or training are less likely to succeed.

Opportunities for young people to enter the workforce

Since Job Ops started in August 2009, 84% (7,263) of participants who were expected to complete the programme by 30 June 2011 were not on benefit at that time.

Young people have been disproportionately affected by the recession. From a low of 3,526 in April 2008, youth unemployment numbers reached up to 23,500 in early 2010. The first half of 2011 has seen youth unemployment numbers declining rapidly, with a 26 per cent reduction from January to June.

Over the year we ran several youth-focused programmes:

- **Job Ops** helps employers to take on young people they may not otherwise be able to employ. During 2010/2011, 5,822 young people learnt new skills while earning a wage with 3,488 participating employers through Job Ops. They also received mentoring support and had opportunities to progress their skills within the work environment.
- **Community Max** provides a wage subsidy and training for young people who work on community-based projects. The expected outcome of Community Max is for young people to gain work, work experience or on-the-job skills to help them get into employment. In 2010/2011, 1,469 young people participated in the Community Max programme.
- **Limited Service Volunteer programme** is a six-week residential course that addresses issues such as a lack of motivation or confidence. In partnership with the New Zealand Defence Force, around 1,800 young people attended courses in either Burnham, Trentham or Hobsonville Defence bases over the past year. The courses focused on people aged 18–24 years who had been on a benefit for more than six months. After the course, all participants received ongoing contact to connect them to work, training or education.
- **Youth Transition Services** funds providers to help young people move from school into further education, training, work or other meaningful activities. In 2010/2011, Youth Transition Services helped 8,335 young people into employment, training or further education. This was 29 per cent more than in 2009/2010 (6,468 young people).

Since Community Max started in August 2009, 73% (2,597) of participants who were expected to complete the programme by 30 June 2011 were not on benefit at that time.

Supporting positive choices

Making and sustaining positive life changes is difficult for some young people.

The Prime Minister's Youth Programme

Through the Prime Minister's Youth Programme, we continued to foster and celebrate achievement by young people aged 14–17 years who have overcome adversity to make good life choices.

In January 2011, 100 young people from South and West Auckland at risk of poor social outcomes participated in five-day arts or sports programmes. This gave them opportunities to learn from high achieving New Zealanders such as Oliver Driver, Sara Tetro, Eroni Clarke, Luisa Auisa Auaiki and David Atai.

Range, Reach and Relevance

Through the Range, Reach and Relevance initiative in 2010/2011, we worked with providers to evolve their programmes into new models to ensure that more young people had access to positive opportunities.

We supported national programmes which provided opportunities to over 35,105 young people through the Duke of Edinburgh's Hillary Award, SCOUTS New Zealand, Spirit of Adventure, Stage Challenge, Young Enterprise Trust, Project K and the Youth Cultures and Community Trust.

Break-Away School Holiday programmes

The Break-Away School Holiday programmes are delivered in areas that face social and economic disadvantage. During 2010/2011, we provided places for over 25,000 young people aged 11–17 years to take part in one-week school holiday programmes arranged by over 60 providers.

The Break-Away School Holiday programmes are available at no cost.

Opportunities for young people to contribute to decisions that affect them

Youth Parliament

In July 2010, 122 Youth Members of Parliament and a 10-member Youth Press Gallery attended a two-day Youth Parliament at Parliament Buildings in Wellington. The programme included question time, caucus committees, the presentation of select committee reports to the House, and a legislative debate leading to a vote on the *Adult Rights and Responsibilities (Age of Majority) Bill 2010*.

Youth Consultation

During 2010/2011, our Aotearoa Youth Voices Network enabled national and local government agencies to bring young people's voices into a wider range of policy and decision-making settings early in the process. The network connected 3,761 young people from around New Zealand with government and community decision makers to talk about important youth issues such as health and education.

We continue to promote opportunities for young people to be part of policy processes that affect them.

Aotearoa Youth Voices Network and additional consultation initiatives in the 2010/2011 year have included:

- training 40 selected members to sit on community and national and regional funding panels
- participation in the Ministry of Youth Development National Youth Advisory Group
- participation in youth consultations with young people on topics such as proposed changes to University entry requirements, Northland young people's views on what is important and of concern to them, and health care services in the Lakes District Health Board area (a total of 2,556 young people took part in these consultations).

We also ran 117 network workshops which provided 2,273 young people with leadership skills and opportunities, and an understanding of effective participation in the public decision-making process. This was an increase from the 40 workshops delivered in 2009/2010.

Student Services made easy

Over 130,000 students or 64 per cent of students with current loans or allowances receive their StudyLink correspondence online.

Students can use Sussed, our online reality check and decision support interactive programme, to help them plan and understand the costs they will face while studying. Sussed is targeted to Years 12 and 13 students.

Students can also now receive and accept Student Loan contracts online. This process has been made faster for over 120,000 students. It has also significantly reduced our carbon footprint.

2010–2013 Statement of Intent Performance Indicators

More young people stay on track

MEASURE	RESULT	TREND/COMMENT
The number of young people who exit the Youth Transition Services into employment, training or further education will increase by 5–10 per cent	28.9% increase	Revised measure for 2010/2011. In 2010/2011, the Youth Transition Services helped 8,335 young people to engage in employment, training or further education, compared to 6,468 young people in 2009/2010.
Membership on Ministry of Youth Development youth participation networks will be 4,000 young people	3,761 young people	New measure for 2010/2011. This year 3,761 young people were members of the Ministry of Youth Development's youth participation networks. This has provided opportunities for young people to contribute to the decisions that affect them.
The number of young people supported through group activities and events by Youth Workers	52,600 young people	New measure for 2010/2011. The confidence and capability of young people has been increased through the delivery of programmes throughout New Zealand. During the year 113 providers delivered 515 initiatives.

Reduced re-offending by young people

We work with serious, repeat offenders facing their last chance of staying on track before ending up in the adult criminal justice system. We also work with young people who have committed an offence and can be diverted into more positive activities.

Getting youth offenders back on track

Fresh Start

New legislation in 2010¹ made some fundamental changes to the youth justice system. Importantly, it responded to requests from Youth Court judges for more options for dealing with hard-core young offenders.

The new provisions included:

- extending the length of 'Supervision with Activity' and 'Supervision with Residence' orders, followed by extended supervision
- the power to issue orders for mentoring, parenting education as well as drug and alcohol rehabilitation programmes
- extending the jurisdiction of the Youth Court to deal with the most serious 12 and 13 year old offenders
- strengthening the principle of the rights of the victim.

On 1 October 2010, we introduced the Fresh Start package to support the new legislation. We had already implemented parts of the package not dependant on legislative change. Our staff are now using a new assessment tool to identify individual needs and the causes of offending.

Fresh Start funds places for young people on a range of programmes including the following.

Youth Court Orders

Supervision with Activity orders were extended from up to three months to up to six months. As at 30 June 2011, 162 orders were made, of which 100 (61 per cent) were extended orders.

Supervision with Residence orders were also extended from up to three months to up to six months. As at 30 June 2011, 175 orders were made, of which 57 (32 per cent) were extended orders.

Military-style activity camps

Military-style activity camps are targeted at the most serious offenders aged 15–17 years. Each programme lasts for nine weeks and pushes the young offenders hard, both physically and mentally.

Work includes goal-setting, exploring job or training opportunities, drug and alcohol treatment, and attending programmes to address their offending behavior. Participants leave the camp with individual plans, and receive ongoing support for 6–12 months.

The first camp, at the Te Puna Wai o Tuhinapo Youth Justice Residence in Christchurch, targeted 10 serious offenders dealt with by the Youth Court. The second camp was suspended because of the earthquake in February 2011. All 10 young people who attended this camp completed their Supervision with Residence orders.

A small group of serious and persistent young offenders are responsible for nearly half the crime committed by young people.

Fresh Start programmes hold young people to account and manage the risk to their communities.

Military-style camps emphasise a culture of respect, co-operation, teamwork and tolerance.

1 The Children, Young Persons, and Their Families (Youth Courts Jurisdiction and Orders) Amendment Act 2010.

Our youth justice facilities have programmes aimed at helping serious young offenders turn their lives around.

Youth Justice Family Group Conferences

We receive a referral from the New Zealand Police, or a direction from the judiciary in Youth Court, when a young person has committed an offence of sufficient concern for there to be a formal intervention process.

In 2010/2011, our youth justice co-ordinators held 7,423 youth justice family group conferences. Ninety-eight per cent of conferences were held within the statutory timeframes. Over 87 per cent of children and young people involved in a conference met the objectives of their action plans.

Youth Justice residential facilities

We have four youth justice facilities with places for 146 young people. In 2010/2011, we opened a new 30-bed youth justice residence in Rotorua called Te Maioha o Parekarangi (gift of life imbued in the land). We have also started to redevelop the Lower North Youth Justice Residence to increase its bed capacity from 30 to 40, and to improve its safety and security.

Staying on track

Community Fresh Start programmes

We have also supported a range of community-based programmes which are aimed at diverting young people who have committed an offence into more positive activities. As at 30 June 2011, the numbers of young offenders on Fresh Start programmes were:

- 331 in community youth development programmes for low-level offenders
- 300 in the mentoring programmes
- 374 in parenting education programmes
- 200 in community day programmes, and 32 in residential programmes, for alcohol and drugs
- 175 on supported bail.

Ongoing monitoring and evaluation of Fresh Start will determine the effectiveness of the Government's youth justice reforms. We will also apply what we learnt during the implementation of reforms to further develop the Fresh Start programme.

The Fresh Start Innovation Fund encourages local communities to develop new ideas for working with at-risk children and young people in their communities.

2010–2013 Statement of Intent Performance Indicators

Reduced re-offending by young people

MEASURE	RESULT	TREND/COMMENT
Number of youth justice clients referred to Child, Youth and Family (per 1,000 of 14–16 year old population)	25.1	The number of youth justice clients referred to Child, Youth and Family has reduced by 1.8 (per 1,000*).
Youth justice clients with a repeat referral within one year of a previous one (per 1,000 of 14–16 year old population)	13.1	Our interventions in holding young offenders accountable and addressing the causes of offending has meant that the level of re-offending is a slight decrease at 13.1 per 1,000* compared to 13.4 per 1,000 for 2009/2010.

* this figure was previously reported as per 100

Improved quality of life for older people

In 2011, the first of the baby-boomers turned 65 and became eligible for New Zealand Superannuation. We want more New Zealanders to recognise the potential of older people and to ensure they live safely in their community.

Older people are valued in the workforce

New Zealand already has one of the highest labour participation rates for older people among OECD countries.

In May 2011, we released on the results of research on the economic potential of older New Zealanders – *The Business of Ageing: Realising the economic potential of older people in New Zealand: 2011–2051*. The report highlights the contribution older people will make to our economy over the next 40 years, by looking at the value of their skills, knowledge and spending power.

We have promoted the research findings to key business leaders and industry sectors. We are also encouraging employers to consider flexible work options to attract and retain older workers.

The number of people aged 65 years and over in the workforce increased from 49,000 in 2004, to 102,800 in 2011. Statistics New Zealand, Household Labour Force Survey, Q2.

Improving the quality of life of older people

The Office for Senior Citizens leads, promotes and monitors the New Zealand Positive Ageing Strategy.

On 31 March 2011, web-based reporting on Positive Ageing went live. It shows how the initiatives by central and local agencies are contributing to older people's wellbeing. Social indicators on the website measure progress over time towards each of the goals in the Strategy. The website also provides information on the demographic profile of older New Zealanders.

During 2010/2011, our policy staff prepared legislation to remove the need for recently bereaved spouses of superannuitants now living alone, to apply for extra help in recognition of the extra costs of maintaining a household on their own.

The New Zealand Positive Ageing Strategy provides a framework to identify strategic opportunities to improve outcomes for older people across all government portfolios.

Changing attitudes about ageing

Promoting intergenerational programmes

In 2010/2011, we provided \$1.16 million in funding to 16 community groups to run our SAGES programme. This programme matches older volunteers with young parents to provide one-on-one life and home skills mentoring. We have also:

- worked with the Ministry of Education to develop and launch an online educational resource to promote intergenerational programmes in primary and intermediate schools
- held a one-day symposium with young and older people to discuss intergenerational perspectives on issues of interest.

Intergenerational programmes enable children and young people to learn from and appreciate, the wisdom and life experience of older New Zealanders.

Elder Abuse and Neglect Prevention Services

It is estimated up to 10 per cent of the population over 65 years of age has experienced abuse or neglect at some time.

In the year ending 30 June 2011, we provided \$1.76 million in funding to 24 community-based organisations, including Māori and Pacific providers. They provided services to 4,386 clients, slightly more than the 4,100 clients in 2009/2010. The services aim to prevent or reduce the incidence of abuse or neglect through both direct assistance to older people, their families and carers, and public and professional education. Age Concern New Zealand co-ordinates the delivery of these services.

We distributed the It's Not OK Family Violence booklet, 'Take the Time ... Value Older People', through our working relationships with district health board social work leaders and needs assessment and service co-ordinators. We also developed guidelines to raise the awareness of elder abuse and neglect among our frontline staff.

SuperGold Card expansion

The SuperGold Card is a discount and concession card for all New Zealanders aged over 65 and recipients of Veterans' Pensions.

As at 30 June 2011, there were 573,831 SuperGold Cardholders who were able to access savings from 167 more business partners. This is a 3.2 per cent increase on the 556,183 cardholders as at 30 June 2010. Around 52 per cent of all SuperGold Cards are 'Combo-Cards'. This means the cardholder can also receive Community Services Card entitlements.

Access to transport through the SuperGold Card plays an important role in improving older people's active participation in the community. During 2010/2011, cardholders made 10 million off-peak trips on public transport.

We have been working with all the Australian states and territories to establish reciprocal arrangements with our SuperGold Card programme. Tasmania and Victoria had signed the reciprocal arrangement by June 2011.

Making it easier to access our services

Since July 2010, we have been actively encouraging people to apply for New Zealand Superannuation online. This resulted in an increase in the proportion of online applications from around eight per cent in July 2010, to 28 per cent in June 2011. Grey Power, Age Concern and the Royal New Zealand Returned and Services' Association helped to promote the availability of the online application service.

We have brought all our inbound calling services together for senior clients so that from July 2011, people can have most of their enquiries managed during one phone call.

More than 77,000 clients have given us their email addresses. This is 14 per cent of the total New Zealand Superannuation population. This helps these clients receive information about their financial entitlements and special SuperGold Card deals more quickly.

We have also updated our SuperGold Card and Seniors websites to make it easier for people to check for up-to-date information about our services and special SuperGold Card promotions.

2010–2013 Statement of Intent Performance Indicators

Improved quality of life for older people

MEASURE	RESULT	TREND/COMMENT
Proportion of older people (aged 65 years and over) in employment	17.8%	An increasing number of older people are choosing to remain in the workforce. This year 17.8 per cent of older people were in the workforce compared with 16.1 per cent last year. Source: Statistics New Zealand Household Labour Force Survey, quarterly averages for the years ended December 2009 and 2010.
The number of individuals who receive elder abuse advice and education will be between 1,000 and 1,200	4,386	New measure for 2010/2011. Awareness of elder abuse and neglect has continued to increase with 4,386 individuals receiving elder abuse advice, education and support this year.

Communities are better able to support themselves

The Ministry works across the community sector to deliver services directly, or in partnership with others.

Social services better meet the needs of their communities

Community Response Fund

The Government introduced the Community Response Fund to assist non-government organisations to help our most vulnerable individuals and families through the global economic crisis.

During the year, we managed three funding rounds to support funding decisions by 12 regional panels and a national panel. As a result, \$29.6 million was approved to social service providers, of which \$29.4 million was paid out. An additional \$5.7 million was paid out in 2010/2011, as a result of funding decisions made in 2009/2010.

Community Response Model

The Community Response Model is an extension of the Community Response Fund approach.

In 2010/2011, 14 regional Community Response Forums were established throughout New Zealand to review Ministry-funded programmes within their local communities. Forum members come from the community, government agencies and iwi. They are working with each other and their local government colleagues to identify the forms of support currently available in their communities, what works, and what each community needs.

High Trust contracts

We have adjusted our contracting processes to cut down the administration and improve the efficiency and effectiveness of trusted agencies with a history with us of high performance. As at 30 June 2011, we had 93 High Trust Contracts. We expect to have a further 120–150 High Trust Contracts in place by the end of the 2011/2012 year.

During 2010/2011, we also worked with 14 of our providers who are also designated Whānau Ora providers to simplify the make-up of their existing contracts with us and other agencies.

Alongside Te Puni Kōkiri, the Ministry of Health and other agencies, we assessed 130 Whānau Ora business cases in 2010/2011.

Contract mapping

In 2010/2011, we have led the development of the Contract Mapping technology which allows the public to have better access to information on government funded social services on a regional basis. The technology overlays information onto Google Maps and makes it available through a website. In addition to our own, contract information from Te Puni Kōkiri, and the Ministries of Education, Health and Justice has been available on the website since March 2011.

The Community Response Model shifts the focus from central decision-making to community planning, and enables communities to have a say in the decisions that affect them.

Communities have better access to social services

At a Community Link, people, families and communities can expect support tailored to their own personal needs and priorities. This includes intensive wraparound support if that is what is needed. At a Community Link, clients only need to tell their story once, not every time.

In 2010/2011 we had Community Link/Integrated Service Response in 50 sites. This constitutes a third of the Work and Income network. We focused on making the service more agile, and linking in integrated services where it suited the client, rather than bringing everyone to our site.

During 2010/2011, we strengthened connections to our education, health, justice and youth partners, to ensure they are part of the Integrated Service Response. This included making sure we had effective working relationships with local doctors, iwi social service providers, collections officers, principals, our own social workers in schools, and youth justice co-ordinators. At the end of the year, there were 833 agency partners either in a Community Link or working with the Community Links to deliver a joined-up service.

A further 30 sites will become Community Links by June 2012. We are also developing opportunities for other agencies to host Community Links, such as social services providers.

Community Link in Courts

In 2010/2011, we strengthened the Community Link in Courts initiative in the Porirua, Masterton and Auckland Family Courts. Community Link in Courts can be accessed by self-referral (Family Violence Court users) or judicial referral (Family Violence Court defendants who plead guilty). A total of 212 clients received services under this initiative during the year.

Evaluations of all three Community Link in Courts sites will be completed by December 2011. The evaluation findings will inform decisions about the future development of the service.

Heartland Service Centres

We have 35 Heartland Service Centres continuing to help people living in provincial and rural parts of New Zealand to access a range of government and community services. Five of these are co-located with a Community Link.

Settling In programme

The Refugee and Migrant Settling In programme helps refugees and migrants to establish themselves in New Zealand. Key achievements in 2010/2011 included:

- introducing the Settling In programme to Queenstown, Gore and Oamaru, which increased the total number of locations from 11 to 14
- supporting additional services in Auckland, Wellington and Christchurch which have large and diverse refugee and migrant populations.

Integrated response means there is no 'wrong door' to get the support you need, and focuses on the root causes of problems, not just the symptoms.

At a Community Link, clients come away with a plan to get back on their feet with immediate practical solutions and longer-term support as required.

The Refugee and Migrant Settling In programme provides skills, knowledge and confidence to cope in a new country.

People with disabilities

In the campaign's first year, we focused on consultation, engagement, and preliminary research into people's beliefs and attitudes to disabled people.

