Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

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

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

Reporting entity

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

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

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

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

Basis of preparation

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

Statement of compliance

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

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

These financial statements comply with PBE accounting standards.

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

Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, and certain financial instruments.

Functional and presentation currency

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

Changes in accounting policies

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

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

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

Significant accounting policies

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

Budget and forecast figures

Basis of the budget and forecast figures

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

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

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

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

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

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

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

Significant assumptions used in preparing the forecast financials

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

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

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

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

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

Revenue

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

Revenue Crown

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

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

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

Cost allocation

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

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

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

Criteria for direct and indirect costs

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

For the year ended 30 June 2016 direct costs accounted for 89.6 percent of the Ministry's costs (2015: 83.6 percent).

Expenses

General

Expenses are recognised in the period to which they relate.

Capital charge

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

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Property, plant and equipment

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

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

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

Additions

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

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

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

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

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

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

Revaluation

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

Accounting for revaluations

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

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

Amortisation

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

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

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

Impairment of non-financial assets

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

Non-cash-generating assets

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

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

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

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

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

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

Non-current assets held for sale

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

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

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

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

Income tax

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Leases

Finance leases

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

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

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

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

Operating leases

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

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

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

Provisions

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

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

Commitments

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

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

Contingent assets and liabilities

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

Employee entitlements

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

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

Statement of Cash Flows

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

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

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

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

Equity

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

Property revaluation reserves

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

Critical accounting estimates and assumptions

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

Retirement and long service leave

An analysis of the Ministry's exposure to estimates and uncertainties around its retirement and long service leave liability is contained in the notes (refer to Note 15).

Fair value of land and buildings

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

Useful lives of software

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

Operating and finance leases

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

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

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2016.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Revenue				
1,384,292	Revenue Crown		1,476,620	1,471,120	1,477,333
7,314	Revenue other	1	11,360	4,667	4,412
19	Gain on disposal of fixed assets	2	-	-	-
1,391,625	**Total revenue**		**1,487,980**	**1,475,787**	**1,481,745**
	Expenses				
716,712	Personnel costs	3	749,832	773,038	788,500
53,042	Depreciation and amortisation expenses	10,11	57,251	55,540	57,045
24,706	Capital charge	4	26,163	24,461	26,179
591,837	Other operating expenses	5	616,053	622,748	610,021
-	Loss on disposal of fixed assets	6	103	-	-
1,386,297	**Total expenses**		**1,449,402**	**1,475,787**	**1,481,745**
5,328	**Net surplus/(deficit)**		**38,578**	**-**	**-**
	Other comprehensive revenue and expense				
	Item that will not be reclassified to net surplus/(deficit)				
-	Gain on property revaluations		-	-	-
5,328	**Total comprehensive revenue and expense**		**38,578**	**-**	**-**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22. Refer to Note 5 for other operating expenses actual variances.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Financial Position

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Equity				
280,097	Taxpayers' funds	16	280,298	282,397	288,697
46,944	Revaluation reserve	16	46,944	46,944	46,944
327,041	**Total equity**		**327,242**	**329,341**	**335,641**
	Assets				
	Current assets				
38,590	Cash and cash equivalents	7	77,644	19,390	21,279
9,099	Accounts receivable	8	3,809	18,351	1,975
23,253	Prepayments		19,004	12,000	18,359
72,083	Crown receivable	9	30,000	61,394	-
143,025	**Total current assets**		**130,457**	**111,135**	**41,613**
	Non-current assets				
300,443	Property, plant and equipment	10	314,097	318,174	330,894
114,455	Intangible assets	11	151,796	125,835	185,309
414,898	**Total non-current assets**		**465,893**	**444,009**	**516,203**
557,923	**Total assets**		**596,350**	**555,144**	**557,816**
	Liabilities				
	Current liabilities				
108,668	Accounts payable and accruals	12	105,338	104,588	105,289
5,328	Return of operating surplus to the Crown	13	38,578	-	-
64,523	Provision for employee entitlements	15	65,510	68,761	64,523
6,873	Other provisions	14	7,161	6,199	6,873
185,392	**Total current liabilities**		**216,587**	**179,548**	**176,685**
	Non-current liabilities				
45,490	Provision for employee entitlements	15	52,521	46,255	45,490
45,490	**Total non-current liabilities**		**52,521**	**46,255**	**45,490**
230,882	**Total liabilities**		**269,108**	**225,803**	**222,175**
327,041	**Net assets**		**327,242**	**329,341**	**335,641**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
308,831	**Balance at 1 July**		**327,041**	**327,041**	**327,241**
5,328	Total comprehensive revenue and expense		38,578	-	-
	Owner transactions				
(5,328)	Return of operating surplus to the Crown	13	(38,578)	-	-
18,210	Capital injections		2,300	2,300	8,400
-	Capital withdrawal – non-cash		(2,099)	-	-
327,041	**Balance at 30 June**		**327,242**	**329,341**	**335,641**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Cash Flows

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Cash flows from operating activities				
1,421,068	Receipts from Crown revenue		1,518,703	1,479,809	1,512,333
10,589	Receipts from other revenue		9,470	4,667	4,412
(594,479)	Payments to suppliers		(607,761)	(704,385)	(607,785)
(725,544)	Payments to employees		(745,529)	(673,461)	(809,261)
(24,706)	Payments for capital charge		(26,163)	(24,461)	(26,179)
2,983	Goods and services tax (net)		3,813	-	-
89,911	**Net cash flow from operating activities**	**17**	**152,533**	**82,169**	**73,520**
	Cash flows from investing activities				
1,749	Receipts from sale of property, plant and equipment		1,863	1,800	2,000
(28,591)	Purchase of property, plant and equipment		(45,282)	(26,652)	(36,712)
(62,344)	Purchase of intangible assets		(67,032)	(59,850)	(60,431)
(89,186)	**Net cash flow from investing activities**		**(110,451)**	**(84,702)**	**(95,143)**
	Cash flows from financing activities				
18,210	Capital injections		2,300	2,300	8,400
(11,604)	Return of operating surplus		(5,328)	(2,000)	(5,000)
6,606	**Net cash flow from financing activities**		**(3,028)**	**300**	**3,400**
7,331	Net increase/(decrease) in cash		39,054	(2,233)	(18,223)
31,259	Cash at the beginning of the year		38,590	21,623	39,502
38,590	**Cash at the end of the year**		**77,644**	**19,390**	**21,279**

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

Refer to Note 17 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2016

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

Actual 2015 $000		Actual 2016 $000
	William Wallace Trust	
405	**Balance at 1 July**	**424**
(69)	Distributions	(57)
88	Revenue	52
424	**Balance at 30 June**	**419**

William Wallace Trust Account

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

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Commitments

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Capital commitments	
28,869	Buildings	5,153
28,869	**Total capital commitments**	**5,153**
	Operating commitments	
	Non-cancellable accommodation leases	
36,563	Not later than one year	47,987
96,963	Later than one year and not later than five years	100,784
165,565	Later than five years	152,952
299,091	**Total non-cancellable accommodation leases**	**301,723**
299,091	**Total operating commitments**	**301,723**
327,960	**Total commitments**	**306,876**

The Ministry is currently in discussions with the Ministry of Business, Innovation and Employment to co-locate space in the Central Business District of Christchurch from September 2016 with a term of 12 years.

Capital commitments

The Ministry had capital commitments of $5.2 million as at balance date (2015: $28.9 million). This relates to the leasehold improvement costs associated with the relocation of MSD National Office to 56 The Terrace and 89 The Terrace, Wellington from August 2016.

Non-cancellable accommodation leases

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

The Operating and Capital commitments for 2015/2016 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

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

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.736 million expected to be received in the following year, 2016/2017. Refer to Note 1 for actual sub-lease rental recoveries for 2015/2016.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2016

Unquantifiable contingent liabilities

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

Quantifiable contingent liabilities

Actual 2015 $000		Actual 2016 $000
200	Personal grievances claims	45
1,138	Other claims	886
1,338	**Total contingent liabilities**	**931**

Personal grievances

Personal grievances claims represents amounts claimed by employees for personal grievances cases.
There are nine personal grievances claims (2015: 26 personal grievances claims).

Other claims

Other claims represents outstanding grievances claims from our clients for unpaid benefit entitlements and Child, Youth and Family disputes. There are four claims (2015: four claims).

Quantifiable contingent assets

Actual 2015 $000		Actual 2016 $000
5,000	Canterbury earthquake claim	-
5,000	**Total contingent assets**	**-**

The Ministry has settled the business interruption insurance claim resulting from the 2010/2011 Christchurch earthquakes in 2016 (2015: $5.0 million).

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Notes to the Financial Statements

Note 1: Revenue other

Actual 2015 $000		Actual 2016 $000
942	Sub-lease rental recoveries	1,135
6,372	Other recoveries	10,225
7,314	**Total revenue other**	**11,360**

The Ministry received revenue from child support receipts on behalf of children in foster care ($3.012 million), the Property Management Centre of Expertise property portal ($2.857 million), insurance recovered ($2.250 million), the Social Sector Investment Programme ($0.920 million), Strengthening Families interagency support ($0.543 million) and the Canterbury Earthquake Recovery Authority ($0.348 million) and other revenues ($0.295 million). The Ministry also received revenue from sub-leased premises ($1.135 million).

Note 2: Gain on disposal of fixed assets

Actual 2015 $000		Actual 2016 $000
19	Gain on disposal of fixed assets	-
19	**Total gains**	**-**

The Ministry disposed of assets including motor vehicles that reached a pre-determined mileage and/or life. The net gain on asset disposals was nil (2015: $0.019 million).

Note 3: Personnel costs

Actual 2015 $000		Actual 2016 $000
676,006	Salaries and wages	708,730
7,997	Increase/(decrease) in employee entitlements	8,018
1,873	Increase/(decrease) in restructuring costs	1,521
19,309	Defined superannuation contribution scheme	20,339
11,527	Other personnel expenses	11,224
716,712	**Total personnel costs**	**749,832**

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

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June in each financial year. The capital charge rate for the year ended 30 June 2016 was 8 percent (2015: 8 percent).