In 2010/2011, the Ministry started to implement a three-year campaign to improve attitudes and behaviours towards disabled people. We are supporting community-driven social change through national strategic partnerships and the Making a Difference Fund.

In March 2011, New Zealand submitted its first report to the United Nations on our progress with implementing the United Nations Convention on the Rights of Persons with Disabilities. A sector reference group was involved throughout the development of the report. We provided a range of opportunities for the public to provide feedback on the draft report.

The report, *Disability Rights in Aotearoa New Zealand 2010: A report on the human rights of disabled people in Aotearoa New Zealand*, was published in December 2010. This presented findings from 100 interviews with disabled people around the country.

Structural changes in the sector

On 1 February 2011, the Office for the Community and Voluntary Sector transferred from the Ministry to the Department of Internal Affairs. The transfer followed a review by the State Services Commission of the institutional and Vote arrangements for the Community and Voluntary Sector.

2010–2013 Statement of Intent Performance Indicators

Communities are better able to support themselves

MEASURE	RESULT	TREND/COMMENT
The number of High Trust Contracts in place by 30 June 2011 will be no fewer than 120–150	93	<p>New measure for 2010/2011.</p> <p>The introduction of High Trust Contracts has enabled trusted providers to focus more on the families they serve and less on ticking boxes, complex paperwork and reporting.</p> <p>The target for the number of providers who could be offered these contracts was renegotiated as a result of:</p> <ul style="list-style-type: none"> • the impacts of the earthquakes on the social service support sector in Canterbury • decisions affecting Family Start and OSCAR providers • the reprioritisation of funding for family violence providers.
The number of Community Link centres operating by 31 December 2010 will be no less than 50	50	<p>New measure for 2010/2011.</p> <p>The establishment of 50 Community Links throughout New Zealand has brought together government, non-government and community organisations in a common location to provide an integrated service to clients.</p>

Maintaining performance integrity

It is important that New Zealanders have trust and confidence in how we deliver our advice and services.

The Leadership Team

The Chief Executive is supported by nine Deputy Chief Executives to form the Leadership Team. The Leadership Team provides Ministry-wide direction and leadership. The Leadership Team's meetings include:

- **Leadership Team Business** meetings which are held three times a month and focus on strategic issues.
- **Leadership Team Board** meetings which are held once a month and provide Ministry-wide governance, with a focus on monitoring organisational performance, capability and risk.

The Leadership Team meets weekly to discuss Ministry-wide issues.

Governance and Advisory Committees

We have three internal governance committees and two advisory committees that focus on key areas of our performance. These committees comprise the Leadership Team, relevant senior managers, and other attendees as appropriate to the committee.

Committees support the decision-making processes of the Leadership Team and give an additional level of governance.

Governance Committees

These committees are:

- **Finance and Assets Management Governance Committee** ensures the Ministry operates in a financially responsible manner, uses its resources effectively and efficiently to achieve the Ministry's business objectives, and safeguards its long-term financial position.
- **Human Resources and Industrial Relations Governance Committee** takes a whole-of-Ministry approach to human resources and industrial relations issues.
- **Information Technology Governance Committee** provides direction on, and controls, current and future significant information technology projects.

Advisory Committees

These committees are:

- **Security, Integrity and Business Continuity Advisory Committee** provides a clear direction, management support and an oversight of security, integrity and business continuity policies, standards and initiatives.
- **Joint Policy Priority Projects Committee** provides a forum for Deputy Chief Executives to monitor deliverables, actively manage risk/issues on cross-Ministry policy and implementation projects.

External Advisory Committees

The Chief Executive is also supported by external advisory committees. These committees are:

- **Audit Committee** provides advice on the Ministry's risk framework and internal controls (including legislative compliance), on its internal and external audit functions, financial and other external reporting, and on its governance framework and process. The Committee is chaired by one of the external members.
- **Value for Money Advisory Board** provides advice and support to the Chief Executive on the implementation of the Ministry's Value for Money work programme. The Board meets formally five times a year and is chaired by one of the three external members. One of these external members is a representative from the Treasury.

Complaints, Reviews and Resolution of Grievances

All of the Ministry's complaint, review and appeal processes are either operated or monitored from outside the Ministry's service lines.

We provide ways for clients to get timely Reviews of Decisions that have been made about them and to investigate and resolve concerns raised by people who have been in our direct care, custody or received our services.

The Chief Executive's Advisory Panel on Child, Youth and Family Complaints provides advice on complaints that Child, Youth and Family has not been able to resolve through its own internal complaints process. The Panel is made up of independent experts who are respected in the community. In 2010/2011, the Panel heard 20 complaints. The Chief Executive accepted all of the Panel's recommendations.

In 2010/2011, our Care Claims and Resolution Team resolved, or made offers of compensation on 117 historic claims of abuse and neglect, up from 43 in the previous year.

There were applications for a Review of Decision for one-tenth of one-hundredth of a per cent of decisions taken by Work and Income and Students, Seniors and Integrity Services. Ten per cent of these were overturned by an external Benefit Review Committee.

Improving performance management and measurement

Over the year, we worked closely with Audit New Zealand and the Treasury through the Next Generation project to improve our outcome framework and measurement systems.

In 2010/2011, we have continued to enhance our performance management of outputs by adding an additional six quality performance measures to our regular monitoring of outputs. Of the 90 performance measures we report against over the year, we achieved the expected standard for 67 measures (74 per cent). We also exceeded the standard for 17 measures by more than five per cent (19 per cent).

Six of the 90 measures were not achieved. Three of these measures were affected by the impacts of the Canterbury earthquakes. Of these, two were missed by less than one per cent. Two measures were not achieved due to policy changes throughout the year. One measure was not achieved due to one incorrect figure in a response to one parliamentary question. We have amended our review procedures to address this.

Our control systems

Risk Management

Our Risk and Assurance team undertakes a range of planned and responsive activities through its Total Assurance Plan.

This includes:

- planned audits across the Ministry's core processes
- a programme of regular stocktakes across business areas
- responsive reviews when there are changes that may have an impact on the control environment.

The Total Assurance Plan provides assurance that the Ministry's network of risk management activities, controls and governance is adequate and functioning effectively.

Complying with our legal obligations

Our Legal Services team works with managers to ensure our internal policies properly reflect the law. The team also works with business areas to ensure the staff are aware of our legal requirements and are able to identify legal risk. This complements the Ministry's wider risk management approach.

These components are backed by a rolling programme to systematically check all policies against the underlying legal requirements. Business groups also complete legislation compliance checks.

Our Risk and Assurance team has independently checked our compliance levels as part of the 2010/2011 Total Assurance Plan and has made no recommendations for improvement.

Maintaining the integrity of our service

Code of Conduct

During 2010/2011, we finalised a Code of Conduct that applies to the entire Ministry. The Code emphasises the four key standards for staff of fairness, impartiality, responsibility and trustworthiness. It also provides staff with guidelines and expectations about conduct that will not be tolerated, and the consequences of not meeting those expectations.

The Code of Conduct reflects the State Services Commission Standards of Integrity.

Because of the role we have, we must have a zero-tolerance approach to abuse of children, fraud, and the inappropriate accessing of client records. This includes the deliberate and unauthorised release of sensitive information to third parties. The consequences for staff include dismissal and referral to the New Zealand Police. In addition to any penalty the Court may impose, all money fraudulently obtained will have to be repaid in full.

In August 2010, we also held an Integrity Week to highlight the responsibility of all staff to ensure the correct expenditure of public money and to maintain high standards of ethics and integrity, including their role in protecting clients' information.

Fraud

We have zero tolerance to benefit fraud whether it is internal or external. Where we find evidence of fraud, we prosecute. In 2010/2011, we completed 690 fraud prosecutions, of which 658 or 95 per cent were successful compared to 91 per cent in 2009/2010.

Fraud is a deliberate, planned and premeditated attempt to get money to which the person is not entitled.

Managing our workflows allows us to concentrate our efforts on those clients who need more assistance to make repayments.

The Recoverable Assistance programme provides recoverable financial assistance to non-beneficiaries to meet essential immediate needs for specific items or services.

During 2010/2011, we established \$22.6 million of fraud money owing and we recovered \$2.2 million. The total balance of fraud money owed to the Crown is \$86.7 million.

Identification and recovery

In the past two years, we have increased the number of data match checks by 250 per cent. We have been sharing information with Inland Revenue each month since November 2010. We share information daily with Corrections. Each week, we share information with the Department of Internal Affairs, the Accident Compensation Corporation, Customs and Housing New Zealand.

In May 2011, we launched a new workflow management system to streamline our processes and to segment our clients based on their repayment behaviours.

Managing money owed to the Crown

In addition to fraud, other types of money owed to the Crown by the Ministry's clients relate to:

- **Recoverable Assistance Loans** which are for essential items such as school uniforms or washing machines. During 2010/2011, we granted loans totaling \$162.7 million which makes up just under one per cent of the total benefit spend. The total balance owed is \$411.3 million and clients repaid \$145.7 million over the year.
- **Overpayments** which often occur because we are told about changes to a client's circumstances, such as a change of address, after the payment has already been made. During 2010/2011, overpayments of \$195 million were established which makes up just over one per cent of the total benefit spend. We also recovered overpayments of \$140 million over the year. Information-sharing arrangements with Inland Revenue are helping us to correct benefit payments more quickly.

In 2010/2011, the cost per dollar of collecting money owed from former clients and non-beneficiaries was \$0.18 for each dollar collected. Around half of all money owed by former clients is less than one year old.

In April 2011, the Auditor-General's report, *The Ministry of Social Development: Managing the Recovery of Debt* concluded that the Ministry is using well established and appropriate systems to recover loans and overpayments. The report did not include any formal recommendations.

Organisational health and capability

Our success depends on people with the right skills, abilities and commitment. It also depends on us constantly pursuing improvements in practice, performance, effectiveness and efficiencies. Only when all these factors are in place can we consistently deliver the desired outcomes for our clients and for government.

Value for Money

Since 2006, our Value for Money programme has helped us achieve efficiency savings of \$255 million. We have developed plans for a further \$211 million in savings over the four years to 2013/2014. We are currently extending these plans to 2014/2015.

The cost of administering Student Loans has more than halved in the past 10 years.

In early 2010, we undertook a Value for Money review of our contracted services' spending. This identified savings of approximately \$44 million which were reprioritised in the 2010 Budget for expenditure over 2010/2011.

We have transformed the way we support clients while delivering annual efficiency and productivity gains of two to three per cent per annum, or \$20 million to \$30 million every fiscal year. Examples of efficiencies included:

- extending e-channels for clients. In 2010, 99 per cent of Student Allowance applications and 98 per cent of Student Loan applications were completed online
- reducing input costs, such as travel, office consumables and utility costs through smarter procurement
- the renegotiation of Telco services
- clustering of print services, formed by the Ministry and seven other agencies, which has achieved cost savings of 15 per cent across the group.

In March 2011, we were awarded the 2011 Project Initiative of the Year at the annual Fairfax Media CFO Awards for our Value for Money programme. The judges commented that the programme "delivers increased value for money from public services and supports the Government in managing its fiscal pressures".

Service delivery across whole of government

The Ministry, Inland Revenue and the Department of Internal Affairs have established the Service Transformation programme to drive a more efficient and effective approach to service delivery. The programme initiatives have been agreed and several are in the early stages of development. These include:

Gains from sharing information and streamlining customer interactions across agency boundaries are largely untapped.

- the development of an online, single point of access, across government service delivery that, when completed, will allow clients to manage and update their contact details across multiple agencies
- the roll-out of the i-govt logon across the Ministry and Inland Revenue
- the improvement of services for Student Loan customers
- the testing of integrated service delivery in Christchurch
- the streamlining of delivery and information sharing for Working for Families.

In 2010/2011, our payment systems processed over 45 million transactions totalling \$16 billion. Our contact centres received over 13.5 million calls.

The programme will also lead the development of best practice service delivery technology and processes through a common standards approach.

Our technology

Information technology trends continue to rapidly push technological, societal, and business boundaries. We are focused on harnessing technology to drive innovative approaches and the delivery of future business strategies.

The majority of our modern business practices are underpinned by technology. We support over 200 systems which include the provision of payment and services to approximately 1.1 million clients via secure, robust and scalable systems, and a nationwide network.

The main systems include:

- **SWIFTT (Social Welfare Information for Tomorrow Today)** – our main benefit payment system which reports around 1.2 million transactions each day. It was implemented in 1991 and was re-platformed onto a modern operating environment in 2009.
- **Cúram** – our client management system which is provided by Cúram Software, an Irish company that specialises in Social Enterprise Management (SEM) software solutions. Cúram has been our strategic partner since 2006.
- **CYRAS** – the Child, Youth and Family case management system which holds information to support social workers.
- **SAL (Student Applications and Loans)** – the system (introduced in 2000) which enables students applying for Student Allowance to be assessed and paid.

We have a strong record in successful IT investment and delivery. Since 2001, over 180 individual IT projects, worth over \$300 million, have been delivered successfully. As well, our key IT investments have laid a platform for strategic delivery, such as deploying Cúram, moving SWIFTT off the mainframe to a modern environment, upgrading the entire telecommunications infrastructure, implementing sophisticated web and voice services, and building a world class data warehouse (IAP). We have also upgraded our Human Resources Information System. We successfully went live with our new system on 23 May 2011.

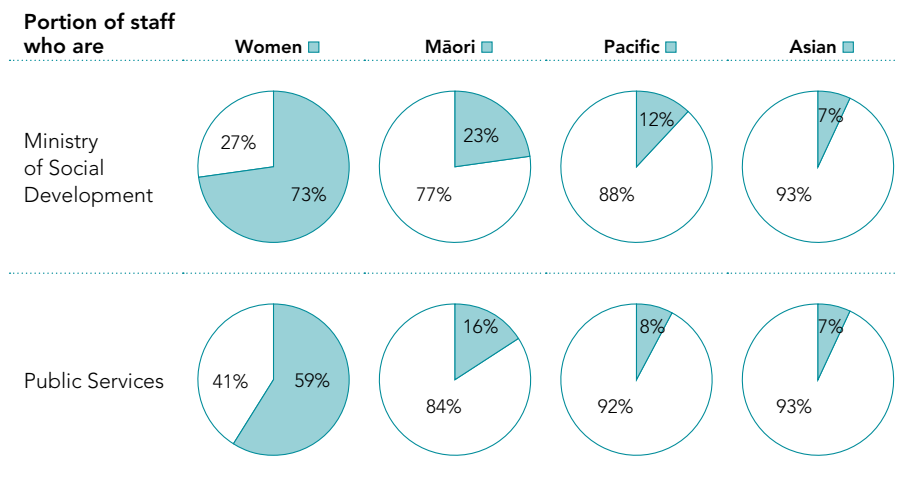
Our People

Through our network of 300 locations, the Ministry has a presence in nearly every community in New Zealand.

We have 9,500 employees, around 21 per cent of the public service. Around 80 per cent of our staff deliver frontline services. The workforce is diverse and reflects the client population we serve and the diversity of New Zealand society.

In 2010, 65 per cent of the Ministry's managers were women, compared to 46 per cent of the public service. There were 17 per cent more senior women managers in the Ministry, than in the overall public service.

The table below shows the Ministry's diversity compared to the public service.



Engaged staff are productive staff. To maintain staff engagement over 2010/2011, the managers across the Ministry have implemented engagement action plans. The Ministry will complete its third Gallup engagement survey in March 2012.

Developing our leaders

We used a wide range of development opportunities in 2010/2011 to build our leadership capability including:

- **Leadership Cascade** which ensures that the Ministry's top talent is identified and given opportunities to develop. The Leadership Cascade was recognised at the 2010 Institute of Public Administration New Zealand Awards for Improving Performance through Leadership Excellence.
- **Managing the Context** which provided over 150 staff with the opportunity to live 'a day in the life of a Chief Executive' and experience the pressures of leadership at the highest level in a safe but realistic environment. This was recognised at the 2011 Institute of Public Administration New Zealand awards for Improving Performance through Leadership Excellence.
- **The National Leaders Summit** which brought together 150 of our senior leaders for a full-day event focused on building a better Ministry through leadership.
- **Women Leaders' Development Forum** which supported 112 women across the Ministry and the Ministry of Justice to focus on career development and the latest management research.
- **Te Aratiatia programme** which supported 13 Māori and Pacific high-performing staff with training to support their potential to move into their first management or leadership role. Since 2002, over 100 Māori and Pacific staff have graduated from Te Aratiatia.
- **Te Aka Matua programme** which supported six Pacific and Māori managers who will complete their second year of a three-year programme leading to a masters degree in Public Policy from Victoria University of Wellington.

The Ministry needs capable leaders at every level who have strong technical leadership in their area of expertise and an ability to create high-performing teams.

Developing specialist expertise

The Ministry's wide range of responsibilities requires us to have staff who are experts in their chosen fields.

Social workers

By 30 June 2011, 989 Child, Youth and Family staff were registered social workers and a further 132 social workers had achieved competency, a pre-requisite to registration. A further 273 social workers were working towards competency, and 67 social workers were working towards a bachelor's degree or higher degree in social work.

Case management

Over the past year, 392 Work and Income staff have been studying for New Zealand Qualification Authority qualifications through the in-house facilitation and assessment process. The four national certificates include Public Sector Services, Employment Support, Contact Centre Operations and First Line Management.

Over 2,300 Work and Income staff have graduated with national certificate qualifications since the programme was set up six years ago. This includes 200 Modern Apprentices who have come through the Work and Income Cadet Scheme.

Other training during 2010/2011 included 737 in-house workshops for practice staff and managers. Four Safe Strong Practice programme workshops were completed by 1,273 practicing staff from Child, Youth and Family.

Our Integrity Services staff have also been part of the cross-sectoral team to develop compliance qualifications for all collections staff.

Policy advice

In 2010/2011, we contributed to the review of policy advice and we are working with The Treasury to develop a response including policy benchmarking and the realignment of policy appropriations. In line with the review, we established a Chief Policy Advisor to support professional development within our policy cluster. This position champions best practice, professional leadership, mentoring and quality assurance.

Lean Six Sigma

We have the highest number of trained staff in the public sector, with over 400 staff with some level of technical training in this methodology. The Ministry has five staff who have completed level two technical training, the first successful trainees in the New Zealand public sector. We also have 48 staff trained to level three competency.

Government Property Management Centre of Expertise

In April 2011, we set up the Government Property Management Centre of Expertise to provide a central point for the sharing of best practice, resources and facilities across the public sector. We will continue to build our expertise in the area, with a focus of cost savings across the sector in 2011/2012.

The Ministry has a professionalisation programme to assist social workers in Child, Youth and Family to become qualified and registered.

In 2010/2011, Graeme Scott published *Improving the Quality and Value of Policy Advice, a review of policy advice across the public sector*.

Procurement

In May 2011, we appointed a Chief Procurement Officer and centralised the corporate procurement functions. We are currently carrying out a spend, contract and supplier analysis to target a series of value creation projects. We are also targeting our vendor engagement strategies to ensure we get better value out of our key suppliers.

Looking after each other

Employee participation in health and safety

The Ministry has agreements with the Public Service Association and the National Union of Public Employees for employee participation in health and safety matters. These agreements were renewed in March 2011.

The Ministry continues its commitment to promoting excellence in the management of health and safety in the workplace for all its employees.

Accident Compensation Corporation Partnership programme

We achieved Secondary Level accreditation in the annual audit in early October 2010. This means, as part of the Accident Compensation Corporation Partnership programme, we receive significant discounts on levies in exchange for taking responsibility for our employees' work injury claims.

Canterbury

While delivering services to our clients, we were mindful of the effects of the earthquakes on our own staff – those in Canterbury as well as the many staff who relocated to Canterbury to relieve their colleagues. Managers were coached on support skills, and staff were encouraged to get the help they needed either from their managers, the Ministry's Employee Assistance Programme or the Ministry 0800 staff helpline.

We acknowledge the long hours in difficult conditions our staff worked to help others after the earthquakes.

Making it easier for our staff to give

Our Payroll Giving scheme enables staff to make automatic donations through the payroll system to their chosen charities. This has included the Pike River mining disaster, the Japanese Tsunami and the Christchurch Earthquake appeals. We have more than 4,000 donee organisations that can be supported through the scheme, including 2,467 schools. We have also helped other public and private sector organisations to set up similar schemes.

Working together better

Public Service Association

We have a strong Public Service Association union base with more than 6,000 members across the Ministry, including 500 delegates.

We have an ongoing programme of engagement with the Public Service Association. We review the effectiveness of the agreement at least every two years. We also consult with the Public Service Association during the development of our key accountability documents, including the Statement of Intent and the Annual Report.

The Ministry and the Public Service Association have a number of joint working groups stemming from the 2010 Agreement for Modern, Innovative and Productive Public Services.

Collective agreements

Across the Ministry, we have more than 6,400 staff on six separate collective employment agreements. Three collective agreements were successfully renegotiated and settled in 2010. These were:

- National Office and Ministry of Youth Development Collective Agreement
- Work and Income and Students, Seniors and Integrity Services Collective Agreement
- Work and Income Northland Staff (WINS) Collective Agreement.

Performance Improvement Framework

In 2010/2011, the reviewers for the Performance Improvement Framework found the Ministry was extremely agile despite its size.

As part of the central agencies' Performance Improvement Framework, three external reviewers found that the Ministry:

- does an outstanding job at getting people off an unemployment benefit and into work
- has provided good cross-sector leadership on social policy issues
- is well governed and uses an approach that provides strong controls at the centre and significant autonomy at the local level
- is exemplary at managing risk and, in particular, reducing the extent the media distract the organisation from its work.

The reviewers suggested increasing support for cross-sectoral policy and evaluation teams would contribute to more effective whole-of-government outcomes.

They also recommended continuing our focus on long-term beneficiaries, enhancing Child, Youth and Family's practices and setting up an ICT advisory board with outside experts. These are all in the process of development.

Statement of Responsibility

In terms of the Public Finance Act 1989, as Chief Executive of the Ministry of Social Development I am responsible for the preparation of the Ministry's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of our financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Social Development for the year ended 30 June 2011.



Peter Hughes
Chief Executive
28 September 2011

Countersigned by:



Nick Gale
Chief Financial Officer
28 September 2011

To the readers of the Ministry of Social Development's financial statements and non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2011.

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

We have audited:

- the financial statements of the Ministry on pages 72 to 104, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, statement of cash flows and statement of trust monies for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Ministry that comprises the statement of service performance on pages 44 to 70 and the statement of intent performance indicators tables about outcomes on pages 12 to 28; and
- the schedules of non-departmental activities of the Ministry on pages 105 to 128 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, the schedule of expenses, schedule of expenditure against appropriations, schedule of unappropriated expenditure, schedule of capital receipts, schedule of income and statement of trust monies, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 72 to 104:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Ministry's:
 - financial position as at 30 June 2011;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2011.

- the non-financial performance information of the Ministry on pages 12 to 28 and 44 to 70:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2011, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Ministry on pages 105 to 128, fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 managed by the Ministry on behalf of the Crown; and
 - the revenues, expenses and expenditure against appropriations and unappropriated expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 28 September 2011. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the Ministry's preparation of the financial statements, the non-financial performance information and the schedules of

non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that fairly reflect those activities managed by the Ministry on behalf of the Crown.

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

A handwritten signature in black ink that reads "Ajay Sharma". The signature is written in a cursive style with a horizontal line underneath the name.

Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements, statement of service performance and schedules of non-departmental activities

This audit report relates to the financial statements, statement of service performance and schedules of non-departmental activities of the Ministry of Social Development (the Ministry) for the year ended 30 June 2011 included on the Ministry's website. The Ministry's Chief Executive is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance and schedules of non-departmental activities as well as the related audit report dated 28 September 2011 to confirm the information included in the audited financial statements, statement of service performance and schedules of non-departmental activities presented on this website.

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

Statement of Objectives and Service Performance

For the year ended 30 June 2011

Vote Social Development

Output Expense: Adoption Services

Scope

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

Summary of Performance

Over 98 per cent of the prospective adoptive parents (1,560) who attended the Child, Youth and Family's education programme, evaluated the programme as achieving its objective of preparing them adequately for their assessment for suitability to adopt or foster.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES ² 2011 \$000
	Revenue			
8,302	Crown	7,202	9,032	7,202
46	Department	46	46	46
–	Other	–	–	–
8,348	Total Revenue	7,248	9,078	7,248
7,923	Total Expense	7,087	9,078	7,248
425	Net Surplus/(Deficit)	161	–	–

Service Performance Information

Output: Adoption Services

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
98.8%	Quality Percentage of adopted parents evaluating the education programme as achieving its objectives ³	98.2%	95–100%

Output Expense: Care and Protection Services

Scope

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

Summary of Performance

Six of the seven care and protection performance measures in this output expense have been met or exceeded. One measure did not meet its standard, due in part to the impact of the Canterbury earthquakes.

Being responsive to children and young people in need of care and protection services is the key priority for Child, Youth and Family. Response times to notifications continue to meet and exceed standards. This is despite an increase in notifications of approximately 21 per cent this year.

² This includes transfers made under section 26A of the Public Finance Act 1989.

³ Research shows educating and preparing prospective adoptive parents results in more stable adoptions and less placement disruption.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ⁴ ESTIMATES 2011 \$000
	Revenue			
320,201	Crown	325,748	313,289	325,748
797	Department	797	797	797
1,451	Other	959	1,799	1,799
322,449	Total Revenue	327,504	315,885	328,344
322,736	Total Expense	327,629	315,885	328,344
(287)	Net Surplus/(Deficit)	(125)	-	-

Service Performance Information

Output: Engagement and Assessment

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
	Timeliness Notifications that require further action are allocated to a social worker within the timeframe appropriate to the safety of the child or young person		
98.1%	Critical (less than 24 hours)	98.1%	95–100%
97.3%	Very Urgent (up to 48 hours)	97.8%	90–95%
	Action taken at sites by social workers to establish the immediate safety of the child or young person, and to confirm the response time and further action required, within timeframes		
89%	Urgent (up to seven days)	91.8%	80–95%
93.5%	Low Urgent (up to 28 days)	94.1%	80–95%
New measure in 2010/2011	Percentage of investigations, child and family assessments completed within 60 days for those aged five and over is no less than	83.9%	80%

Service Performance Information

Output: Seeking Safety and Security

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
94.1%	Quality Percentage of children and young people whose care and protection Family Group Conference plans were completed and the objectives were assessed as being met	90.5% ⁵	80%
99.1%	Timeliness Percentage of Care and Protection Family Group Conference plans reviewed by the agreed due date	98.6%	95–100%
94.5%	Assessments ⁶ and reports provided to Courts are delivered on time	96% ⁷	90%

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

5 The variance between the results achieved in 2009/2010 and 2010/2011 cannot be attributed to one single factor. Family Group Conference (FGC) plans are varied, created by the participants and specific to the child and young person.

6 The act of assessing information in order to acquire an understanding of a situation or problem, or to estimate the suitability of something or someone.

7 This has been helped by the continuing improvement in legal processes.

Service Performance Information

Output: Securing Stability and Wellbeing

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
92.4%	Timeliness Percentage of Family Court plans reviewed on time ⁸	91.1% ⁹	95–100%

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

Scope

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

Summary of Performance

Four of five performance standards in this output expense have been met or exceeded. The amount of money collected has been maintained at a level similar to the previous year and the output expense continues to deliver a cost effective collection process ensuring sustainable repayments commence as soon as possible.

One performance measure was under its target due to the impact of the Canterbury earthquakes on our Christchurch site and the suspension of collection activity for clients affected by the earthquakes.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES ¹⁰ 2011 \$000
	Revenue			
16,402	Crown	14,302	16,452	14,302
180	Department	180	180	180
–	Other	–	–	–
16,582	Total Revenue	14,482	16,632	14,482
16,353	Total Expense	14,113	16,632	14,482
229	Net Surplus/(Deficit)	369	–	–

⁸ The timeliness of Family Court planned reviews are directed by the Family Court (eg, Children under seven years old have planned reviews no later than every six months or as directed by the Court. In any other cases children and young people over seven years old have planned reviews no later than every 12 months).

⁹ The number of Family Court plans due in the period was 14 per cent higher than forecast. The Canterbury earthquakes also had an impact on the Christchurch sites' ability to achieve this measure.

¹⁰ This includes transfers made under section 26A of the Public Finance Act 1989.

Service Performance Information

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

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
\$81.236m	Quantity The actual amount of money collected by the Collection Units is expected to be between	\$80.7m	\$78–85m
\$0.21	Cost of collection The cost per dollar of collecting balances owed will be less than	\$0.18 ¹¹	\$0.24
84%	Timeliness The percentage of clients on arrangement to pay, or paid in full within four months of balances owed transferring to the Collection Units will be no less than	81.1% ¹²	82%
89%	The percentage of clients on arrangement to pay, or paid in full within 12 months of balances owed transferring to the Collection Units will be no less than	88.0%	85–90%
New measure in 2010/2011	Quality The percentage of work completed accurately by the Collection Units will be no less than	95.5%	95%

Output Expense: Development and Funding of Community Services

Scope

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

Summary of Performance

Both performance standards for this output expense have been met. All funding agreements have been monitored and contracted providers have been assessed against Child, Youth and Family Approval Standards within the timeframes.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES ¹³ 2011 \$000
8,251	Revenue	8,212	8,335	8,212
59	Crown	59	59	59
–	Department	–	–	–
–	Other	–	–	–
8,310	Total Revenue	8,271	8,394	8,271
8,157	Total Expense	8,038	8,394	8,271
153	Net Surplus/(Deficit)	233	–	–

11 Results reflect the improved cost effectiveness of the collection process. During the year costs decreased relative to the value of collections, due to an increase in the average weekly value of arrangements made.

12 Results were forecast to fall within a range of 80 to 82 per cent due to the suspension of collection activity for clients affected by the Canterbury earthquakes.

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

Service Performance Information

Output: Development and Funding of Community Services

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
100%	Timeliness All funding agreements will have their provider monitoring reports reviewed and assessed at least once a year for funding agreement compliance	100%	100%
100%	All contracted providers will be assessed at least once every two years against Child, Youth and Family Approval Standards ¹⁴	100%	100%

Output Expense: Family and Community Services

Scope

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

Summary of Performance

All six performance standards in this output expense have been met or exceeded.

In 2010/2011, over 87,000 people gained access to government and non-government social services through the 35 Heartland Services Centres. In an independent survey, 92 per cent of clients agreed Heartlands Services Centres had improved access to government and community services in their community.

In 2010/2011, 44 community projects received funding through SKIP's Local Initiatives Fund. The projects funded focused on teen parents, fathers, refugees, and Māori, Pacific, Asian and Islamic communities.

During the year, the next phase of *It's Not OK* television advertising was introduced. An independent survey showed that one in three people is now taking action when they know or suspect family violence is occurring.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
30,329	Crown	31,907	34,623	31,907
129	Department	129	129	129
–	Other	–	–	–
30,458	Total Revenue	32,036	34,752	32,036
30,033	Total Expense	31,110	34,752	32,036
425	Net Surplus/(Deficit)	926	–	–

¹⁴ This covers all providers contracted under sections 396 and 403 of the Children, Young Persons, and Their Families Act 1989.

Service Performance Information

Output: Social Support Services Sector Leadership and Co-ordination

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Quality The percentage of surveyed clients agreeing that Heartlands had improved access to government and community services in their community	92% ¹⁵	70%
New measure in 2010/2011	The percentage of surveyed agencies agreeing that they were satisfied or very satisfied with Heartlands Centres' accessibility, range of services and facilities will be no less than	88% ¹⁶	70%

Service Performance Information

Output: Supporting Families and Communities

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Quality The percentage of community projects funded through SKIP ¹⁷ that meets its objectives as agreed by the selection panel will be	90.19%	90–95%
86%	Quality <i>Campaign for Action Against Family Violence</i> The level of public awareness of the key messages of the campaign will be no less than	93% ¹⁸	85–90%
New measure in 2010/2011	Quantity <i>Youth Gangs Project</i> The number of young people supported through group activities and events by Youth Workers will be between	9,052 ¹⁹	3,600–4,500

Service Performance Information

Output: Management of Social Services Funding Agreements

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Quantity The number of funding agreements will be between	2,622 ²⁰	1,200–1,600

15 This was a new reporting measure for 2010/2011. An initial target of 70 per cent was set with a view to establishing a baseline figure.

16 This was a new reporting measure for 2010/2011. An initial target of 70 per cent was set with a view to establishing a baseline figure.

17 The initiative Strategies for Kids, Information for Parents (SKIP) was developed to promote the benefits of positive parenting and to provide practical knowledge to parents and organisations that work with parents.

18 This year the third phase of television advertising was aired. The cumulative effect of all three phases, supported by community action around the country, has continued to increase public awareness.

19 Our providers are becoming more trusted within their communities, which results in increased numbers of at-risk youth attending these events. This is a new measure for 2010/2011 and it is being carried over to 2011/2012 with an increased target of 5,000.

20 The variance is due largely to the high number of Community Response Fund contracts negotiated this year. This fund is demand-driven and it is difficult to accurately predict what the demand may be.

Output Expense: Income Support and Assistance to Seniors

Scope

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

Summary of Performance

All three performance standards in this output expense have been met. Having all our services for seniors together continues to give us a strong platform for providing our services. Our client satisfaction rating remains high, with 96 per cent of our senior clients being satisfied with the quality of our services.

Our accuracy in completing entitlements for seniors has improved to 95 per cent compared to 89 per cent last year.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
35,032	Crown	38,061	34,255	38,061
412	Department	412	412	412
–	Other	–	–	–
35,444	Total Revenue	38,473	34,667	38,473
34,999	Total Expense	37,518	34,667	38,473
445	Net Surplus/(Deficit)	955	–	–

Service Performance Information

Output: Service to Seniors

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
96%	Quality The percentage of clients satisfied with the quality of service provided will be no less than	96%	90–95%
88.6%	The percentage of entitlement assessments completed accurately will be no less than	94.6%	90%
New measure in 2010/2011	Timeliness The percentage of entitlement assessments for payment of New Zealand Superannuation (in New Zealand and overseas) and residential subsidies finalised within required timeframes will be no less than ²¹	88.7%	85–90%

²¹ This measure combines timeliness measures for all activities in this output expense. Timeframe standards for each component are as follows:

- five working days for New Zealand Superannuation entitlement assessments completed for payment in New Zealand
- twenty working days for New Zealand Superannuation entitlement assessments completed for payment overseas
- twenty working days for residential subsidy entitlement assessments.

Output Expense: Management of Service Cards (MCOA²²)

Output Class: Administration of Community Services Card

Scope

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

Summary of Performance

Both performance standards in this output class have been met.

The percentage for completing Community Services Card entitlement assessments has increased to 97 per cent this year compared to 96 per cent last year. The improvement is a result of an ongoing focus on improving our processes.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
5,666	Crown	5,646	5,646	5,646
36	Department	36	36	36
–	Other	–	–	–
5,702	Total Revenue	5,682	5,682	5,682
5,677	Total Expense	5,343	5,682	5,682
25	Net Surplus/(Deficit)	339	–	–

Service Performance Information

Output Class: Administration of Community Services Card

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
95.8%	Quality The percentage of Community Services Card entitlement assessments ²³ completed accurately will be no less than	96.7%	95%
95.2%	Timeliness The percentage of Community Services Card entitlement assessments completed within two working days of receipt will be no less than	96.3%	90–95%

²² This means Multi Class Output Appropriation.

²³ This assessment relates to cards where an entitlement assessment is required. Some cards are issued automatically without requiring an assessment, for example where the recipient starts receiving a benefit.

Output Class: Management of SuperGold Card

Scope

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

Summary of Performance

All three performance standards in this output class have been met or exceeded.

All performance measures were met or exceeded because of the priority we give to improving our processes and the low volume of manual applications. This ensures as many clients as possible receive their SuperGold Card before their 65th birth date.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
1,421	Crown	1,421	1,421	1,421
-	Department	-	-	-
-	Other	-	-	-
1,421	Total Revenue	1,421	1,421	1,421
1,417	Total Expense	1,156	1,421	1,421
4	Net Surplus/(Deficit)	265	-	-

Service Performance Information

Output Class: Management of SuperGold Card

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
98.6%	Quality The percentage of SuperGold Card entitlement assessments ²⁴ completed accurately will be no less than	99.6%	95-100%
100%	Timeliness The percentage of SuperGold Card entitlement assessments completed within two working days of receipt will be no less than	96.5%	95-100%
New measure in 2010/2011	Quantity The number of new business partners engaged will be no fewer than	167 ²⁵	150

²⁴ Recipients of New Zealand Superannuation and Veteran's Pension are automatically issued with a SuperGold Card. However, around six per cent of Card recipients require their entitlement to be assessed as they either elected not to apply for New Zealand Superannuation upon turning 65, or they do not meet the New Zealand Superannuation residency requirements.

²⁵ The engagement of new business partners has been actively promoted by case managers in the regions.

Output Expense: Management of Student Support

Scope

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

Summary of Performance

Four of five performance standards in this output expense have been met or exceeded.

For the year ended 30 June 2011, StudyLink processed a total of 160,245 Student Allowance applications, an increase of three per cent on the previous year and 265,669 Student Loan applications, a decrease of six per cent compared with the previous year.

StudyLink's online applications continue to grow compared to previous years, with 98 per cent of Student Allowance applications and 96 per cent of Student Loan applications received online.

In 2010/2011, one performance standard was not achieved for this appropriation. The result for the client satisfaction measure was 84.7 per cent which is below the target of 85–90 per cent. This result is attributed to the impact of the Canterbury earthquakes and to the 2010 changes to the student support policy²⁶.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
30,386	Revenue	32,758	36,813	32,758
164	Crown	164	164	164
–	Department	–	–	–
–	Other	–	–	–
30,550	Total Revenue	32,922	36,977	32,922
30,388	Total Expense	32,304	36,977	32,922
162	Net Surplus/(Deficit)	618	–	–

Service Performance Information

Output: Student Allowances and Student Loans

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
84.3%	Quality The percentage of surveyed students satisfied with the quality of service provided will be no less than	84.7% ²⁷	85–90%

26 As part of Budget 2010, a number of changes to student support were introduced from 1 January 2011, including:

- a performance element and lifetime limit for Student Loans
- a two-year stand-down for permanent residents and Australian citizens before they are eligible for Student Loans
- the removal of access to Student Allowance for recipients of New Zealand Superannuation and Veteran's Pension.