Note 5: Operating expenses

Actual 2015 $000		Actual 2016 $000	Unaudited Forecast 2017 $000
932	Audit fees[57]	937	1,200
71,201	Rental, leasing and occupancy costs	70,781	72,000
61	Bad debts written off	222	-
215	Impairment of receivables	(394)	-
125,809	Client financial plan costs[58]	126,456	127,000
162,163	Employment support and subsidies[59]	177,037	175,000
28,861	Non-specific client costs[60]	33,840	35,000
46,691	Office operating expenses	43,770	50,000
68,375	IT-related operating expenses	84,353	76,821
8,120	Travel expenses	7,968	8,000
18,872	Consultancy and contractors' fees	23,588	20,000
10,961	Professional fees	12,828	15,000
49,576	Other operating expenses	34,667	30,000
591,837	**Total operating costs**	**616,053**	**610,021**

Major operating expenses actual variances

Employment support and subsidies increased by $14.874 million to $177.037 million in 2015/2016 mainly due to transition to work costs previously classified as non-departmental expenditure in 2014/2015.

IT-related operating expenses increased by $15.978 million to $84.353 million in 2015/2016 mainly due to increases in variable application support costs related to major projects on social housing assessment, children in material hardship, the Youth Service extension, and the Single Client Management System.

Note 6: Loss on disposal of fixed assets

Actual 2015 $000		Actual 2016 $000
-	Loss on disposal of fixed assets	103
-	**Total losses**	**103**

During the year the Ministry disposed of assets including motor vehicles that reached a pre-determined mileage and/or life. The net loss on asset disposals was $103,000 (2015: nil).

57 Audit fees includes statutory audit fees only. In addition to the annual audit, Audit New Zealand (Audit NZ) has carried out an assignment in the area of probity assurance (Investing in Children), which is compatible with independence requirements. The costs for this assignment are included as part of Other operating expenses. Other than the annual audit and this assignment, Audit NZ has no relationship with or interests in the Ministry.

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

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

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

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

Note 7: Cash and cash equivalents

Actual 2015 $000		Actual 2016 $000
38,590	Cash at bank and on hand	77,644
-	Term deposits with maturities less than 3 months	-
38,590	**Total cash and cash equivalents**	**77,644**

Note 8: Debtors and other receivables

Actual 2015 $000		Actual 2016 $000
	By type	
9,099	Trade and other receivables	3,809
9,099	**Total receivables**	**3,809**
	By maturity	
9,099	Expected to be realised within one year	3,809
-	Expected to be held for more than one year	-
9,099	**Total receivables**	**3,809**
	Trade and other receivables	
10,900	Gross trade and other receivables	5,216
(1,801)	Impairment of trade and other receivables	(1,407)
9,099	**Total trade and other receivables**	**3,809**
	Impairment of trade and other receivables	
1,586	Balance at beginning of the year	1,801
503	Impairment losses recognised on receivables	-
(288)	Reversal of impairment losses	(394)
1,801	**Balance at end of the year**	**1,407**
1,801	Collective impairment allowance	1,407
-	Individual impairment allowance	-
1,801	**Balance at end of the year**	**1,407**

The carrying value of debtors and other receivables approximates their fair value. The above are all exchange transactions.

Debtors impairment

As at 30 June 2016 (and 30 June 2015) impairment of trade and other receivables has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

As at 30 June 2016 the Ministry had no debtors deemed insolvent (2015: nil).

Ageing profile of receivables

as at 30 June 2015				as at 30 June 2016		
Gross $000	**Impairment $000**	**Net $000**		**Gross $000**	**Impairment $000**	**Net $000**
8,859	-	8,859	Not past due	3,039	-	3,039
62	-	62	Past due 1–30 days	257	-	257
26	-	26	Past due 31–60 days	86	-	86
34	(27)	7	Past due 61–90 days	23	-	23
1,919	(1,774)	145	Past due >91 days	1,811	(1,407)	404
10,900	**(1,801)**	**9,099**		**5,216**	**(1,407)**	**3,809**

Note 9: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2016 Crown receivable was $30 million (2015: $72.083 million).

Note 10: Property, plant and equipment

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2014	**57,118**	**187,964**	**80,059**	**117,864**	**26,345**	**18,948**	**488,298**
Additions by purchase	-	5,391	5,435	6,337	5,213	459	22,835
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	5,440	(402)	873	-	(155)	5,756
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	(417)	(26,662)	(5,323)	(14)	(32,416)
Balance as at 30 June 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Balance as at 1 July 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Additions by purchase	-	2,645	7,387	14,651	4,944	227	29,854
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	16,750	6,717	(7,997)	-	(48)	15,422
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	2	-	-	-	-	2
Disposals	-	-	(280)	(2)	(5,575)	(43)	(5,900)
Balance as at 30 June 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**

Note 10: Property, plant and equipment (continued)

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Accumulated depreciation and impairment losses							
Balance as at 1 July 2014	**-**	**-**	**63,065**	**98,404**	**11,540**	**12,476**	**185,485**
Depreciation expense	-	11,440	7,172	5,440	3,135	2,043	29,230
Eliminate on disposal	-	-	(417)	(26,662)	(3,592)	(15)	(30,686)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	1	-	-	-	1
Balance as at 30 June 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Balance as at 1 July 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Depreciation expense	-	11,097	6,499	7,271	3,392	1,425	29,684
Eliminate on disposal	-	-	(263)	(3)	(3,653)	(40)	(3,959)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	(1)	-	-	-	(1)
Balance as at 30 June 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Carrying amounts							
At 1 July 2014	**57,118**	**187,964**	**16,994**	**19,460**	**14,805**	**6,472**	**302,813**
At 30 June and 1 July 2015	**57,118**	**187,355**	**14,854**	**21,230**	**15,152**	**4,734**	**300,443**
At 30 June 2016	**57,118**	**195,655**	**22,443**	**20,614**	**14,782**	**3,485**	**314,097**
Unaudited forecast carrying amount at 30 June 2017	**57,118**	**187,383**	**61,273**	**8,059**	**14,523**	**2,538**	**330,894**

Valuation

A desktop review of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2016. Registered valuer Andrew Parkyn, ANZIV, from Quotable Value Limited was the project manager.

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

Land

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

Buildings

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

Work in progress

	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Plant & Equipment $000	Total $000
Cost or revaluation					
Balance as at 1 July 2014	**6,746**	**431**	**13,142**	**213**	**20,532**
Work in progress movement	5,440	(402)	873	(155)	5,756
Balance as at 30 June 2015	**12,186**	**29**	**14,015**	**58**	**26,288**
Balance as at 1 July 2015	**12,186**	**29**	**14,015**	**58**	**26,288**
Work in progress movement	16,750	6,717	(7,997)	(48)	15,422
Balance as at 30 June 2016	**28,936**	**6,746**	**6,018**	**10**	**41,710**

The total amount of property, plant and equipment under construction and work in progress is $41.710 million (2015: $26.288 million).

Restrictions

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

Note 11: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2014	**278,402**	**278,402**
Additions by purchase and internally generated	26,564	26,564
Work in progress movement	35,778	35,778
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2015	**340,744**	**340,744**
Balance as at 1 July 2015	**340,744**	**340,744**
Additions by purchase and internally generated	83,581	83,581
Work in progress movement	(16,572)	(16,572)
Asset transfers	(2,099)	(2,099)
Other asset movement	(3)	(3)
Disposals	(9,118)	(9,118)
Balance as at 30 June 2016	**396,533**	**396,533**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2014	**202,477**	**202,477**
Amortisation expense	23,812	23,812
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2015	**226,289**	**226,289**
Balance as at 1 July 2015	**226,289**	**226,289**
Amortisation expense	27,568	27,568
Disposals	(9,117)	(9,117)
Asset transfers	-	-
Other asset movement	(3)	(3)
Impairment losses	-	-
Balance as at 30 June 2016	**244,737**	**244,737**
Carrying amounts		
At 1 July 2014	**75,925**	**75,925**
At 30 June and 1 July 2015	**114,455**	**114,455**
At 30 June 2016	**151,796**	**151,796**
Unaudited forecast carrying amount at 30 June 2017	**185,309**	**185,309**

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2014	**26,499**	**26,499**
Work in progress movement	35,778	35,778
Balance as at 30 June 2015	**62,277**	**62,277**
Balance as at 1 July 2015	**62,277**	**62,277**
Work in progress movement	(16,572)	(16,572)
Balance as at 30 June 2016	**45,705**	**45,705**

The total amount of intangibles in the course of construction is $45.705 million (2015: $62.277 million).

Restrictions

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

Note 12: Creditors and other payables

Actual 2015 $000		Actual 2016 $000
	By type	
11,236	Trade creditors	7,551
13,616	GST payable	17,429
83,816	Accrued expenses	80,358
108,668	**Total payables**	**105,338**

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

Note 13: Return of operating surplus

Actual 2015 $000		Actual 2016 $000
5,328	Net surplus/(deficit)	38,578
5,328	**Total repayment of surplus**	**38,578**

The repayment of surplus is required to be paid to the Crown by 31 October 2016.

Note 14: Provisions

Actual 2015 $000		Actual 2016 $000
4,862	ACC Partnership programme	4,986
1,081	Restructuring provision	1,137
897	Lease reinstatement	1,028
33	Other provisions	10
6,873	**Total provisions**	**7,161**

Provisions by category

	ACC Partnership Programme $000	Lease Reinstatement $000	Restructure $000	Others $000	Total $000
2015					
Balance as at 1 July 2014	**4,672**	**388**	**1,076**	**63**	**6,199**
Additional provisions made	2,423	486	208	-	3,117
Amounts used	(2,233)	-	(203)	(30)	(2,466)
Unused amounts reversed	-	-	-	-	-
Discount unwind	-	23	-	-	23
Balance as at 30 June 2015	**4,862**	**897**	**1,081**	**33**	**6,873**
2016					
Balance as at 1 July 2015	**4,862**	**897**	**1,081**	**33**	**6,873**
Additional provisions made	2,358	290	217	-	2,865
Amounts used	(2,234)	-	(161)	-	(2,395)
Unused amounts reversed	-	(200)	-	(23)	(223)
Discount unwind	-	41	-	-	41
Balance as at 30 June 2016	**4,986**	**1,028**	**1,137**	**10**	**7,161**

ACC Partnership programme

The Ministry belongs to the ACC Accredited Employer programme, whereby the Ministry accepts the management and financial responsibility of the work-related illnesses and accidents of its employees. The Ministry, under the Full Self Cover Plan (FSCP), has opted for a stop loss limit of 160 percent of the industry premium and a High Cost Claims Cover (HCCC) limit of $250,000.

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

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

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

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

An external independent actuarial valuer, Melville Jessup Weaver, has calculated the Ministry's liability. The valuation is effective as at 30 June 2016. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Lease reinstatement

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

At year-end there were 13 sites where a lease reinstatement provision had been established with a value of $1.028 million (2015: $0.897 million). The timing of any future lease reinstatement work is currently up to five years in the future.