27 A drop in satisfaction occurred in the January–March quarter. It is expected this fall was the result of the redeployment of staff in response to the Canterbury earthquakes at a time when application numbers peak. The reduction may also reflect some reaction to the student support policy changes that took effect from 1 January 2011.

Service Performance Information

Output: Student Allowances

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
98.1%	Quality The percentage of students who receive their correct Student Allowance entitlement on their first payment will be no less than	96.4%	95%
98.9%	Timeliness The initial entitlement assessment for a Student Allowance will be completed within five working days of application receipt	98.5%	90–95%

Service Performance Information

Output: Student Loans

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
99.9%	Quality The percentage of students who receive their correct Student Loan entitlement (living cost component) on their first payment will be no less than	99.7%	95%
99.4%	Timeliness The initial entitlement assessment for a Student Loan will be completed within three working days of application receipt	99.8%	90–95%

Output Expense: Policy Advice and Support to Ministers (MCOA²⁸)

Output Class: Crown Entity Monitoring

Scope

This output class is limited to the purchase, appointment and monitoring advice for social development and employment Crown entities, and appointment advice for social development and employment statutory tribunals.

Summary of Performance

All eight performance measures in this output class have been met or exceeded. We have continued to focus on improving the measures used by the social development Crown entities to assess their performances. These improvements were reflected in their 2011–2014 statements of intent. Monitoring reports were also reviewed and refined to better meet the needs of Ministers.

In May 2011, responsibility for the Retirement Commissioner was transferred to the Minister of Commerce. From 2011/2012 responsibility for monitoring that Crown entity's performance will transfer to the Ministry of Economic Development.

²⁸ This means Multi Class Output Appropriation.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
337	Revenue	337	337	337
–	Crown	–	–	–
–	Department	–	–	–
–	Other	–	–	–
337	Total Revenue	337	337	337
292	Total Expense	239	337	337
45	Net Surplus/(Deficit)	98	–	–

Service Performance Information

Output Class: Crown Entity Monitoring

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
10	Quantity Provide advice to the Minister on the development of Crown entity statements of intent and output agreements	10	10
20	Provide monitoring advice on each Crown entity's performance reports against their statements of intent and output agreements	15 ²⁹	Minimum of 10
Standard met	Provide advice to the Minister on Crown entity and Statutory Board appointments, as required	Standard met	Standard met ³⁰
100%	Quality The percentage of all reports provided to the Minister that are factually accurate, meet any legislative requirements, and contain no avoidable errors will be no less than	100%	95%
100%	Timeliness Purchase advice will be delivered to Ministers within negotiated deadlines will be no less than	100%	100%
100%	Advice to Ministers on draft statements of intent for the five Crown entities for the next year is provided by no later than 31 May 2011 will be no less than	100%	100%
100%	Advice to Ministers on draft output agreements ³¹ for the five Crown entities for the next year is provided by no later than 30 June 2011 will be no less than	100%	100%
100%	Performance reports are reviewed no later than 20 working days from receipt of the final Crown entity reports will be no less than	100%	100%

29 The standard provides for two formal reports per entity (10 reports) a year. Actual performance reflects the decision to continue to produce four formal reports per entity (20 reports). Formal reports for the final quarter were not signed off until early July 2011, hence the reason for not achieving 20 reports for the 2010/2011 year.

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

31 Output agreements also refers to memoranda of understanding where funding is not paid through Vote Social Development.

Output Class: Social Policy Advice

Scope

This output class is limited to policy advice and servicing support comprising advice on cross-sectoral and long-term social policy matters; advice on the design and operation of social development programmes and initiatives; the provision of information to, and discussion fora for, the public and other agencies on social policy issues; and ministerial servicing.

Summary of Performance

Ten of 11 performance standards in this output class have been met or exceeded. All policy advice performance measures achieved or exceeded their performance standards. A sample of 42 Social Services Policy papers were tested and in 41 cases the correct quality assurance processes were followed, giving a standard achieved of 97.6 per cent.

The performance measure which was not met, was to provide the Minister with factually accurate information containing no avoidable errors for parliamentary question responses. The actual standard achieved was 99.9 per cent compared to the 100 per cent budgeted standard. This was a result of incorrect information given for one written parliamentary question.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
42,679	Crown	40,929	45,965	40,929
1,545	Department	1,545	1,545	1,545
–	Other	–	–	–
44,224	Total Revenue	42,474	47,510	42,474
41,419	Total Expense	40,783	47,510	42,474
2,805	Net Surplus/(Deficit)	1,691	–	–

Service Performance Information

Output: Ministerial Servicing

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
	Quality The percentage of all drafts provided for the Minister's signature that are factually accurate, meet any legislative requirements, and contain no avoidable errors will be no less than:		
99.3%	Ministerial Correspondence replies	99.4%	95%
99.9%	Parliamentary question responses	99.9% ³²	100%
100%	Ministerial Official Information Act request replies	100%	100%
100%	Select Committee Estimate examination responses	100%	100%
	Timeliness The percentage of all drafts provided for the Minister's signature within the following timeframes will be no less than:		
99.4%	Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed	96.9% ³³	95%
100%	Parliamentary question responses provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%
100%	Ministerial Official Information Act request replies completed five days prior to the statutory time limit, unless otherwise agreed	100%	100%
100%	Responses to Select Committee examinations provided to the Minister's office so that answers can meet the timeframe set by the Committee(s)	100%	100%

Service Performance Information

Output: Social Policy Advice

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
Standard met	Quantity and Timeliness Policy advice will be delivered in accordance with work programmes agreed with their respective Ministers ³⁴	Standard met	Standard met ³⁵
91.1% of cases	Quality ³⁶ <i>Process</i> An audit ³⁷ shows that the Ministry of Social Development's policy and research processes as outlined in the Quality Management System ³⁸ have been followed in at least	97.6% of cases	90% of cases
Standard met	<i>Technical robustness</i> An external independent review of the Ministry of Social Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria ³⁹	Standard met	Standard met ⁴⁰

32 Incorrect information was provided to the Minister's office in response to one written parliamentary question in July 2010.

33 Volumes have remained higher than in previous years (3,423 in 2010/2011, compared to 2,612 in 2008/2009). The drop in the performance standard achieved, compared to 2009/2010, was due to the increased volatility in the volumes received at certain periods in 2010/2011.

34 The Ministers who receive services are the Minister for Social Development and Employment, the Minister for Disability Issues and the Minister for the Community and Voluntary Sector.

35 Standard met means we have received confirmation from the Ministers via their offices that advice has been delivered in accordance with a work programme.

36 The work in relation to the internal audit, review or survey for these measures is conducted during the year and reported on an annual basis.

37 Under the audit, a random sample of reports is presented to the Minister, over the year, to assess if they comply with minimum standards.

38 The quality characteristics in the Ministry's Quality Management System are based on decision-making (defining, debating and deciding) and communication (capturing issues, convincing and confirming).

39 As set out in the Cabinet Guidelines.

40 The standard for this measure is based on a continuum of standard not met, standard met and standard exceeded.

Output Expense: Prevention Services

Scope

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

Summary of Performance

The performance standard for this output expense has been met. The Ministry regularly engages with the Children's Commissioner and our key stakeholders from Education, Health, Justice, Police, iwi and Pacific providers, and our non-government organisations and local community groups.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES ⁴¹ 2011 \$000
	Revenue			
3,767	Crown	2,829	4,059	2,829
601	Department	601	601	601
–	Other	7	13	13
4,368	Total Revenue	3,437	4,673	3,443
4,263	Total Expense	3,367	4,673	3,443
105	Net Surplus/(Deficit)	70	–	–

Service Performance Information

Output: Prevention Services

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Quantity At least 95 per cent of key stakeholders ⁴² will have been engaged with each year	100%	95–100%

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

42 Key stakeholders include: the New Zealand Police, district health boards, the Ministry of Health, the Ministry of Education, ACC, the Office of the Children's Commissioner, key NGO providers, the Ministry of Justice and the Department of Corrections.

Output Expense: Promoting Positive Outcomes for Disabled People

Scope

This appropriation is limited to promoting positive outcomes for disabled people and comprises of: enabling the involvement of disabled people in the monitoring and implementation of the United Nations Convention on the Rights of Disabled Persons; and changing negative attitudes towards disabled people.

Summary of Performance

All three performance standards in this output expense have been met or exceeded. The monitoring report on disabled people's rights under the United Nations Convention on the Rights of Persons with Disabilities (*A report on the human rights of disabled people in Aotearoa New Zealand*) was completed in December 2010.

Two nationally-focused projects to change attitudes and behaviours towards disabled people were funded in 2010/2011, and seven projects to mobilise change at the local level were funded through the Making a Difference Fund.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
–	Crown	1,250	1,250	1,250
–	Department	–	–	–
–	Other	–	–	–
–	Total Revenue	1,250	1,250	1,250
–	Total Expense	1,250	1,250	1,250
–	Net Surplus/(Deficit)	–	–	–

Service Performance Information

Output: Promoting Positive Outcomes for Disabled People

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
	Quantity		
New measure in 2010/2011	A monitoring report by disabled people on their rights under the United Nations Convention on the Rights with Persons with Disabilities	1 report	1 report ⁴³
New measure in 2010/2011	The number of partners engaged to promote positive attitudes with whom agreements are established will be no fewer than	5	4
New measure in 2010/2011	National and community-driven projects funded	9 ⁴⁴	4–6 ⁴⁵

43 Based on 50–100 interviews with disabled people.

44 The projects funded include:

- Deaf Aotearoa
- Māori and Pacific Island Disabled People's Leadership programme
- Diversity New Zealand.

45 The standard for this measure was set at a level estimated to be sufficient to fund 4–6 projects. However, approved projects came through with lower budgets, allowing more projects than originally estimated to be funded.

Output Expense: Property Management Centre of Expertise

Scope

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

Summary of Performance

Both performance standards in this output expense have been met or exceeded. During 2010/2011 the Property Management Centre of Expertise (the Centre of Expertise) was established and resourced. Nineteen government agencies received brokerage, guidance, or support from the Centre of Expertise.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
-	Crown	200	-	200
-	Department	-	-	-
-	Other	-	-	-
-	Total Revenue	200	-	200
-	Total Expense	183	-	200
-	Net Surplus/(Deficit)	17	-	-

Service Performance Information

Output: Property Management Centre of Expertise

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Timeliness Establish resourcing, property database, and shared workspace by 30 June 2011	Standard met	Standard met ⁴⁶
New measure in 2010/2011	Quantity The number of agencies who receive brokerage, guidance, or support as at 30 June 2011 will be no fewer than	19 ⁴⁷	10

46 This performance measure will be assessed as met if the Centre of Expertise has the correct resources, database and shared workspace to successfully implement its workplan.

47 After the February earthquake in Christchurch, a higher number of agencies required support from the Centre of Expertise.

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

Scope

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

Summary of Performance

All three performance standards in this output expense have been met or exceeded. Ninety-five per cent of prosecutions have been successful in the year to June 2011. This compares to 91 per cent in 2009/2010 and 95 per cent in 2008/2009.

The number of completed prosecutions has decreased to 690 for the 2010/2011 year, down from 789 in 2009/2010⁴⁸.

Timeliness continues to be a focus for Integrity Services, with a high standard of achievement maintained this financial year.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
34,407	Crown	36,415	36,326	36,415
346	Department	346	346	346
–	Other	–	–	–
34,753	Total Revenue	36,761	36,672	36,761
34,454	Total Expense	36,024	36,672	36,761
299	Net Surplus/(Deficit)	737	–	–

Service Performance Information

Output: Services to Protect the Integrity of the Benefit System

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
90.5%	Quality Of all the cases we prosecute, the percentage of successful prosecutions concluded will exceed	95.4%	95%
New measure in 2010/2011	Quantity The percentage of cases referred to the National Fraud Investigators that are "fully investigated" ⁴⁹ is between	95.2%	95–100%
99.1%	Timeliness The percentage of cases ⁵⁰ completed within a 12-month period will be no less than	98.9%	95%

48 The reduction in the number of completed cases is primarily a result of the Christchurch earthquakes. Also, there appears to be an increase in the complexity of the cases the Ministry prosecutes, increasing the time it takes for the cases to move through the Court. We are developing a data management system to provide better information on case duration.

49 National Fraud Investigators must classify their cases into three categories: 'closed', 'no further action' and 'full investigation'.

50 Cases include all the cases investigated by the National Fraud Investigation Unit and all the cases identified through data matching programmes.

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

Scope

The appropriation is limited to delivering tailored sets of services to individuals to help them into sustainable employment, participate more fully in their community or achieve a greater level of social independence; and the management of related non-departmental output contracts.

The composition of each set of services is determined by the individual's needs and selected from a mix of employment, readiness training and support, employment placement, social support services, payment of income support and training support benefits, and referrals to other employment or social support providers.

Summary of Performance

All seven performance standards in this output expense have been met or exceeded. Work and Income performed strongly against the service standards despite an increase in volumes compared to the same time last year. The accuracy levels for processing working-age entitlement assessments improved from 91 per cent in the previous year to 92 per cent, and our timeliness remains steady at 89 per cent.

The ongoing effect of the recession has left a large pool of people competing for fewer jobs. People with barriers to employment were often in direct competition with higher-skilled and more experienced applicants. With no requirement for non-Unemployment Benefit jobseekers to enrol for full-time employment, lower than expected numbers were able to exit into full-time employment.

Future Focus, including an annual reapplication process for the Unemployment Benefit, work testing for sole parents, and a greater focus on Sickness Benefit clients, together with the high number of vacancies we continue to secure, should help boost the number of exits into full-time employment.

Conversely, targets for getting Unemployment Benefit jobseekers into work were based on an official forecast which predicted Unemployment Benefit numbers to be considerably higher than they actually were. We developed and implemented a number of strategies, including the enhancement of our Job Search Service, to enable us to achieve greater Unemployment Benefit reductions than originally anticipated and to increase the number of Unemployment Benefit jobseekers exiting into full-time employment.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
430,311	Crown	430,767	416,672	430,767
8,110	Department	8,349	10,109	10,109
979	Other	3,069	4,349	4,349
439,400	Total Revenue	442,185	431,130	445,225
441,776	Total Expense	444,677	431,130	445,225
(2,376)	Net Surplus/(Deficit)	(2,492)	-	-

Service Performance Information

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

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
37.5%	<i>Jobseekers not coming onto the benefit</i> The proportion of Work for You ⁵¹ seminar attendees who do not require a benefit within 28 days of attending the seminar will be	45.8% ⁵²	35–40%

Service Performance Information

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

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
36.9 weeks	<i>Sustainable employment</i> The average cumulative time that UB jobseekers, who exit a main benefit into work, spend in employment over the course of a year ⁵³ will be	39.3 weeks ⁵⁴	36–38 weeks
36.1 weeks	The average cumulative time that work-ready DPB ⁵⁵ and SB clients, who exit a main benefit into work spend in employment over the course of a year will be	36.2 weeks	36–39 weeks
59.9%	The proportion of UB jobseekers who exit a main benefit into employment and achieve six months employment will be	61.8%	55–57%
61.4%	The proportion of work-ready DPB and SB clients who exit a main benefit into employment and achieve six months employment will be	60.9%	59–61%
90.8%	<i>Benefit entitlement</i> The percentage of entitlement assessments completed accurately ⁵⁶ will be no less than	91.8%	90%
88.9%	The percentage of entitlement assessments completed within five working days will be no less than	88.7%	85%

51 The work-focused Job Search Service is aimed at helping people get a job rather than go on a benefit. Jobseekers applying for a benefit are required to attend a Work for You seminar where they are assisted with their job-search skills and advised of their responsibilities and obligations.

52 This result has exceeded expectation largely through the impact of the Job Search Service which was enhanced by Work and Income during the year. It has also been positively influenced by the Youth Opportunities package and the enhanced Limited Service Volunteers programme.

53 This measures the total number of weeks a client is in employment through a 12-month period following exit from a core benefit up to 24 months prior.

54 The improvement in the result compared to the previous year can be attributed to a number of strategies developed by the Ministry, including enhancing the Job Search Service, implementing Job Connect and re-enforcing jobseeker obligations.

55 Domestic Purposes Benefit (DPB) clients include DPB-Sole Parent, DPB-Woman Alone, Widow's Benefit, and Emergency Maintenance Allowance.

56 An assessment of benefit entitlement is deemed accurate when the assessment is financially correct, which means the right person is receiving the correct benefit, at the correct rate and from the correct commencement date.

Output Expense: Vocational Skills Training

Scope

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

Summary of Performance

Three of the four performance standards in this output expense have been met or exceeded. The percentage of learners moving to paid employment or training within two months of attending the Training Opportunities programme was higher than expected. The increase reflected both a rise in the number of learners initially eligible for the Training Opportunities programme and an increase in the demand from people wanting access to the programme. This was due in part to increased competition for jobs as a result of the recession.

The standard of 7,000 learners in training was not achieved this year due to funding being re-prioritised to Employment Assistance.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
86,024	Crown	69,040	85,635	69,040
-	Department	-	-	-
-	Other	-	-	-
86,024	Total Revenue	69,040	85,635	69,040
86,022	Total Expense	69,040	85,635	69,040
2	Net Surplus/(Deficit)	-	-	-

Service Performance Information

Output: Vocational Skills Training

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
100%	Quality The percentage of programmes delivered by NZQA registered and accredited training providers will be no less than	100%	100%
73%	The percentage of learners who move on to employment or further tertiary training outside of Training Opportunities within two months of leaving the programme will be no less than	67% ⁵⁷	60%
100%	Quantity The percentage of training providers monitored and programme performance evaluated including outcome achievement, will be no less than	100%	100%
7,018	The average number of learners in training at any one time will be	4,226 ⁵⁸	7,000

⁵⁷ This result is higher than expected as providers continue to deliver satisfactorily in employment outcomes despite a slower than expected recovery of labour-market growth.

⁵⁸ The Training Opportunities programme was replaced by the Foundation Focused Training Opportunities (FFTO) programme in January 2011. This change reduced the maximum number of places to be filled (4,226 training places compared with the target of 7,000), so performance against the original target has reduced accordingly. The number reported reflects the learners in the FFTO programme at any one time. Before the FFTO programme was implemented, the Training Opportunities programme had 7,047 learners at any one time in the first quarter of 2010/2011.

Output Expense: Youth Justice Services

Scope

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

Summary of Performance

This year, all three performance measures for Youth Justice Services have been met or exceeded, including the percentage of children and young people whose youth justice family group conference plans were completed with objectives met, and the percentage of youth justice family group conferences that were held within statutory timeframes.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES ⁵⁹ 2011 \$000
112,482	Revenue	132,752	137,002	132,752
397	Crown	397	397	397
–	Department	–	–	–
	Other			
112,879	Total Revenue	133,149	137,399	133,149
110,305	Total Expense	132,096	137,399	133,149
2,574	Net Surplus/(Deficit)	1,053	–	–

Service Performance Information

Output: Youth Justice Safety and Belonging

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
91.3%	Quality Percentage of children and young people whose Youth Justice Family Group Conference plans were completed and the objectives were assessed as being met	87.4% ⁶⁰	80%
98.4%	Timeliness Percentage of Youth Justice Family Group Conferences are held within statutory timeframes (unless there are special reasons for delay)	98.2%	95–100%

Service Performance Information

Output: Youth Justice Changing Behaviour and Enhancing Wellbeing

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Timeliness Percentage of Youth Justice Family Group Conference plans reviewed on time	99.3%	95–100%

⁵⁹ This includes transfers made under section 26A of the Public Finance Act 1989.