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

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

An asset to the value of $0.951 million (2015: $0.925 million) was established for the lease reinstatement costs. This is being depreciated on a straight-line basis for each lease term.

Restructure

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

The restructuring provision as at 30 June 2016 is $1.137 million (2015: $1.081 million).

Others

The Ministry has a provision of $10,000 (2015: $33,167) for family home resettlement. A $1,000 a year resettlement grant is paid to resigning or retiring family home caregivers after five or more years of unbroken service (up to a maximum of $10,000 per couple).

Note 15: Employee entitlements

Actual 2015 $000		Actual 2016 $000
	Current liabilities	
14,838	Retirement and long service leave	15,212
48,140	Provision for annual leave	48,637
1,545	Provision for sickness leave	1,661
64,523	**Total current portion**	**65,510**
	Non-current liabilities	
45,490	Retirement and long service leave	52,521
45,490	**Total non-current portion**	**52,521**
110,013	**Total employment entitlements**	**118,031**

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

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

Discount rates and salary inflation applied:

as at 30 June 2015			Employee Entitlement Variables	as at 30 June 2016		
2016 %	2017 %	2018 %		2017 %	2018 %	2019 %
2.93	2.81	4.39	Discount rates	2.12	1.95	3.13
3.00	3.00	3.00	Salary inflation	3.00	3.00	3.00

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

Movements	Actual 2016 $000	Salary + 1% 2016 $000	Salary - 1% 2016 $000	Discount + 1% 2016 $000	Discount - 1% 2016 $000
Current	15,212	48	(48)	(34)	34
Non-current	52,521	5,550	(4,845)	(4,555)	5,309
Total	**67,733**	**5,598**	**(4,893)**	**(4,589)**	**5,343**

Note 16: Equity

Actual 2015 $000		Actual 2016 $000
	Taxpayers' funds	
261,887	**Balance at 1 July**	**280,097**
5,328	Surplus/(deficit)	38,578
18,210	Capital contribution	2,300
-	Capital withdrawal – non-cash	(2,099)
(5,328)	Repayment of surplus	(38,578)
280,097	**Balance at 30 June**	**280,298**
	Revaluation reserves	
46,944	**Balance at 1 July**	**46,944**
-	Revaluations	-
46,944	**Balance at 30 June**	**46,944**
327,041	**Total equity**	**327,242**

Note 17: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2015 $000		Actual 2016 $000
5,328	**Net surplus/(deficit)**	**38,578**
	Add/(less) non-cash items	
29,230	Depreciation	29,683
23,812	Amortisation	27,568
53,042	**Total non-cash items**	**57,251**
	Add/(less) items classified as investing or financing activities	
(19)	(Gains)/losses on disposal of property, plant and equipment	103
(19)	**Total items classified as investing or financing activities**	**103**
	Add/(less) working capital movements	
46,033	(Increase)/decrease in accounts receivable	47,376
(9,293)	(Increase)/decrease in prepayments	4,249
(11,743)	Increase/(decrease) in accounts payable	(3,330)
(2,108)	Increase/(decrease) in revenue received in advance	-
3,762	Increase/(decrease) in provision for employee entitlements	987
674	Increase/(decrease) other provisions	288
27,325	**Net movements in working capital items**	**49,570**
	Add/(less) movements in non-current liabilities	
4,235	Increase/(decrease) in provision for employee entitlements	7,031
4,235	**Net movements in non-current liabilities**	**7,031**
89,911	**Net cash inflow from operating activities**	**152,533**

Note 18: Related party transactions

The Ministry is a wholly-owned entity of the Crown and received funding from the Crown of $1,477 million to provide services to the public for the year ended 30 June 2016 (2015: $1,384 million). The Government significantly influences the role of the Ministry as well as being its major source of revenue. All related party transactions are entered into on an arm's-length basis.

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

Related party transactions required to be disclosed

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

Transactions with key management personnel

Key management personnel compensation includes the remuneration for the Chief Executive and 14 members of the Senior Management Team (2015: Chief Executive and 10 members of the Senior Management Team).

Actual 2015		Actual 2016
	Leadership Team, including the Chief Executive	
$3,708,376	Remuneration	$4,656,520
11	Full-time equivalent members	13

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

Note 19: Events after the balance sheet date

Subsequent to balance date the Government announced that, from 1 April 2017, a new department called the Ministry for Vulnerable Children, Oranga Tamariki will be established with its own Chief Executive.

The new department will have a specific focus on vulnerable children and young people and the services that support them, encompassing care and protection and youth justice services. It will include the services that the existing Ministry of Social Development performs including current Child, Youth and Family, Children's Action Plan Directorate and Children's Teams and Community Investment functions relating to funding and contracting services for vulnerable children. These operations and all relevant assets and liabilities are expected to be transferred to the new Ministry from 1 April 2017.

The new Ministry will also need a range of corporate services as part of its initial structure, while other services will be supplied as shared services by the Ministry of Social Development. Decisions on what corporate services will be shared or embedded in each Ministry will be presented to Cabinet in October 2016.

No adjustments have been made to the measurement or presentation of the accounts as a result of the above new information.

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

Note 20: Financial instruments

Financial instrument categories

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

Actual 2015 $000		Actual 2016 $000
	Loans and receivables	
38,590	Cash and cash equivalents	77,644
81,182	Debtors and other receivables	33,809
119,772	**Total loans and receivables**	**111,453**
	Financial liabilities measured at amortised cost	
95,052	Creditors and other payables	87,909
95,052	**Total financial liabilities measured at amortised cost**	**87,909**

Fair value hierarchy

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

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

In 2015/2016 there were no instruments recognised at fair value in the Statement of Financial Position (2015: nil).

Financial instrument risks

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

Market risk

Currency risk

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

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

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

Sensitivity analysis

As at 30 June 2016 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2015: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2015 $000		Actual 2016 $000
	Creditors and other payables	
95,052	Less than six months	87,909
95,052		**87,909**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2015: nil).

Note 21: Capital management

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

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

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

Note 22: Major budget variations

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

	Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Variance 2016 $000
Statement of Comprehensive Revenue				
Revenue				
Revenue Other	a	11,360	4,667	(6,693)
Expenses				
Personnel costs	b	749,832	773,038	23,206
Statement of Financial Position				
Assets				
Current assets				
Cash and cash equivalents	c	77,644	19,390	(58,254)
Accounts receivable	d	3,809	18,351	14,542
Prepayments	e	19,004	12,000	(7,004)
Crown receivable	f	30,000	61,394	31,394
Non-current assets				
Intangible assets	g	151,796	125,835	(25,961)
Liabilities				
Current liabilities				
Return of operating surplus to the Crown	h	38,578	-	(38,578)
Statement of Cash Flows				
Cash flows from operating activities				
Receipts from Crown revenue	i	1,518,703	1,479,809	(38,894)
Receipts from other revenue	j	9,470	4,667	(4,803)
Payments to suppliers	k	(607,761)	(704,385)	(96,624)
Payments to employees	l	(745,529)	(673,461)	72,068
Cash flows from investing activities				
Purchase of property, plant and equipment	m	(45,282)	(26,652)	18,630

Statement of Comprehensive Revenue and Expense

a. Increase in Revenue Other of $6.693 million was mainly due to:
   - increases in project activity for the Property Management Centre of Expertise (PMCoE) during 2015/2016 resulting in higher revenue generated than in the original budget ($2.148 million)
   - insurance recovered ($2.250 million) for business interruption claims resulting from the 2010/2011 Christchurch earthquakes
   - cross-agency contribution to the Social Investment Programme ($0.920 million)
   - Child Support receipts ($0.906 million).

b. Personnel costs budget variance is mainly due to significant in-principle expense and capital transfers (IPECTs)[61] from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts and the transformation programme.

Statement of Financial Position

c. Cash and cash equivalents is higher than budget due to significant IPECTs from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts, the transformation programme and historical claims.

d. Accounts receivable is lower than budget with the gradual decline of the shared service arrangement that the Ministry has with the Canterbury Earthquake Recovery Authority.

e. Prepayments is higher than budget mainly due to the timing of the Oracle software licence renewal.

f. Crown receivable relates to funds the Ministry has not drawn down for 2016 and previous years. The current lower balance compared with budget is attributable to a higher demand for cash and the subsequent drawdown from the Crown receivable balance during 2015/2016 including for Simplification work and the National Office relocation.

g. Intangible assets are higher than budget due to increased capital activity including significant Simplification system improvement work.

h. Return of operating surplus to the Crown is higher than budget due to significant IPECTs from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts, the transformation programme and historical claims.

Statement of Cash Flows

i. Receipts from Crown revenue has increased mainly due to the significant decrease in Crown receivable during 2015/2016 ($31.394 million) as well as additional funding approved during the year for the Social Sector Investment change and the Investing in New Zealand's Children and their Families Transformation programmes ($5 million).

j. Receipts from other revenue is higher mainly due to higher revenue other funding during 2015/2016.

k. Payments to suppliers is lower than budget mainly due to the overstatement of this cash budget due to a shift of resources to payments to employees.

l. Payments to employees is higher than budget mainly due to some additional staff resource combined with an understatement of the budget level. This area is substantially offset by an overstatement in the payments to suppliers budget.

m. Purchase of property, plant and equipment is higher than budget mainly due to increased capital activity related to the relocation of National Office to 56 The Terrace.

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61 In-principle expense and capital transfers (IPECTs) approved by joint Ministers are used to transfer funding up to a maximum amount from an appropriation in one financial year to the same appropriation in one or more of the next three financial years, where there is no change to the total amount of spending across the affected years and to the ouput being purchased. IPECT's can be used only where a factor outside of the department's control has caused a delay in a specific and discrete project and the costs cannot be met from the baseline of the future years.

Statement of Accounting Policies: Non-Departmental

Reporting entity

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

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

Basis of preparation

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

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

These non-departmental statements and schedules are prepared in accordance with PBE accounting standards.

Changes in accounting policies

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

Significant accounting policies

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

Budget figures

The 2016 budget figures are for the year ended 30 June 2016, which are consistent with the best estimate financial information submitted to the Treasury for the BEFU for the year ending 2015/2016.