⁶⁰ Performance continued to exceed the standard due to improvements in capability and systems.

Vote Senior Citizens

Output Expense: Senior Citizens Services

Scope

Provision of policy advice to protect the rights and interests of older people and their wellbeing. It also includes ministerial services and support for local community involvement in senior citizens' issues.

Summary of Performance

All four performance standards in this output expense have been met or exceeded. All six reports from the Office for Senior Citizens were tested and in all cases the correct quality assurance processes were followed, giving a standard achieved of 100 per cent.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
1,017	Crown	1,017	1,017	1,017
18	Department	18	18	18
–	Other	–	–	–
1,035	Total Revenue	1,035	1,035	1,035
923	Total Expense	820	1,035	1,035
112	Net Surplus/(Deficit)	215	–	–

Service Performance Information

Output: Senior Citizens Services

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
Standard met	Quality and Timeliness Policy advice will be delivered in accordance with the work programmes agreed with the Minister for Senior Citizens	Standard met	Standard met ⁶¹

⁶¹ Standard met means we have received confirmation from the Minister for Senior Citizens via his office that advice has been delivered in accordance with the work programme.

Service Performance Information

Output: Senior Citizens Services

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
100% of cases	Quality⁶² <i>Process</i> An audit ⁶³ shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System ⁶⁴ have been followed in at least	100% of cases	90% of cases
Standard met	<i>Technical robustness</i> An external independent review of the Ministry of Social Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria ⁶⁵	Standard met	Standard met ⁶⁶
Standard met	Timeliness Two six-monthly reports on the work programme will be provided within 20 working days from the period end	Standard met	Standard met

62 The work in relation to the internal audit, review or survey for these measures will be conducted during the year and reported on an annual basis.

63 Under the audit, random samples of reports are presented to the Minister, over the year, to assess if they comply with minimum standards.

64 The quality characteristics in the Ministry's Quality Management System are based on decision-making (defining, debating and deciding) and communication (capturing issues, convincing and confirming).

65 As set out in the Cabinet Guidelines.

66 The standard for this measure is based on a continuum of standard not met, standard met, and standard exceeded.

Vote Veterans' Affairs – Social Development

Output Expense: Processing and Payment of Veterans' Pensions

Scope

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

Summary of Performance

Both performance standards in this output expense have been met. The percentage for completing Veterans' Pension entitlement assessments within seven working days increased to 99.3 per cent this year compared to 96.6 per cent last year. The improvement is a result of prioritising the processing of applications ahead of other Veterans' Pension work.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
427	Crown	427	427	427
23	Department	23	23	23
–	Other	–	–	–
450	Total Revenue	450	450	450
391	Total Expense	328	450	450
59	Net Surplus/(Deficit)	122	–	–

Service Performance Information

Output: Processing and Payment of Veterans' Pensions

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
97.1%	Quality The percentage of Veterans' Pension entitlement assessments completed accurately will be no less than	98.3%	95%
96.6%	Timeliness The percentage of Veterans' Pension entitlement assessments completed within seven working days of receipt will be no less than ⁶⁷	99.3%	95%

⁶⁷ This measure applies once all relevant information required from the client has been supplied.

Vote Youth Development

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

Scope

This appropriation is limited to the administration by committed individuals of the delivery of social sector services for young people in specified locations.

Summary of Performance

All three performance standards in this output expense have been met. Three social sector trials were established to test new ways to fund cross-sector initiatives for youth. Three committed individuals were selected in Kawerau, Te Kuiti and Taumarunui to improve outcomes for young people.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
-	Crown	156	-	156
-	Department	-	-	-
-	Other	-	-	-
-	Total Revenue	156	-	156
-	Total Expense	128	-	156
-	Net Surplus/(Deficit)	28	-	-

Service Performance Information

Output: Administration of Trialling New Approaches to Social Sector Change

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
New measure in 2010/2011	Quantity Services will be administered in no fewer than	3 locations	3 locations
New measure in 2010/2011	Quality The percentage of funding and contracting agreements that are consistent with the Code of Funding Practice will be no less than	100%	100%
New measure in 2010/2011	Timeliness The percentage of payments made to providers on time will be no less than	100%	100%

Output Expense: Youth Development

Scope

Leadership and provision of policy advice and service delivery to improve outcomes for young people.

Summary of Performance

Two of the three performance standards in this output expense have been met. The performance measure not achieved was that in 95 per cent of cases, policy and research processes as outlined in the Ministry's Quality Management System would be followed. The standard achieved was 87.5 per cent, due to one report from eight reports not following the Quality Management System process.

Financial Performance Information

ACTUAL 2010 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Revenue			
5,511	Crown	5,311	5,311	5,311
37	Department	37	37	37
–	Other	–	–	–
5,548	Total Revenue	5,348	5,348	5,348
4,997	Total Expense	4,740	5,348	5,348
551	Net Surplus/(Deficit)	608	–	–

Service Performance Information

Output: Youth Development Policy Advice

ACTUAL 30 JUNE 2010	PERFORMANCE MEASURE	ACTUAL 30 JUNE 2011	STANDARD 30 JUNE 2011
Standard met	Quality and Timeliness Policy advice will be delivered in accordance with the work programme agreed with the Minister of Youth Affairs	Standard met	Standard met ⁶⁸
100% of cases	Quality⁶⁹ Process An audit ⁷⁰ shows that the Ministry of Social Development's policy and research processes as outlined in the Quality Management System ⁷¹ have been followed in at least	87.5% of cases	95% of cases
Standard met	Technical robustness An external independent review of the Ministry of Youth Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria ⁷²	Standard met	Standard met ⁷³

68 Standard met means we have received confirmation from the Minister of Youth Affairs via her office that advice has been delivered in accordance with the work programme.

69 The work in relation to the internal audit, review or survey for these measures is conducted during the year and reported on an annual basis.

70 Under the audit, random samples of reports are presented to the Minister, over the year, to assess if they comply with minimum standards.

71 The quality characteristics in the Ministry's Quality Management System are based on decision-making (defining, debating and deciding) and communication (capturing issues, convincing and confirming).

72 As set out in the Cabinet Guidelines.

73 The standard for this measure is based on a continuum of standard not met, standard met, and standard exceeded.

Financial Statements

Statement of Accounting Policies: Departmental

For the year ended 30 June 2011

Reporting Entity

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

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

The primary objective of the Ministry is to provide services to the public rather than to make a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand's equivalents to the International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2011. The financial statements were authorised for issue by the Chief Executive of the Ministry on 28 September 2011.

Basis of preparation

Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury Instructions.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

Buildings (including components) are depreciated over 10–80 years (previously 10–50 years).

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

Early adoption of the revised NZ IAS 24 Related Party Disclosures

The Ministry has early adopted New Zealand Equivalent to the International Accounting Standard 24 (NZ IAS 24) Related Party Disclosures (revised 2009). The effects of early adopting the revised NZ IAS 24 are:

- more information is required to be disclosed about transactions between the Ministry and entities controlled, jointly controlled, or significantly influenced by the Crown
- commitments with related parties are required to be disclosed
- information is required to be disclosed about any related party transactions with Ministers of the Crown with portfolio responsibilities for the Ministry. An exemption is provided from reporting transactions with other Ministers of the Crown.

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

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

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced in three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of its financial assets. The new standard also uses a single impairment method, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Ministry has not yet assessed the effect of the new standard and expects it will not be early adopted.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). This standard and amendments were issued in May 2011 with the purpose of harmonising Australia's and New Zealand's accounting standards in each jurisdiction. The amendments must be adopted for the year ended 30 June 2012. The Ministry has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

The External Reporting Board is yet to decide on a new accounting standards framework for public benefit entities. It is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS that excludes public benefit entities from their scope.

Significant Accounting Policies

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

Budget Figures

The budget figures are those included in the Budget 2010, The Estimates of Appropriations for all Votes administered by the Ministry. Additional references to budget figures are in the Information Supporting the Estimates of Appropriations (ie the Forecast Financial Statements of the Ministry of Social Development for the year ended 30 June 2011). The financial statements also present the updated budget information from the Supplementary Estimates and transfers made under section 26A of the Public Finance Act 1989. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies consistent with those adopted in preparing these financial statements.

Revenue

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

Cost Allocation

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

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

Criteria for direct and indirect costs

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

For the year ended 30 June 2011, direct costs accounted for 82.5 per cent of the Ministry's costs (2010: 81.5 per cent).

Expenses

General

Expenses are recognised in the period they relate to.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Foreign Currency

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

Financial Instruments

Financial assets

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

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

Impairment of a receivable is established when there is objective evidence the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties for the debtor, a probability the debtor will enter into bankruptcy, and defaults in payments are considered indicators the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. Overdue receivables that are renegotiated are reclassified as current (ie not past due).

Financial liabilities

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

Property, Plant and Equipment

Property, plant and equipment consists of land, buildings, leasehold improvements, computer equipment, furniture, office equipment and motor vehicles.

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

TYPE OF ASSETS	ESTIMATED LIFE (YEARS)	ESTIMATED LIFE (%)
Buildings (including components)	10–80 years	1.25%–10%
Leasehold improvements	up to 10 years	
Computer equipment	3–5 years	20%–33%
Furniture, fittings and office equipment	3–5 years	20%–33%
Motor vehicles	4–5 years	20%–25%

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

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

Revaluation

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

Accounting for revaluations

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

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

Intangible Assets

Software acquisition and development

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overhead costs.

Staff training costs are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is no longer recognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

TYPE OF ASSETS	ESTIMATED LIFE (YEARS)	ESTIMATED LIFE (%)
Acquired computer software	3–8 years	12.5%–33%
Developed computer software	3–8 years	12.5%–33%

Impairment of non-financial assets

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

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

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

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

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

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

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

Non-current assets held for sale

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

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

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

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

Income Tax

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

Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

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

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

Provisions

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

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

Commitments

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

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

Contingent Assets and Liabilities

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

Employee entitlements

Short-term employee entitlements

Employee entitlements the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

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

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

Long-term employee entitlements

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

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

Statement of Cash Flows

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

Operating activities include cash received from all income sources of the Ministry and cash payments made for the supply of goods and services.

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

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

Taxpayers' funds

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

Revaluation reserves

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement and long service leave

An analysis of the Ministry's exposure in relation to estimates and uncertainties around its retirement and long service leave liability is contained in the notes, refer Note 13.

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgment in applying the Ministry's Accounting Policies for the year ended 30 June 2011.

Statement of Comprehensive Income

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Income				
1,172,952	Revenue Crown		1,186,687	1,193,867	1,186,687
15,330	Revenue other	1	17,174	21,060	21,060
-	Gain on disposal of fixed assets	2	475	-	-
8	Gain on foreign exchange		-	-	-
1,188,290	Total income		1,204,336	1,214,927	1,207,747
	Expenditure				
619,574	Personnel costs	3	639,543	629,481	627,684
63,537	Depreciation and amortisation expenses	8,9	65,594	65,634	74,270
23,126	Capital charge	4	23,438	17,599	23,575
476,048	Other operating expenses	5	469,818	502,213	482,218
240	Loss on disposal of fixed assets	6	-	-	-
1,182,525	Total expenditure		1,198,393	1,214,927	1,207,747
5,765	Net surplus/(deficit)		5,943	-	-
	Other comprehensive income				
5,304	Gain on property, plant and equipment revaluations		4,448	-	-
11,069	Total comprehensive income		10,391	-	-

Explanations of significant variances against budget are detailed in Note 20.

Statement of Financial Position

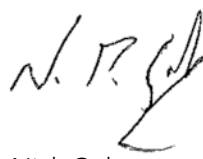
As at 30 June 2011

ACTUAL 2010 \$000		NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Taxpayers' funds				
282,901	General funds		264,896	282,901	264,896
31,427	Revaluation reserve		35,875	26,123	31,427
314,328	Total taxpayers' funds	14	300,771	309,024	296,323
	Assets				
	Current assets				
127,028	Cash and cash equivalents		43,432	56,962	117,889
7,479	Accounts receivable	7	5,681	3,709	7,479
6,310	Prepayments		8,409	6,109	6,310
-	Crown receivable		69,000	-	-
140,817	Total current assets		126,522	66,780	131,678
	Non-current assets				
305,953	Property, plant and equipment	8	303,502	340,383	310,171
60,851	Intangible assets	9	46,635	68,628	42,002
366,804	Total non-current assets		350,137	409,011	352,173
507,621	Total assets		476,659	475,791	483,851
	Liabilities				
	Current liabilities				
97,804	Accounts payable and accruals	10	75,672	71,155	97,804
-	Capital charge payable	4	-	1,469	-
5,765	Return of operating surplus to the Crown	11	5,943	-	-
48,856	Provision for employee entitlements	13	52,010	46,288	48,856
9,901	Other provisions	12	8,306	18,290	9,901
162,326	Total current liabilities		141,931	137,202	156,561
	Non-current liabilities				
30,967	Provision for employee entitlements	13	33,957	29,565	30,967
30,967	Total non-current liabilities		33,957	29,565	30,967
193,293	Total liabilities		175,888	166,767	187,528
314,328	Net assets		300,771	309,024	296,323

Explanations of significant variances against budget are detailed in Note 20.



Peter Hughes
Chief Executive
28 September 2011



Nick Gale
Chief Financial Officer
28 September 2011

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTE	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
329,295	Balance at 1 July		314,328	309,024	314,328
11,069	Total comprehensive income		10,391	-	-
(5,765)	Return of operating surplus to the Crown	11	(5,943)	-	-
37,981	Capital injections		-	-	-
-	Capital injections - Non Cash		1,820	-	1,820
(58,252)	Capital withdrawal		(19,825)	-	(19,825)
314,328	Balance at 30 June		300,771	309,024	296,323

The Statement of Accounting Policies: Departmental on pages 72 to 79 and Notes 1 to 20 on pages 89 to 104 form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2011

ACTUAL 2010 \$000		NOTE	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Cash flows from operating activities				
1,172,952	Receipts from Crown revenue		1,117,687	1,193,867	1,186,687
14,822	Receipts from other revenue		15,718	21,060	21,060
(456,253)	Payments to suppliers		(496,237)	(503,656)	(481,864)
(620,857)	Payments to employees		(633,278)	(628,038)	(628,038)
(24,595)	Payments for capital charge		(23,438)	(17,599)	(23,575)
263	Goods and services tax (net)		3,724	-	-
86,332	Net cash flow from operating activities	15	(15,824)	65,634	74,270
	Cash flows from investing activities				
3,261	Receipts from sale of property, plant and equipment		3,085	1,800	1,800
(60,568)	Purchase of property, plant and equipment		(27,148)	(54,115)	(38,378)
(17,653)	Purchase of intangible assets		(18,119)	(21,241)	(21,241)
(74,960)	Net cash flow from investing activities		(42,182)	(73,556)	(57,819)
	Cash flows from financing activities				
37,981	Capital contribution from the Crown		-	-	-
(58,252)	Capital withdrawal from the Crown		(19,825)	-	(19,825)
(11,972)	Return of operating surplus to the Crown		(5,765)	(4,000)	(5,765)
(32,243)	Net cash flow from financing activities		(25,590)	(4,000)	(25,590)
(20,871)	Net increase/(decrease) in cash held		(83,596)	(11,922)	(9,139)
147,899	Cash and cash equivalents at the beginning of the year		127,028	68,884	127,028
127,028	Cash and cash equivalents at the end of the year		43,432	56,962	117,889

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

Explanations of significant variances against budget are detailed in Note 20.

Statement of Trust Monies

For the year ended 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	William Wallace Trust	
399	Balance at 1 July	405
-	Contributions	-
(10)	Distributions	(20)
16	Revenue	19
-	Expenditure	-
405	Balance at 30 June	404

William Wallace Trust Account

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

Statement of Commitments

As at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Capital commitments	
1,899	Land and buildings	1,188
-	Intangibles	-
1,899	Total capital commitments	1,188
	Operating commitments	
	Non-cancellable accommodation leases	
37,978	Less than one year	39,400
29,251	One to two years	35,125
60,845	Two to five years	70,680
11,343	More than five years	20,992
139,417	Total non-cancellable accommodation leases	166,197
	Other non-cancellable contracts	
84,027	Less than one year	29,995
2,245	One to two years	120
1,837	Two to five years	20
-	More than five years	-
88,109	Total other non-cancellable contracts	30,135
227,526	Total operating commitments	196,332
229,425	Total commitments	197,520

Non-cancellable accommodation leases

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

In addition to the above costs the Ministry has sub-lease rental recoveries of \$0.308 million expected to be received in the following year, 2011/2012. Actual rental recoveries are contained in the notes, refer Note 1.

Other non-cancellable contracts

Other non-cancellable contracts includes agreements for the provision of specialist day programmes, specialist family home services, bed-night placements for children and young persons in the care of Child, Youth and Family, and other non-government organisation contracts for services.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2011

Unquantifiable contingent liabilities

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

Quantifiable contingent liabilities

ACTUAL 2010 \$000		ACTUAL 2011 \$000
190	Personal grievances claims	235
120	Other claims	150
310	Total contingent liabilities	385

Personal grievances

Personal grievances claims, represents amounts claimed by employees for personal grievances cases. There are 21 personal grievances claims (2010: 14 personal grievances claims).

Other claims

Other claims, represents outstanding claims from our clients for unpaid benefit entitlements. There are three other claims (2010: two other claims).

Quantifiable contingent assets

ACTUAL 2010 \$000		ACTUAL 2011 \$000
-	Canterbury earthquake claim	5,000
-	Total contingent asset	5,000

The Ministry has a business interruption insurance claim resulting from the recent Christchurch earthquakes (2010: nil).