Revenue

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

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

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

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

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

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Derivatives

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

Social benefit receivables

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

Goods and services tax (GST)

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

Commitments

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

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

Contingent assets and liabilities

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

Critical accounting estimates and assumptions

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

Social benefit receivables

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

Critical judgements in applying the Ministry's accounting policies

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

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

There were no other significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2016.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2016

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

Schedule of Non-Departmental Revenue

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
2	Interest revenue		1	-
225	Maintenance capitalisation		185	450
38	Miscellaneous revenue		1,046	-
2,340	Gain on foreign exchange		-	-
10,891	Student Loan – administration fee	2	10,433	10,889
13,496	**Total non-departmental income**		**11,665**	**11,339**

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

For additional detail on Student Loan advances, refer to Note 2.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
221,269	Benefit recoveries – current debt		224,263	226,587
963	Benefit recoveries – liable parent contributions		923	725
92,331	Benefit recoveries – non-current debt		94,560	96,857
237,909	Overseas pension recoveries		284,837	270,451
99,014	Student Loans – repayment of principal	2	98,258	97,292
651,486	**Total non-departmental capital receipts**		**702,841**	**691,912**

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

For additional detail on Student Loan advances, refer to Note 2.

Benefit recoveries (current and non-current) represents the amounts collected from clients either by way of regular deductions from the client's benefit payments or repayments from former clients and non-beneficiaries. When a debt is established, it is disclosed as a reduction in social benefit expenses. Therefore the associated debt recovery is disclosed as a reduction in social benefits cash payments on the Financial Statements of the Government.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
1,036,774	Non-departmental output expenses		1,090,764	1,112,824
85,139	Non-departmental other expenses		(20,172)	95,757
1,757,945	Non-departmental capital expenditure		1,762,590	1,823,625
18,847,186	Benefits or related expenses		19,548,166	19,543,597
-	Loss on foreign exchange		45	-
52,361	Other operating expenses		51,534	54,395
21,779,405	**Total non-departmental expenses**		**22,432,927**	**22,630,198**

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

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
	Current assets			
100,063	Cash and cash equivalents		150,494	148,805
114,836	Receivables		119,989	290,977
21,570	Prepayments – benefits and allowances		17,963	11,521
236,469	**Total current assets**		**288,446**	**451,303**
	Non-current assets			
465,185	Receivables	3	584,006	192,746
67	Other advances		58	66
465,252	**Total non-current assets**		**584,064**	**192,812**
701,721	**Total non-departmental assets**		**872,510**	**644,115**

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

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Liabilities

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
	Current liabilities			
108,944	Accruals – other than government departments		203,725	176,616
100,587	Tax payable		99,617	110,089
1,738	Other current liabilities		606	-
373	Foreign exchange forward contracts		410	2,663
211,642	**Total non-departmental liabilities**		**304,358**	**289,368**

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2016

The Ministry has no non-departmental commitments at balance date (2015: nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2016

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2015: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2016 (2015: nil).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (2015: nil).

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2016

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June 2016 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2016 were as follows:

Actual 2015 $000		Actual 2016 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**2**
12	Contributions	10
(12)	Distributions	(10)
2	**Balance at 30 June**	**2**
	Australian Embargoed Arrears	
1,026	**Balance at 1 July**	**559**
7,150	Contributions	6,174
(7,617)	Distributions	(6,254)
559	**Balance at 30 June**	**479**
	Maintenance	
251	**Balance at 1 July**	**108**
459	Contributions	388
(604)	Distributions	(476)
2	Revenue	3
108	**Balance at 30 June**	**23**
	Netherlands Debt	
4	**Balance at 1 July**	**11**
152	Contributions	88
(145)	Distributions	(95)
11	**Balance at 30 June**	**4**
680	**Total trust monies**	**508**

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Australian Debt Recoveries Trust Account

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

Australian Embargoed Arrears Trust Account

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

Maintenance Trust Account

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

Netherlands Debt Trust Account

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Notes to the Non-Departmental Financial Statements

Note 1: Explanation of major variances against budget

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

Schedule of income and expenses

Non-departmental other expenses were lower than budget mainly due to less expenditure on debt write-downs. Debt write-downs have been underspent as an expense by $113.586 million against an original budget of $71.804 million. This is mainly attributed to less expenditure due to interest rate remeasurement of $41.121 million, new collection cost rates of $18.723 million and changes driven by the application of a new valuation methodology of $24.361 million. Also contributing to the underspend is an additional provision contained in the debt write-downs budget to allow for the potential for significant expenditure movement each year of $35 million. This additional provision is necessary to reduce the likelihood of unappropriated expenditure.

There are no other significant variances against budget.

Schedule of assets and liabilities

Current and non-current receivables were higher than budget by $220.272 million. This is mainly due to a lower provision for doubtful debts of $119.206 million due to interest rate remeasurement, new collection cost rates, new valuation methodology and additional budget provision. Also contributing to the higher value of receivables is an increase in book value of $52.313 million and a change in the opening balance applied to the actual results since the budget was calculated of $50 million.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Student loans	
-	**Opening nominal balance**	-
1,616,917	New lending	1,610,273
(99,014)	Repayment	(98,258)
(1,528,794)	Loan balance transfer to IRD	(1,522,448)
10,891	Administration fee	10,433
-	**Closing nominal balance**	-
-	**Net carrying value of student loans**	-

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

Note 3: Accounts receivable – benefits and allowances

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

The carrying value and the fair value are the same for these amounts. Since there is no market comparison, the fair value is determined by discounting the expected future cash flows by the appropriate interest rates at year-end. The effective interest rates applied at year-end were between 2.12 percent and 4.31 percent (4.11 percent and 4.91 percent at 30 June 2015).