Statement of Departmental Expenditure and Capital Expenditure Appropriations

For the year ended 30 June 2011

ACTUAL 2010 \$000		EXPENDITURE BEFORE REMEASURE- MENTS 2011 \$000	REMEASURE- MENTS ⁷⁴ 2011 \$000	EXPENDITURE AFTER REMEASURE- MENTS 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMEN- TARY ESTIMATES ⁷⁵ 2011 \$000
	SUMMARY BY OUTPUT EXPENSES					
	Appropriations for output expenses					
	VOTE SOCIAL DEVELOPMENT					
7,923	Adoption Services	7,091	(4)	7,087	9,078	7,248
322,736	Care and Protection Services	327,727	(98)	327,629	315,885	328,344
16,353	Collection of Balances Owed by Former Clients and Non-beneficiaries	14,120	(7)	14,113	16,632	14,482
8,157	Development and Funding of Community Services	8,042	(4)	8,038	8,394	8,271
30,033	Family and Community Services	31,118	(8)	31,110	34,752	32,036
34,999	Income Support and Assistance to Seniors	37,537	(19)	37,518	34,667	38,473
	Management of Service Cards MCOA					
5,677	<i>Administration of Community Services Card</i>	5,346	(3)	5,343	5,682	5,682
1,417	<i>Management of SuperGold Card</i>	1,156	-	1,156	1,421	1,421
30,388	Management of Student Support	32,313	(9)	32,304	36,977	32,922
	Policy Advice and Support to Ministers MCOA					
292	<i>Crown Entity Monitoring</i>	239	-	239	337	337
41,419	<i>Social Policy Advice</i>	40,793	(10)	40,783	47,510	42,474
4,263	Prevention Services	3,368	(1)	3,367	4,673	3,443
-	Promoting Positive Outcomes for Disabled People	1,250	-	1,250	1,250	1,250
-	Property Management Centre of Expertise	183	-	183	-	200
34,454	Services to Protect the Integrity of the Benefit System	36,039	(15)	36,024	36,672	36,761
441,776	Tailored Sets of Services to Help People into Work or Achieve Independence	444,868	(191)	444,677	431,130	445,225
86,022	Vocational Skills Training	69,040	-	69,040	85,635	69,040
110,305	Youth Justice Services	132,145	(49)	132,096	137,399	133,149
1,176,214	Total Vote Social Development	1,192,375	(418)	1,191,957	1,208,094	1,200,758
	VOTE SENIOR CITIZENS					
923	Senior Citizens Services	820	-	820	1,035	1,035
923	Total Vote Senior Citizens	820	-	820	1,035	1,035
	VOTE VETERANS' AFFAIRS - SOCIAL DEVELOPMENT					
391	Processing and Payment of Veterans' Pensions	328	-	328	450	450
391	Total Vote Veterans' Affairs - Social Development	328	-	328	450	450
	VOTE YOUTH DEVELOPMENT					
-	Administration of Trialling New Approaches to Social Sector Change	128	-	128	-	156
4,997	Youth Development	4,742	(2)	4,740	5,348	5,348
4,997	Total Vote Youth Development	4,870	(2)	4,868	5,348	5,504
1,182,525	Total departmental output expenses	1,198,393	(420)	1,197,973	1,214,927	1,207,747
	Appropriations for capital expenditure					
	VOTE SOCIAL DEVELOPMENT					
78,221	Ministry of Social Development - Capital Expenditure PLA	45,267	-	45,267	75,356	61,439
78,221	Total departmental capital expenditure	45,267	-	45,267	75,356	61,439
1,260,746	Total departmental expenditure and capital expenditure	1,243,660	(420)	1,243,240	1,290,283	1,269,186

74 Remeasurements relates to movement in the unvested long service leave provision due to changes in discount rates.

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

Statement of Departmental Expenditure and Capital Expenditure Appropriations (Continued)

For the year ended 30 June 2011

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

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

	SUPPLEMENTARY ESTIMATES 2011 \$000	SECTION 26A TRANSFERS 2011 \$000	FINAL VOTED ⁷⁶ 2011 \$000
VOTE SOCIAL DEVELOPMENT			
Adoption Services	7,778	(530)	7,248
Care and Protection Services	325,744	2,600	328,344
Collection of Balances Owed by Former Clients and Non-beneficiaries	14,932	(450)	14,482
Development and Funding of Community Services	8,311	(40)	8,271
Prevention Services	4,023	(580)	3,443
Youth Justice Services	134,149	(1,000)	133,149
Total appropriations for output expenses	494,937	-	494,937

Statement of Unappropriated Departmental Expenditure and Capital Expenditure Appropriations

For the year ended 30 June 2011

The Ministry had no unappropriated departmental operating and capital expenditure in 2010/2011 (2010: nil).

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

Notes to the Financial Statements

For the year ended 30 June 2011

Note 1: Revenue other

ACTUAL 2010 \$000		ACTUAL 2011 \$000
471	Sub-lease rental recoveries	427
14,859	Other recoveries	16,747
15,330	Total revenue other	17,174

The Ministry received revenue from the State Services Commission for the State Sector Retirement Savings Scheme and KiwiSaver (\$11.039 million), child support receipts on behalf of children in foster care (\$1.467 million), Strengthening Families inter-agency support (\$0.590 million), the Family and Community Services helpline services (\$0.549 million), the Growing up in New Zealand longitudinal study (\$1.107 million), the Christchurch earthquake insurance claim (\$0.750 million) and debt recovery (\$0.600 million). The Ministry received other revenues of \$0.645 million.

Note 2: Gains

ACTUAL 2010 \$000		ACTUAL 2011 \$000
-	Gain on disposal of fixed assets	475
8	Net foreign exchange gains	-
8	Total gains	475

Note 3: Personnel costs

ACTUAL 2010 \$000		ACTUAL 2011 \$000
593,266	Salaries and wages	608,756
3,970	Increase/(decrease) in employee entitlements	6,144
(1,697)	Increase/(decrease) in restructuring costs	504
12,533	Defined superannuation contribution scheme	13,033
11,502	Other personnel expenses	11,106
619,574	Total personnel costs	639,543

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

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year. The capital charge rate for the year ended 30 June 2011 was 7.5 per cent (2010: 7.5 per cent).

Note 5: Other operating expenses

ACTUAL 2010 \$000		ACTUAL 2011 \$000
1,078	Audit fees	1,078
67,336	Rental, leasing and occupancy costs	71,564
340	Bad debts written off	367
(281)	Impairment of receivables	101
108,928	Client financial plan costs ⁷⁷	118,392
22,922	Non-specific client costs ⁷⁸	16,893
86,022	Vocational Skills Training	69,040
41,314	Office operating expenses	37,093
70,199	IT related operating expenses	69,094
8,095	Staff travel	9,562
5,998	Consultancy and contractors' fees	5,740
14,910	Professional fees	15,335
49,187	Other operating expenses	55,559
476,048	Total operating costs	469,818

Note 6: Losses

ACTUAL 2010 \$000		ACTUAL 2011 \$000
240	Loss on disposal of fixed assets	-
240	Total losses	-

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

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

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

Note 7: Debtors and other receivables

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	By type	
7,479	Trade and other receivables	5,681
7,479	Total receivables	5,681
	By maturity	
7,479	Expected to be realised within one year	5,681
-	Expected to be held for more than one year	-
7,479	Total receivables	5,681
	Trade and other receivables	
8,702	Gross trade and other receivables	7,005
(1,223)	Impairment of trade and other receivables	(1,324)
7,479	Total trade and other receivables	5,681
	Impairment of trade and other receivables	
1,503	Balance at beginning of the year	1,223
408	Impairment losses recognised on receivables	688
(688)	Amounts written off as uncollectible	(587)
1,223	Balance at end of the year	1,324
1,223	Collective impairment allowance	1,324
-	Individual impairment allowance	-
1,223	Balance at end of the year	1,324
	Ageing of trade and other receivables past due but not impaired	
388	Less than six months	1,859
1,530	Between six months and one year	8
13	Greater than one year	10
1,931	Trade and other receivables past due but not impaired	1,877

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

Debtors impairment

As at 30 June 2011 (and 30 June 2010), all overdue receivables have been assessed for impairment and the appropriate provisions applied as detailed above.

As at 30 June 2011, the Ministry had no debtors deemed insolvent (2010: nil).

Note 8: Property, plant and equipment

	LAND \$000	BUILDINGS \$000	FURNITURE & FITTINGS \$000	COMPUTER EQUIPMENT \$000	MOTOR VEHICLES \$000	PLANT & EQUIPMENT \$000	TOTAL \$000
Cost or revaluation							
Balance as at 1 July 2009	63,606	156,250	82,125	100,957	27,337	10,510	440,785
Additions by purchase	-	2,100	11,024	4,903	5,053	515	23,595
Revaluation increase/(decrease)	(7,993)	1,787	-	-	-	-	(6,206)
Work in progress movement	-	30,207	-	4,373	-	2,393	36,973
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	(1)	-	-	(1)
Disposals	(705)	(834)	(39,355)	-	(5,109)	(47)	(46,050)
Balance as at 30 June 2010	54,908	189,510	53,794	110,232	27,281	13,371	449,096
Balance as at 1 July 2010	54,908	189,510	53,794	110,232	27,281	13,371	449,096
Additions by purchase	-	42,251	14,595	9,102	5,923	5,306	77,177
Revaluation increase/(decrease)	(4,925)	92	-	-	-	-	(4,833)
Work in progress movement	-	(47,746)	6,993	(5,239)	-	(2,218)	(48,210)
Asset transfers	-	-	-	(28)	-	28	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	(1)	(910)	(10)	(6,343)	(2,414)	(9,678)
Balance as at 30 June 2011	49,983	184,106	74,472	114,057	26,861	14,073	463,552
Accumulated depreciation and impairment losses							
Balance as at 1 July 2009	-	7,771	68,245	77,153	8,420	8,137	169,726
Depreciation expense	-	3,744	8,781	10,019	3,956	977	27,477
Eliminate on disposal	-	(5)	(39,334)	(2)	(3,163)	(46)	(42,550)
Eliminate on revaluation	-	(11,510)	-	-	-	-	(11,510)
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2010	-	-	37,692	87,170	9,213	9,068	143,143
Balance as at 1 July 2010	-	-	37,692	87,170	9,213	9,068	143,143
Depreciation expense	-	9,281	10,205	8,375	4,264	1,131	33,256
Eliminate on disposal	-	-	(910)	(10)	(3,772)	(2,376)	(7,068)
Eliminate on revaluation	-	(9,281)	-	-	-	-	(9,281)
Asset transfers	-	-	-	(4)	-	4	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2011	-	-	46,987	95,531	9,705	7,827	160,050
Carrying amounts							
At 1 July 2009	63,606	148,479	13,880	23,804	18,917	2,373	271,059
At 30 June and 1 July 2010	54,908	189,510	16,102	23,062	18,068	4,303	305,953
At 30 June 2011	49,983	184,106	27,485	18,526	17,156	6,246	303,502

Valuation

Land and buildings owned by the Ministry were valued at fair value as at 30 June 2011 by Darroch Corporate Advisory (Darroch), a division of Quotable Value Limited (QV). Registered valuer Kerry Stewart Val Prof Urb, MBA, PG Dip Env, FNZIV, FPINZ from Darroch was the project director. The total fair value of land and buildings valued at fair value as at 30 June 2011 by Darroch was \$227.372 million.

The valuations involved a full physical examination and have been completed in compliance with:

- The New Zealand Institute of Chartered Accountants New Zealand Equivalent to Financial Reporting Standards and New Zealand Equivalent to International Accounting Standards 16 (NZ IAS 16) Accounting for Property, Plant and Equipment
- The Property Institute of New Zealand Professional Practice Standard 2009, and in particular International Valuation Application 1 and 3 and New Zealand Valuation Guidance Note 1 (effective from 1 October 2009).

Land

All land has been valued on a fair market value, highest and best use basis determined from market-based evidence. Each site has been individually considered and valued in accordance with current market conditions. Land has been valued as if vacant and its value incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.

An open market 'willing buyer willing seller' scenario has been assumed. This indicates the price an informed purchaser would have to pay to acquire a similar property. Where a designation is held against the land, the land value has been adjusted to reflect that designation.

Buildings

Residential dwellings and commercial properties have been valued using market-based evidence. Residential Centres have been valued using market-based evidence where it exists. If there is no active market evidence or the property is specialised in nature, the optimised depreciated replacement cost has been used.

For commercial properties, market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives. When valuing the residential properties market-based net rates were derived from an analysis of recent comparable sales. The added value of improvements has been derived from the area, quality and location of the asset. External works or other improvements relating to various land assets have been assessed on a fair market value basis where relevant. Where there is no conclusive market-based evidence, improvements have been valued using the depreciated replacement cost approach.

Building works under construction and work in progress as at 30 June 2011 is \$6.717 million (2010: \$54.462 million).

The total amount of property, plant and equipment under construction and work in progress is \$21.152 million (2010: \$69.362 million).

Note 9: Intangible assets

	INTERNALLY GENERATED SOFTWARE \$000	TOTAL \$000
Cost or revaluation		
Balance as at 1 July 2009	166,533	166,533
Additions by purchase and internally generated	22,033	22,033
Work in progress movement	(4,378)	(4,378)
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2010	184,188	184,188
Balance as at 1 July 2010	184,188	184,188
Additions by purchase and internally generated	10,358	10,358
Work in progress movement	7,763	7,763
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2011	202,309	202,309
Accumulated amortisation and impairment losses		
Balance as at 1 July 2009	87,276	87,276
Amortisation expense	36,060	36,060
Disposals	-	-
Asset transfers	-	-
Other asset movement	1	1
Balance as at 30 June 2010	123,337	123,337
Balance as at 1 July 2010	123,337	123,337
Amortisation expense	32,338	32,338
Disposals	(1)	(1)
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2011	155,674	155,674
Carrying amounts		
At 1 July 2009	79,257	79,257
At 30 June and 1 July 2010	60,851	60,851
At 30 June 2011	46,635	46,635

The total amount of intangibles in the course of construction is \$15.833 million (2010: \$8.072 million).

Note 10: Creditors and other payables

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	By type	
15,434	Trade creditors	10,019
6,547	GST payable	10,271
75,823	Accrued expenses	55,382
97,804	Total payables	75,672

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

Note 11: Return of operating surplus

ACTUAL 2010 \$000		ACTUAL 2011 \$000
5,765	Net surplus/(deficit)	5,943
5,765	Total repayment of surplus	5,943

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

Note 12: Provisions

ACTUAL 2010 \$000		ACTUAL 2011 \$000
6,401	ACC Partnership programme	5,796
2,700	Restructuring provision	2,038
713	Lease make-good	421
87	Other provisions	51
9,901	Total provisions	8,306

Provisions by category

	ACC PARTNERSHIP PROGRAMME \$000	LEASE MAKE- GOOD \$000	RESTRUCTURE \$000	OTHERS \$000	TOTAL \$000
2010					
Balance as at 1 July 2009	6,750	1,202	10,255	83	18,290
Additional provisions made	2,957	67	-	4	3,028
Amounts used	(3,306)	-	(4,798)	-	(8,104)
Unused amounts reversed	-	(630)	(2,757)	-	(3,387)
Discount unwind	-	74	-	-	74
Balance as at 30 June 2010	6,401	713	2,700	87	9,901
2011					
Balance as at 1 July 2010	6,401	713	2,700	87	9,901
Additional provisions made	2,465	134	421	34	3,054
Amounts used	(3,070)	-	(683)	(6)	(3,759)
Unused amounts reversed	-	(476)	(400)	(64)	(940)
Discount unwind	-	50	-	-	50
Balance as at 30 June 2011	5,796	421	2,038	51	8,306

ACC Partnership programme

The Ministry belongs to the ACC Partnership programme whereby the Ministry accepts the management and financial responsibility of the work-related illnesses and accidents of its employees.

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

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

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

The Ministry has chosen a stop loss limit of 160 per cent of the industry premium. The stop loss limit means the Ministry will only carry the total cost of claims up to \$250,000.

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

An external independent actuarial valuer, Melville Jessup Weaver, has calculated the Ministry's liability. The valuation is effective as at 30 June 2011. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

The value of the liability is not material for the Ministry's financial statements. Therefore any changes in assumptions will not have a material impact on the financial statements.

Lease make-good

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

At year-end there were nine sites where a make-good provision had been established with a value of \$0.421 million. The timing of any future make-good work is currently up to three years in the future.

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

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

An asset to the value of \$1.658 million was established for the lease reinstatement costs. This is being depreciated on a straight-line basis per lease term.

Restructure

The Ministry announced its decision to restructure certain parts of the organisation on 12 May 2009. Following a consultation period with staff, relevant unions and other affected parties, a detailed restructure plan was approved on 29 June 2009. A restructuring provision was established at the time for redundancy payments likely to be paid out to those staff made redundant as a result of the restructure. The change management process has now been completed and the redundancy payments made accordingly. The remainder of the provision is mainly for equalisation allowances for staff affected by the restructure who have been reassigned to positions within the Ministry at lower salary levels.

The restructuring provision as at 30 June 2011 is \$2.038 million.

Other

The Ministry has a provision of \$51,167 for family home resettlement. A \$1,000 a year resettlement grant is paid to resigning or retiring family home caregivers after five or more years of unbroken service (up to a maximum of \$10,000 per couple).

Note 13: Employee entitlements

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Current liabilities	
8,609	Retirement and long service leave	9,995
38,793	Provision for annual leave	40,735
1,454	Provision for sickness leave	1,280
48,856	Total current portion	52,010
	Non-current liabilities	
30,967	Retirement and long service leave	33,957
30,967	Total non-current portion	33,957
79,823	Total employment entitlements	85,967

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

In determining the appropriate discount rates to use, the Ministry considered the interest rates on New Zealand government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

Discount rates and salary inflation applied:

EMPLOYEE ENTITLEMENT VARIABLES	2012 %	2013 %	2014 %
Discount rates	2.84	3.81	6.00
Salary inflation	3.50	3.50	3.50

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

MOVEMENTS	ACTUAL 2011 \$000	SALARY + 1% 2011 \$000	SALARY - 1% 2011 \$000	DISCOUNT + 1% 2011 \$000	DISCOUNT - 1% 2011 \$000
Current	9,995	136	(135)	(29)	29
Non-current	33,957	3,792	(3,310)	(2,767)	3,197
Total	43,952	3,928	(3,445)	(2,796)	3,226

Note 14: Taxpayers' funds

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	General funds	
303,172	Balance at 1 July	282,901
5,765	Surplus/(deficit)	5,943
37,981	Capital contribution	1,820
(58,252)	Capital withdrawal	(19,825)
(5,765)	Repayment of surplus	(5,943)
282,901	General funds at 30 June	264,896
	Revaluation reserves	
26,123	Balance at 1 July	31,427
5,304	Revaluations	4,448
31,427	Revaluation reserves at 30 June	35,875
314,328	Total taxpayers' funds	300,771

Note 15: Reconciliation of net surplus/(deficit) to net cash from operating activities

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
5,765	Net surplus/(deficit) after tax	5,943	-	-
	Add/(less) non-cash items			
27,477	Depreciation	33,256	34,292	34,197
36,060	Amortisation	32,338	31,342	40,073
63,537	Total non-cash items	65,594	65,634	74,270
	Add/(less) items classified as investing or financing activities			
240	(Gains)/losses on disposal property, plant and equipment	(475)	-	-
240	Total items classified as investing or financing activities	(475)	-	-
	Add/(less) working capital movements			
(3,770)	(Increase)/decrease in accounts receivable	(67,202)	-	-
(201)	(Increase)/decrease in prepayments	(2,099)	-	-
26,649	Increase/(decrease) in accounts payable	(22,134)	-	-
(1,469)	Increase/(decrease) in capital charge	-	-	-
2,568	Increase/(decrease) in provision for employee entitlements	3,154	-	-
(8,389)	Increase/(decrease) other provisions	(1,595)	-	-
15,388	Net movements in working capital items	(89,876)	-	-
	Add/(less) movements in non-current liabilities			
1,402	Increase/(decrease) in provision for employee entitlements	2,990	-	-
1,402	Net movements in non-current liabilities	2,990	-	-
86,332	Net cash inflow from operating activities	(15,824)	65,634	74,270

Note 16: Related party transactions

All related party transactions have been entered into on an arm's-length basis.

The Ministry is a wholly-owned entity of the Crown. The Government significantly influences the role of the Ministry as well as being its major source of revenue.

Significant transactions with government-related entities

The Ministry has received funding from the Crown of \$1,187 million (2010: \$1,173 million) to provide services to the public for the year ended 30 June 2011.

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

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

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totaled \$108.030 million (2010: \$107.840 million). These purchases included the purchase of electricity from Genesis Energy and Meridian Energy, air travel from Air New Zealand, legal services from the Crown Law Office, postal services from New Zealand Post and vocational skills training from the Tertiary Education Commission.

Transactions with key management personnel

Key management personnel compensation

ACTUAL 2010 \$000		ACTUAL 2011 \$000
3,508	Salaries and other short-term employee benefits	3,143
74	Post-employment benefits	78
-	Other long-term benefits	-
-	Termination benefits	-
3,582	Total key management personnel compensation	3,221

Key management personnel compensation includes the remuneration for the Chief Executive and the nine members of the Senior Management Team. The above table also includes the remuneration paid to staff who acted in senior management roles during the year.

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

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

- Related parties of key management personnel who are in receipt of statutory benefits, pensions or student loans are receiving them based on their own entitlements and eligibility criteria to such benefits, pensions or student loans.

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

Note 17: Events after the balance sheet date

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

Note 18: Financial instrument risks

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

Market risk

Currency risk

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

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

As at 30 June 2011 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared.

Interest rate risk

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

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

Credit risk

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

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

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings.

For its other financial instruments, the Ministry does not have significant concentrations of credit risk. The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (refer Note 7), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity

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

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

Financial Instrument risks

Classes and categories of financial assets

AS AT 30 JUNE 2010 DESIGNATION					AS AT 30 JUNE 2011 DESIGNATION					
AMORTISED COST \$000	LOANS & RECEIVABLES \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000		AMORTISED COST \$000	LOANS & RECEIVABLES \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000
-	127,028	-	-	127,028	Cash and cash equivalents	-	43,432	-	-	43,432
-	7,479	-	-	7,479	Trade and other receivables	-	74,681	-	-	74,681
-	134,507	-	-	134,507	Total financial assets by designation	-	118,113	-	-	118,113

Classes and categories of financial liabilities

AS AT 30 JUNE 2010 DESIGNATION				AS AT 30 JUNE 2011 DESIGNATION				
AMORTISED COST \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000		AMORTISED COST \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000
97,804	-	-	97,804	Accounts payable	75,672	-	-	75,672
97,804	-	-	97,804	Total financial liabilities by designation	75,672	-	-	75,672

Foreign currency risk management

AS AT 30 JUNE 2010				AS AT 30 JUNE 2011				
NZD NZ\$000	AUD NZ\$000	OTHER NZ\$000	TOTAL NZ\$000		NZD NZ\$000	AUD NZ\$000	OTHER NZ\$000	TOTAL NZ\$000
126,868	160	-	127,028	Cash and cash equivalents	43,000	432	-	43,432
7,479	-	-	7,479	Trade and other receivables	74,681	-	-	74,681
134,347	160	-	134,507	Total financial assets	117,681	432	-	118,113
97,804	-	-	97,804	Accounts payable	75,672	-	-	75,672
97,804	-	-	97,804	Total financial liabilities	75,672	-	-	75,672

Australian cash and cash equivalents is used to pay Australian creditors direct in Australian currency.

Credit risk management

AS AT 30 JUNE 2010					AS AT 30 JUNE 2011					
AAA \$000	AA \$000	A \$000	NON- RATED \$000	TOTAL \$000		AAA \$000	AA \$000	A \$000	NON- RATED \$000	TOTAL \$000
-	126,980	-	48	127,028	Cash and cash equivalents	-	43,377	-	55	43,432
-	-	-	7,479	7,479	Trade and other receivables	-	-	-	74,681	74,681
-	126,980	-	7,527	134,507	Total financial assets	-	43,377	-	74,736	118,113

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

Concentration of credit exposure by geographical area

AS AT 30 JUNE 2010						AS AT 30 JUNE 2011				
NEW ZEALAND \$000	AUSTRALIA \$000	EUROPE \$000	OTHER \$000	TOTAL \$000		NEW ZEALAND \$000	AUSTRALIA \$000	EUROPE \$000	OTHER \$000	TOTAL \$000
126,868	160	-	-	127,028	Cash and cash equivalents	43,000	432	-	-	43,432
7,479	-	-	-	7,479	Trade and other receivables	74,681	-	-	-	74,681
134,347	160	-	-	134,507	Total financial assets	117,681	432	-	-	118,113

Liquidity risk management

AS AT 30 JUNE 2010							AS AT 30 JUNE 2011					
CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	> 2 YEARS \$000		CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	> 2 YEARS \$000		
97,804	97,804	97,804	-	-	Accounts payable	75,672	75,672	75,672	-	-		
97,804	97,804	97,804	-	-	Total financial liabilities	75,672	75,672	75,672	-	-		

Note 19: Capital management

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

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

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

Note 20: Major budget variations

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

	NOTES	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000	MAIN ESTIMATES VS ACTUAL VARIANCE 2011 \$000
Statement of Financial Position					
Taxpayers' funds					
General funds	(a)	264,896	282,901	264,896	18,005
Assets					
Crown Receivable	(b)	69,000	-	-	(69,000)
Property, plant and equipment	(c)	303,502	340,383	310,171	36,881
Intangible assets	(d)	46,635	68,628	42,002	21,993
Statement of Cash Flows					
Cash flows from financing activities					
Capital withdrawal from the Crown	(e)	(19,825)	-	(19,825)	19,825

Statement of Financial Position

- General funds were lower due to capital repayment of \$16.175 million and repayment of \$3.650 million for the Growing up in New Zealand Study. The offsetting balance of \$1.820 million relates to the transfer of the Te Hurihanga building from Vote Justice.
- Crown Receivable relates to funds that the Ministry has not drawn down for 2011, partly due to timing delays on capital projects and partly to the draw-down process changing to the 1st of the month.
- The Property, plant and equipment balance was lower due to a combination of savings and the timing of the completion of IT projects and property fit-outs.
- The Intangible assets balance was lower due to the timing of the completion of a number of work in progress software development projects.

Statement of Cash Flows

- The Capital withdrawal from the Crown variance relates to the capital repayment of \$16.175 million and the repayment of \$3.650 million for the Growing up in New Zealand Study.

Changes in appropriations

The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2010/2011 financial year.

	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000	VARIANCE 2011 \$000	EXPLANATION
VOTE SOCIAL DEVELOPMENT				
Care and Protection Services	315,885	328,344	12,459	The increase was due to: <ul style="list-style-type: none"> - a fiscally neutral transfer to accurately reflect the appropriation cost (\$9.950 million) - S26A adjustment to meet backdated liabilities to current and former staff and to providers (\$2.6 million).
Tailored Sets of Services to Help People into Work or Achieve Independence	431,130	445,225	14,095	The increase was due to: <ul style="list-style-type: none"> - a fiscally neutral transfer of additional costs related to Canterbury Earthquake (\$7.531 million) - a transfer from Vote Revenue for the Service Transformation business case (\$3 million) - a fiscally neutral transfer to fund Future Focus operational costs (\$2.85 million) - drawing down funding from the GST compensation contingency for system changes (\$1.6 million) - a fiscally neutral transfer of administration funding for Reconfigured Training Opportunities (\$1 million). <p>This was offset by:</p> <ul style="list-style-type: none"> - a fiscally neutral transfer to accurately reflect the appropriation cost (\$2.845 million).
Vocational Skills Training	85,635	69,040	(16,595)	The decrease relates to a decision about Reconfiguring Training Opportunities with some of the funding transferred to Employment Assistance.
Ministry of Social Development - Capital Expenditure PLA	75,356	61,439	(13,917)	The decrease was due to: <ul style="list-style-type: none"> - lower than estimated cost of building the new Youth Justice facility in the Bay of Plenty.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Summary	
19,036,214	Expenditure and appropriations	20,124,547
79,418	Revenue	77,665
585,055	Capital receipts	609,780
1,176,364	Assets	1,339,447
395,802	Liabilities	456,770
538	Trust monies	588

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities the Ministry manages on behalf of the Crown. The Ministry administered \$20.125 billion of non-departmental payments, \$687.4 million of non-departmental revenues and receipts, \$1.339 billion of assets and \$456.8 million of liabilities on behalf of the Crown for the year ended 30 June 2011.

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Statement of Accounting Policies: Non-Departmental

For the year ended 30 June 2011

Reporting entity

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

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

Basis of Preparation

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

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with the New Zealand generally accepted accounting practice for public benefit entities.

Changes in accounting policies

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

Significant Accounting Policies

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

Budget figures

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

Revenues

The Ministry administers revenue on behalf of the Crown. This revenue includes Student Loan administration fees, Student Loan interest unwind, interest revenue and maintenance capitalisation.

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

Student Loan interest unwind is the interest income arising from the initial fair value write-down of the Student Loan. It is calculated using the original effective interest rate as defined in NZ IAS 39.

Interest revenue relates to interest on Major Repairs Advance. This relates to advances on repairs or maintenance for clients' homes.

Maintenance capitalisation records the re-establishment of historical maintenance debt previously written off. Up until 30 June 1992, a person who had custody of a child could seek financial support (ie maintenance) from the non-custodial parent. The Child Support Scheme replaced this scheme. It was introduced in 1992 and is managed by the Inland Revenue Department.

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign Currency

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

Financial Instruments

Financial assets

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

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

Social benefit debt receivables, relates to benefit overpayments, advances on benefits and recoverable special needs grants, refer Note 3. They are initially assessed at nominal amount or face value. These receivables are subsequently tested for impairment.

The impairment of a receivable is established when there is objective evidence the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties for the debtor, a probability the debtor will enter into bankruptcy and defaults in payments are considered indicators the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rates. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Schedule of Non-Departmental Expenses. When a debt is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (ie not past due).

Student Loans are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss, refer Note 2.

Financial liabilities

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

Derivatives

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

Goods and services tax

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

Commitments

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

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

Contingent Assets and Liabilities

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

Schedule of Non-Departmental Expenses

For the year ended 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	VOTE SOCIAL DEVELOPMENT			
313,094	Non-departmental output expenses	339,234	307,812	348,107
924,805	Non-departmental other expenses	1,072,174	946,856	1,185,253
1,701,491	Non-departmental capital expenditure	1,726,389	1,795,175	1,785,976
15,847,433	Benefits and other unrequited expenses	16,735,228	16,900,354	16,888,032
4,934	Loss on foreign exchange	-	-	-
56,208	Other operating expenses	64,388	50,282	91,652
18,847,965	Total Vote Social Development	19,937,413	20,000,479	20,299,020
	VOTE VETERANS' AFFAIRS - SOCIAL DEVELOPMENT			
179,230	Benefits and other unrequited expenses	178,048	179,649	178,972
179,230	Total Vote Veterans' Affairs - Social Development	178,048	179,649	178,972
	VOTE YOUTH DEVELOPMENT			
9,019	Non-departmental output expenses	9,086	8,871	9,141
9,019	Total Vote Youth Development	9,086	8,871	9,141
19,036,214	Total non-departmental expenses	20,124,547	20,188,999	20,487,133

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Statement of Non-Departmental Expenditure and Appropriations

For the year ended 30 June 2011

ACTUAL 2010 \$000	TYPE OF APPROPRIATION	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	VOTE SOCIAL DEVELOPMENT			
	Non-departmental output expenses			
901	Assistance to Disadvantaged Persons	1,447	1,450	1,450
2,157	Children's Commissioner	2,157	2,157	2,157
4,109	Connected Communities	4,605	4,753	4,753
17,728	Counselling and Rehabilitation Services	17,793	17,859	17,859
8,893	Education and Prevention Services	8,451	8,762	8,762
7,770	Families Commission	7,947	7,770	7,947
69,185	Family Wellbeing Services	70,792	71,028	71,017
488	Life Skills and Employment-Related Training Activities	541	543	543
5,682	Retirement Commissioner	5,782	5,782	5,782
3,382	Strengthening Providers and Communities	3,145	3,162	3,162
100,938	Strong Families	126,451	94,426	134,455
4,276	Student Placement Services	3,611	3,512	3,612
87,585	Vocational Services for People with Disabilities	86,512	86,608	86,608
313,094	Total non-departmental output expenses	339,234	307,812	348,107
	Non-departmental other expenses			
-	Canterbury Earthquake Support	199,250	-	260,600
363	Contingency and Innovations Fund	-	-	-
791,799	Debt Write-downs	739,338	828,285	781,488
109,062	Employment Assistance	112,624	95,552	121,396
1,434	Job Support Scheme	-	1,292	42
3,620	Mainstream Supported Employment Programme	3,198	3,472	3,472
18,527	Out of School Care Programmes	17,764	18,255	18,255
924,805	Total non-departmental other expenses	1,072,174	946,856	1,185,253
	Non-departmental capital expenditure			
176,466	Recoverable Assistance	162,185	179,031	167,496
1,525,025	Student Loans	1,564,204	1,616,144	1,618,480
1,701,491	Total non-departmental capital expenditure	1,726,389	1,795,175	1,785,976

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Statement of Non-Departmental Expenditure and Appropriations (Continued)

For the year ended 30 June 2011

ACTUAL 2010 \$000	TYPE OF APPROPRIATION	ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Benefits and other unrequited expenses			
1,153,610	Accommodation Assistance	1,196,717	1,220,758	1,212,838
45,041	Benefits Paid in Australia	39,519	39,272	39,550
178,145	Childcare Assistance	188,107	190,062	195,696
411,466	Disability Assistance	409,262	421,052	411,779
1,693,401	Domestic Purposes Benefit	1,757,286	1,756,450	1,774,469
18,591	Employment Related Training Assistance	10,990	19,797	19,797
599	Family Start/NGO Awards	550	705	705
270,376	Hardship Assistance	272,396	288,475	283,757
19,185	Independent Youth Benefit	15,975	19,395	16,495
1,303,110	Invalid's Benefit	1,305,864	1,319,236	1,313,053
8,289,830	New Zealand Superannuation	8,830,246	8,822,221	8,848,186
101,165	Orphan's/Unsupported Child's Benefit	107,618	107,403	108,441
3,675	Redundancy Assistance ⁷⁹	801	428	817
709,786	Sickness Benefit	742,678	760,431	747,567
26	Special Annuities	-	-	-
14,174	Special Circumstance Assistance ⁸⁰	32,320	14,445	34,673
-	Special Compensation Payment for GST increase	131,376	159,941	137,013
-	Special Payment Mechanism for 1 October 2010 Tax Package	-	-	50
570,396	Student Allowances	620,243	656,272	634,751
39,755	Study Scholarships and Awards	33,614	36,241	39,241
22,078	Transition to Work	22,566	26,157	23,367
930,260	Unemployment Benefit and Emergency Benefit	942,840	969,194	971,173
72,764	Widow's Benefit	74,260	72,419	74,614
15,847,433	Total Benefit and other unrequited expenses	16,735,228	16,900,354	16,888,032
18,786,823	Total Vote Social Development	19,873,025	19,950,197	20,207,368
	VOTE VETERANS' AFFAIRS - SOCIAL DEVELOPMENT			
	Benefits and other unrequited expenses			
179,230	Veterans' Pension	178,048	179,649	178,972
179,230	Total Vote Veterans' Affairs - Social Development	178,048	179,649	178,972
	VOTE YOUTH DEVELOPMENT			
	Non-departmental output expenses			
8,133	Services for Young People	7,884	7,982	7,885
-	Trialling New Approaches to Social Sector Change	318	-	367
886	Youth Development Partnership Fund	884	889	889
9,019	Total Vote Youth Development	9,086	8,871	9,141
18,975,072	Total non-departmental expenses	20,060,159	20,138,717	20,395,481

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

⁷⁹ Redundancy Assistance is paid for a limited time to people made redundant under the conditions and criteria set out in the ReStart Transitional Relief Ministerial Welfare Programme 2008 and the Social Security Act 1964. The demand for the assistance did not reduce as rapidly as expected causing an overspend of \$9,000 in October 2010. Subsequent approval was received to increase the budget to avoid further breaches.

⁸⁰ A significant increase in the demand for civil defence payments by people affected by the 22 February 2011 Christchurch earthquake resulted in the Special Circumstance Assistance appropriation to be exceeded by \$7.562 million by the end of March 2011. The civil defence payments are non-taxable, not subject to income and asset testing and do not have an impact on eligibility to any other form of social assistance. The payments cover temporary accommodation, food and clothing, and loss of livelihood. An approval was received in April 2011 to increase the budget to avoid further breaches.

Statement of Unappropriated Non-Departmental Expenditure and Appropriations

For the year ended 30 June 2011

PRE-APPROVAL UNAPPROPRIATED EXPENDITURE 2010 \$000	TYPE OF APPROPRIATION	PRE-APPROVAL UNAPPROPRIATED EXPENDITURE 2011 \$000	APPROVAL UNDER SECTION 26B PUBLIC FINANCE ACT 1989 2011 \$000	UNAPPROPRIATED EXPENDITURE 2011 \$000
	VOTE SOCIAL DEVELOPMENT			
	Benefits and other unrequited expenses			
-	Transition to Work	-	400	-
38	Redundancy Assistance	-	-	-
-	Widow's Benefit	-	300	-
38	Total	-	700	-

The demand-driven nature of Benefits and Other Unrequited Expenses (BOUE) and Non-Departmental Capital Expenditure appropriations means it is forecast on a mid-point average basis during the year. Under this method of forecasting, it was expected the actual expenditure on some of the forecast items would be more than the mid-point forecast and on other forecast items less than the mid-point forecast. As an appropriation is a legal upper limit on expenditure, using a mid-point forecast to determine the amount of the appropriation inevitably means there will be unappropriated expenditure for some forecast items requiring separate ministerial approval.

To reduce the likelihood of unappropriated expenditure, each item in the 2010/2011 Supplementary Estimates included forecasts set within reason at the higher end of their forecast range. In addition the Ministry identified and sought approval under section 26B of the Public Finance Act 1989 for demand-driven expenditure likely to exceed (but within the scope of the appropriations) the forecasts prepared for the 2010/2011 Supplementary Estimates.

Approval was received before 30 June 2011 from the Minister of Finance for two section 26B approvals under the Public Finance Act 1989. However, there were no instances of unappropriated expenditure in 2010/2011 as all appropriations were within their Supplementary Estimates at year-end. These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Schedule of Non-Departmental Income

For the year ended 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
21	Interest revenue	30	-	-
483	Maintenance Capitalisation	142	168	264
155	Gain on foreign exchange	1,535	-	-
10,532	Student Loan - Administration Fee	11,959	12,581	12,020
68,227	Student Loan - Interest Unwind	63,999	65,511	64,159
79,418	Total non-departmental income	77,665	78,260	76,443

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
238,027	Benefit Recoveries - Current Debt	245,240	248,371	249,246
1,894	Benefit Recoveries - Liable Parent Contributions	1,629	1,712	1,624
78,589	Benefit Recoveries - Non-Current Debt	78,429	76,351	81,138
164,382	Overseas Pension Recoveries	173,546	175,063	173,940
102,163	Student Loans - Repayment of Principal	110,936	112,368	103,455
585,055	Total non-departmental capital receipts	609,780	613,865	609,403

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Schedule of Non-Departmental Assets

As at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Current assets			
39,456	Cash and cash equivalents	102,017	91,812	39,456
1,315,689	Student loans advanced ⁸¹	1,338,787	1,332,511	1,401,307
(630,389)	Provision for doubtful debts - student loans	(569,698)	(590,600)	(591,679)
186,601	Accounts receivable - benefits and allowances	188,632	305,461	238,272
1,169	Prepayments - benefits and allowances	834	127	1,169
912,526	Total current assets	1,060,572	1,139,311	1,088,525
	Non-current assets			
774,302	Accounts receivable - benefits and allowances	833,529	725,019	773,834
(510,607)	Provision for doubtful debts - benefits and allowances	(556,039)	(558,889)	(550,606)
143	Advances - benefits and allowances	125	130	116
-	Foreign currency forward contract	1,260	4,887	-
263,838	Total non-current assets	278,875	171,147	223,344
1,176,364	Total non-departmental assets	1,339,447	1,310,458	1,311,869

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

81 The Student Loan scheme is administered by the Ministry of Social Development in conjunction with the Ministry of Education and the Inland Revenue Department. The Ministry's role is to assess and make payments to students undertaking tertiary education. The Student Loans advanced, including any early repayments, interest and administration fees charged, are transferred to the Inland Revenue Department in March and April each year for collection.

The Statement of Accounting Policies: Non-Departmental on pages 106 to 108 and Notes 1 to 4 on pages 121 to 128 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Liabilities

As at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000
	Current liabilities			
311,238	Accruals - other than government departments	384,567	296,292	346,869
83,616	Tax payable	71,855	81,966	74,118
900	Other current liabilities	348	-	-
48	Foreign currency forward contract	-	-	48
395,802	Total non-departmental liabilities	456,770	378,258	421,035

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Schedule of Non-Departmental Commitments

As at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Operating commitments	
73,399	Less than one year	95,339
-	One to two years	163
-	Two to five years	-
-	More than five years	-
73,399	Total operating commitments	95,502

The majority of the commitments disclosed above are with non-government organisations delivering community-based outcomes within New Zealand.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Schedule of Non-Departmental Contingent Liabilities And Contingent Assets

As at 30 June 2011

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities.

Quantifiable contingent liabilities

There are no quantifiable cases (2010: nil) lodged against the Ministry that remain unresolved as at 30 June 2011.

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (2010: nil).

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Statement of Trust Monies

For the year ended 30 June 2011

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances at 30 June 2011 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2011 were as follows:

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	Australian Debt Recoveries	
4	Balance at 1 July	4
43	Contributions	87
(43)	Distributions	(88)
-	Revenue	-
-	Expenditure	-
4	Balance at 30 June	3
	Australian Embargoed Arrears	
481	Balance at 1 July	491
5,088	Contributions	4,342
(5,078)	Distributions	(4,325)
-	Revenue	-
-	Expenditure	-
491	Balance at 30 June	508
	Maintenance	
55	Balance at 1 July	41
732	Contributions	644
(746)	Distributions	(614)
-	Revenue	4
-	Expenditure	-
41	Balance at 30 June	75
	Netherlands Debt	
1	Balance at 1 July	2
66	Contributions	27
(65)	Distributions	(27)
-	Revenue	-
-	Expenditure	-
2	Balance at 30 June	2
538	Total trust monies	588

Australian Debt Recoveries Trust Account

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

Australian Embargoed Arrears Trust Account

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

Maintenance Trust Account

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

Netherlands Debt Trust Account

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/2011.

Notes to the Non-Departmental Financial Statements

For the year ended 30 June 2011

Note 1: Explanation of major variances against budget

Changes in actual results and Supplementary Estimates

Explanations for major variances from the Ministry's supplementary figures are as follows:

	ACTUAL 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000	VARIANCE 2011 \$000	EXPLANATION
VOTE SOCIAL DEVELOPMENT				
Non-departmental other expenses				
Canterbury Earthquake Support	199,250	260,600	61,350	The decrease relates to: - actual applications for the Earthquake Support Subsidy were lower than anticipated.
Debt Write-downs	739,338	781,488	42,150	The decrease relates to: - a better student loan revaluation result than expected. - in addition lower numbers of new issues of student loans compared to budget reduced the size of the debt write-down required.
Non-departmental capital expenditure				
Student Loans	1,564,204	1,618,480	54,276	The decrease relates to: - total loans granted for the year were down from the previous fiscal year. This mainly related to the June quarter where loans granted were 9% fewer than expected.
Benefits and other unrequited expenses				
Unemployment Benefit and Emergency Benefit	942,840	971,173	28,333	The decrease relates to: - average number of recipients was lower than projected. This was mainly because the impact of the Christchurch earthquake on recipient numbers was less than expected. In addition, the economy is doing much better than expected. GDP grew by 0.8% in the March quarter, compared to the 0.3% contraction forecast in the 2011 Budget, while the 52 week reassessments for UB clients also contributed to the lower UB numbers.

Changes in appropriations

The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2010/2011 financial year.

	MAIN ESTIMATES 2011 \$000	SUPPLEMENTARY ESTIMATES 2011 \$000	VARIANCE 2011 \$000	EXPLANATION
VOTE SOCIAL DEVELOPMENT				
Non-departmental output expenses				
Strong Families	94,426	134,455	40,029	The increase relates to: - Community Response Fund draw downs (\$41.392 million) - with the above offset by an expense transfer from 2010/2011 to 2011/2012 to extend the Community Response fund for one year (\$1.629 million).
Non-departmental other expenses				
Canterbury Earthquake Support	-	260,600	260,600	This is a new appropriation in 2010/2011 to provide financial support for employers, and those employed on 22 February 2011, affected by the Canterbury Earthquake.
Debt Write-downs	828,285	781,488	(46,797)	This decrease relates to: - a reduction in Student Loan borrowing and a decrease in the Student Loan initial fair value write-down ratio.
Employment Assistance	95,552	121,396	25,844	This increase relates to: - funding for the Extension of the Community Max programme (\$17.4 million) - a fiscally neutral transfer of funding to Reconfigure Training Opportunities Support (\$15.595 million) - the above offset by an expense transfer from 2010/2011 to 2011/2012 to fund the Youth Opportunities and Community Max initiatives (\$7 million).
Benefits and other unrequited expenses				
New Zealand Superannuation	8,822,221	8,848,186	25,965	This increase relates to: - a higher than expected number of recipients. This is partly offset by a lower than expected average payment rate (before indexation) and cost of living adjustment.
Special Circumstance Assistance	14,445	34,673	20,228	This increase relates to: - Civil Defence emergency payments associated with the recent Christchurch earthquakes.
Special Compensation Payment for GST increase	159,941	137,013	(22,928)	This decrease relates to: - lower than expected demand for the compensation for the increase in the rate of GST between 1 October 2010 and 31 March 2011.
Student Allowances	656,272	634,751	(21,521)	This decrease relates to: - a lower than expected average payment (before indexation) and a lower number of Student Allowance recipients.

Note 2: Student Loan advances

Source: Ministry of Education – Student Loan Scheme

Student Loans are stated at the carrying value as determined in NZ IAS 39 under the loans and receivables category. Independent advice from PriceWaterhouseCoopers was sought to help determine the carrying value of the Student Loan portfolio under NZ IFRS requirements. The Ministry of Social Development is responsible for the lending and the initial administration of Student Loans. Students can borrow for course fees, course-related costs and/or living costs. In March of each year, the majority of the balance of the loans is transferred to the Inland Revenue Department (IRD).

Student Loan nominal value

The nominal balance is the total obligation borrowers have including loan principal and penalties. The change in nominal value from year to year reflects the net growth of the portfolio through new lending less repayments and other adjustments such as write-offs due to death and bankruptcy. The nominal value is the basis for other values such as the carrying value and fair value.

Student Loan carrying value

Student Loans are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method less any impairment loss.

Fair value on the initial recognition of Student Loans is determined by projecting forward expected repayments required under the scheme and discounting them back at an appropriate discount rate. The subsequent measurement at amortised cost is determined using the effective interest rate calculated at initial recognition. This rate is used to spread the interest income across the life of the loan and determines the loan's carrying value at each reporting date.

The valuation model has been adapted to reflect the current Student Loan policy. The carrying value is also sensitive to changes in a number of underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors such as inflation and discount rates. The significant assumptions are included in the table Carrying value of Student Loans as at 30 June 2011.

Student Loan fair value

Fair value is the amount for which the loan book could be exchanged between knowledgeable, willing parties in an arm's-length transaction as at 30 June 2011. It is determined by discounting the estimated cash flows at an appropriate discount rate. The estimated fair value of the Student Loan debt at 30 June 2011 has been determined to be approximately \$778.0 million (\$671.0 million at 30 June 2010).

Fair values will differ from carrying values due to changes in market interest rates. The carrying value is not adjusted for changes in market interest rates, whereas the fair value was calculated using a discount rate current as at 30 June 2011. At that date, the fair value was calculated on a discount rate of 7.10 per cent, whereas a weighted average discount rate of 7.11 per cent was used for the carrying value. The difference between fair value and carrying value does not represent an impairment of the asset.

The fair value interest rate sensitivity is included in the table Carrying value of Student Loans as at 30 June 2011.

Impairment

Allowances for estimated irrecoverable amounts are recognised when there is objective evidence the loan is impaired. Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan, and if a 'loss' event (or events) has an impact on the estimated future cash flows of the Student Loan book that can be reliably measured.

Carrying value of Student Loans as at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	VOTE SOCIAL DEVELOPMENT	
	Student loans	
1,150,732	Opening nominal balance	1,315,689
1,525,025	New lending	1,564,204
(102,163)	Repayment	(110,936)
(1,268,435)	Loan balance transfer to IRD	(1,442,129)
10,532	Administration fee	11,959
(2)	Other movement in nominal value	-
1,315,689	Closing nominal balance	1,338,787
(487,960)	Cumulative fair value write-down	(675,485)
3,600	Cumulative impairment	(22,504)
60,552	Cumulative interest unwind	67,600
(727,751)	Fair value write-down of new lending	(713,233)
(22,504)	Impairment	30,000
68,227	Interest unwind	63,999
475,447	Loan fair value adjustment transferred to IRD	679,926
-	Other movement	(1)
685,300	Net carrying value of student loans	769,089
	Significant assumptions behind the carrying value are:	
6.97%	Weighted average interest rate for calculating impaired value	7.11%
6.7%-6.8%	Interest rate applied to loans for overseas borrowers	6.6%-6.7%
2.4%-3.0%	CPI	2.5%-2.8%
3.0%-3.5%	Future salary inflation	3.5%-3.7%
	The estimated fair value of the Student Loan portfolio and key assumptions underpinning the fair valuation are:	
671,000	Fair value ⁸²	778,000
7.67%	Discount rate	7.10%
(41,000)	Impact on fair value of a 1% increase in discount rate	(43,000)
46,800	Impact on fair value of a 1% decrease in discount rate	50,000

Student Loans are transferred to the IRD for collection each year. Interest rate risk and credit risk on those loans are held with the IRD. The Ministry has an interest rate risk and credit risk on the balance not transferred at year-end.

The Ministry's interest rate risk and credit risk is consistent with those of the IRD.

⁸² The Student Loan fair value for 2009/2010 has been restated due to a change in methodology for calculating the fair value by PricewaterhouseCoopers in the current year. The result is a more consistent approach with other elements of the valuation.

Note 3: Accounts receivable – benefits and allowances

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

The carrying value and fair value are the same for these amounts. Since there is no market comparison, the fair value is determined by discounting the expected future cash flows by appropriate interest rates at year-end. The effective interest rates applied at year-end were between 4.41–6.65 per cent (4.67–6.7 per cent at 30 June 2010).

The fair value of the portfolio as at 30 June 2011 is \$466 million (\$450 million at 30 June 2010).

Social benefit receivables as at 30 June 2011

ACTUAL 2010 \$000		ACTUAL 2011 \$000
	By type	
450,296	Social benefit receivables	466,122
143	Advances - benefits and allowances	125
450,439	Total receivables	466,247
	By maturity	
186,601	Expected to be realised within one year	188,632
263,838	Expected to be held for more than one year	277,615
450,439	Total receivables	466,247
	Social benefit receivables	
960,903	Gross social benefit receivables	1,022,161
(510,607)	Impairment of social benefit receivables	(556,039)
450,296	Total social benefit receivables	466,122
	Impairment of social benefit receivables	
(478,890)	Balance at beginning of the year	(510,607)
(31,717)	Impairment losses recognised on receivables	(45,432)
-	Amounts written off as uncollectible	-
(510,607)	Balance at end of the year	(556,039)
(510,607)	Collective impairment allowance	(556,039)
-	Individual impairment allowance	-
(510,607)	Balance at end of the year	(556,039)
	Significant assumptions behind the carrying value are:	
4.67%-6.70%	Effective interest rate	4.41%-6.65%
	The estimated fair value of the Social Benefit Debt portfolio and key assumptions underpinning the fair valuation are:	
450,296	Fair value	466,122
(13,972)	Impact on fair value of a 1% increase in discount rate	(14,855)
15,515	Impact on fair value of a 1% decrease in discount rate	16,520

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment losses of \$45.4 million during the 2010/2011 year.

The fair value is sensitive to the discount rate and the expected future cash flows. A one per cent increase in the discount rate would decrease fair value by approximately \$15 million, whereas a one per cent decrease in the discount rate would increase fair value by approximately \$16.5 million. Since there are no contractual repayment terms, future cash flows assume existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

Interest rate risk is the risk that the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between 0.26 per cent and 0.05 per cent from 1 July 2010 to 30 June 2011.

Credit risk is the risk that the benefit debt is not repaid before the borrower dies. Benefit policy does not require recipients to provide any collateral or security to support advances made. As the total benefit debt is dispersed over a large number of borrowers, there is not any material individual concentration of credit risk. The credit risk is reduced by compulsory deductions from benefit and superannuation payments, provided hardship is not caused.

Note 4: Financial instrument risks

Financial instrument risks

Classes and categories of financial assets

AS AT 30 JUNE 2010 DESIGNATION						AS AT 30 JUNE 2011 DESIGNATION				
AMORTISED COST \$000	LOANS & RECEIVABLES \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000		AMORTISED COST \$000	LOANS & RECEIVABLES \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000
-	39,456	-	-	39,456	Cash and cash equivalents	-	102,017	-	-	102,017
685,300	-	-	-	685,300	Student Loans	769,089	-	-	-	769,089
-	-	-	-	-	Foreign exchange contract	-	-	1,260	-	1,260
685,300	39,456	-	-	724,756	Total financial assets by designation	769,089	102,017	1,260	-	872,366

Classes and categories of financial liabilities

AS AT 30 JUNE 2010 DESIGNATION					AS AT 30 JUNE 2011 DESIGNATION			
AMORTISED COST \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000		AMORTISED COST \$000	HELD FOR TRADING \$000	FAIR VALUE THROUGH P&L \$000	TOTAL \$000
312,138	-	-	312,138	Accounts payable	384,915	-	-	384,915
83,616	-	-	83,616	Tax payable	71,855	-	-	71,855
-	48	-	48	Foreign exchange contract	-	-	-	-
395,754	48	-	395,802	Total financial liabilities by designation	456,770	-	-	456,770

Foreign currency risk management

AS AT 30 JUNE 2010					AS AT 30 JUNE 2011			
NZD NZ\$000	AUD NZ\$000	OTHER NZ\$000	TOTAL NZ\$000		NZD NZ\$000	AUD NZ\$000	OTHER NZ\$000	TOTAL NZ\$000
36,845	2,495	116	39,456	Cash and cash equivalents	87,307	13,976	734	102,017
685,300	-	-	685,300	Student Loans	769,089	-	-	769,089
-	-	-	-	Foreign exchange contract	1,260	-	-	1,260
722,145	2,495	116	724,756	Total financial assets	857,656	13,976	734	872,366
312,138	-	-	312,138	Accounts payable	384,915	-	-	384,915
83,616	-	-	83,616	Tax payable	71,855	-	-	71,855
48	-	-	48	Foreign exchange contract	-	-	-	-
395,802	-	-	395,802	Total financial liabilities	456,770	-	-	456,770

The Ministry needs to reimburse the Australian government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO) to hedge the currency risk.

At balance date, the Ministry had a series of foreign exchange forward contracts which entitles the Ministry to exchange NZ\$69.789 million with NZDMO for AUD\$55.891 million. On 30 June 2011, the market value of these contracts was an asset of NZ\$1.260 million (2010: liability of NZ\$0.048 million).

Credit risk management

AS AT 30 JUNE 2010						AS AT 30 JUNE 2011				
AAA \$000	AA \$000	A \$000	NON- RATED \$000	TOTAL \$000		AAA \$000	AA \$000	A \$000	NON- RATED \$000	TOTAL \$000
-	39,456	-	-	39,456	Cash and cash equivalents	-	102,017	-	-	102,017
-	-	-	685,300	685,300	Student Loans	-	-	-	769,089	769,089
-	-	-	-	-	Foreign exchange contract	-	-	-	1,260	1,260
-	39,456	-	685,300	724,756	Total financial assets	-	102,017	-	770,349	872,366

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

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

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and to enter into foreign exchange forward contracts with the NZDMO. These entities have high credit ratings.

For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Credit risk has a significant impact on the valuation of social benefit receivables and Student Loans. The credit risk factor has been built into the valuation models to calculate the fair value of these two assets.

Concentration of credit exposure by geographical area

AS AT 30 JUNE 2010					AS AT 30 JUNE 2011					
NEW ZEALAND \$000	AUSTRALIA \$000	EUROPE \$000	OTHER \$000	TOTAL \$000		NEW ZEALAND \$000	AUSTRALIA \$000	EUROPE \$000	OTHER \$000	TOTAL \$000
36,845	2,495	116	-	39,456	Cash and cash equivalents	87,307	13,976	734	-	102,017
685,300	-	-	-	685,300	Student Loans	769,089	-	-	-	769,089
-	-	-	-	-	Foreign exchange contract	1,260	-	-	-	1,260
722,145	2,495	116	-	724,756	Total financial assets	857,656	13,976	734	-	872,366

Liquidity risk management

AS AT 30 JUNE 2010					AS AT 30 JUNE 2011					
CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	> 2 YEARS \$000		CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	> 2 YEARS \$000
312,138	312,138	312,138	-	-	Accounts payable	384,915	384,915	384,915	-	-
83,616	83,616	83,616	-	-	Tax payable	71,855	71,855	71,855	-	-
48	48	-	48	-	Foreign exchange contract	-	-	-	-	-
395,802	395,802	395,754	48	-	Total financial liabilities	456,770	456,770	456,770	-	-

Fair value hierarchy risk management

AS AT 30 JUNE 2010				AS AT 30 JUNE 2011				
QUOTED MARKET PRICE NZ\$000	OBSERVABLE INPUTS NZ\$000	SIGNIFICANT NON-OBSERVABLE INPUTS NZ\$000	TOTAL NZ\$000		QUOTED MARKET PRICE NZ\$000	OBSERVABLE INPUTS NZ\$000	SIGNIFICANT NON-OBSERVABLE INPUTS NZ\$000	TOTAL NZ\$000
-	-	-	-	Foreign exchange contract	-	1,260	-	1,260
-	-	-	-	Total financial assets	-	1,260	-	1,260
-	48	-	48	Foreign exchange contract	-	-	-	-
-	48	-	48	Total financial liabilities	-	-	-	-



MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Bowen State Building, Bowen Street, PO Box 1556, Wellington 6140, New Zealand
Telephone +64 4 916 3300 Facsimile +64 4 918 0099
Email info@msd.govt.nz Web www.msd.govt.nz

ISSN 1175-9895 (Print)
ISSN 1178-3389 (Online)

New Zealand Government