The fair value of the portfolio as at 30 June 2016 is $704 million ($580 million at 30 June 2015).

Social benefit and other receivables

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Social benefit receivables	
1,297,727	Nominal value of receivables	1,377,577
1,297,727	Gross value of receivables	1,377,577
(733,267)	less provision for impairment[62]	(673,614)
564,460	Net social benefit receivables	703,963
15,561	Other receivables	31
580,021	**Total receivables**	**703,994**

	Total receivables are represented by:	
114,836	Current	119,989
465,185	Non-current	584,006
580,021	**Balance at end of the year**	**703,995**

	Social benefit receivables **Movements in the carrying value of the loans are as follows:**	
527,422	**Balance at 1 July**	**564,460**
376,041	Face value of new receivables during the year	399,596
(314,563)	Receivables repaid during the year	(319,746)
(24,440)	Subsequent net impairment	59,653
564,460	**Balance at 30 June**	**703,963**

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment gains of $60 million during the 2015/2016 year (2015: $24 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 percent would decrease fair value by approximately $36.793 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $42.439 million. Since there are no contractual repayment terms, future cash flows assume existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

Interest rate risk is the risk the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between (1.99) percent and (0.60) percent from 1 July 2015 to 30 June 2016 (2015: (0.74) percent and 0.82 percent).

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

62 Impairment of social benefit receivables includes a decrease of $41.121 million of remeasurement due to changes in interest and collection cost rates.

Note 4: Financial instruments

Financial instrument categories

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

Actual 2015 $000		Actual 2016 $000
	Loans and receivables	
100,063	Cash and cash equivalents	150,494
15,561	Debtors and other receivables	31
115,624	**Total loans and receivables**	**150,525**
	Fair value through surplus or deficit – held for trading	
373	Derivative financial instrument liabilities	410
	Financial liabilities measured at amortised cost	
110,682	Creditors and other payables	204,331

Fair value hierarchy

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

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

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position.

Actual 2015 $000		Actual 2016 $000
	Financial liabilities	
	Observable inputs	
373	Foreign exchange derivatives	410

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

Financial instrument risks

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

Market risk

Currency risk

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

Currency risk arises from the need to reimburse the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO) to hedge the currency risk. At balance date, the Ministry had a series of foreign exchange forward contracts which entitles the Ministry to exchange NZ$10.013 million with the NZDMO for A$8.692 million. On 30 June 2016 the market value of these contracts was a liability of NZ$0.410 million (2015: liability of NZ$0.373 million).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2015: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2015 $000		Actual 2016 $000
	Creditors and other payables	
110,682	Less than six months	204,331
110,682		**204,331**

Contractual maturity analysis of derivative financial instrument liabilities

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

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than six months $000	6-12 months $000	1-2 years $000
2016						
Forward foreign exchange contracts	410	-				
- outflow			10,013	10,013	-	-
- inflow			9,603	9,603	-	-
2015						
Forward foreign exchange contracts	373	-				
- outflow			3,830	3,830	-	-
- inflow			3,456	3,456	-	-

Statements of Expenses and Capital Expenditure

The following Statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2016.

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

For the year ended 30 June 2016

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments[63] 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[64] 2016 $000	Location of end-of-year performance information[65] 2016
	Vote Social Development					
	Departmental output expenses					
6,986	Adoption Services	7,029	(31)	6,998	7,177	1
376,852	Care and Protection Services	382,924	(1,268)	381,656	396,205	1
8,137	Children's Action Plan	12,505	-	12,505	12,894	1
-	Data, Analytics and Evidence Services	11,187	(37)	11,150	11,380	1
-	Designing and Implementing Social Investment	1,518	-	1,518	2,000	1
36,686	Income Support and Assistance to Seniors	36,981	(194)	36,787	36,902	1
-	Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments	49,518	(269)	49,249	49,350	1
-	Investing in Communities	45,054	(136)	44,918	45,786	1
-	Management of Service Cards	6,227	(51)	6,176	6,279	1
13,489	Management of Student Loans	15,129	(91)	15,038	15,045	1
16,740	Management of Student Support	15,794	(114)	15,680	15,704	1
5,390	Planning, Correspondence and Monitoring	6,081	(23)	6,058	6,154	1
-	Policy Advice	20,421	(64)	20,357	20,722	1
530	Processing and Payment of Veterans' Pensions	386	(2)	384	438	1
8,505	Promoting Positive Outcomes for Disabled People	5,685	(10)	5,675	5,779	1
3,632	Property Management Centre of Expertise	4,835	-	4,835	4,836	1
-	Senior Citizens Services	888	(1)	887	1,010	1
2,926	Youth Development	2,856	(9)	2,847	2,932	1
131,265	Youth Justice Services	131,321	(540)	130,781	130,876	1

63 The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

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

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[66] 2016 $000	Location of end-of-year performance information[67] 2016
2,280	Administration of Trialling New Approaches to Social Sector Change	-	-	-	-	
13,510	Collection of Balances Owed by Former Clients and Non-beneficiaries	-	-	-	-	
7,635	Development and Funding of Community Services	-	-	-	-	
36,893	Family and Community Services	-	-	-	-	
4,005	Prevention Services	-	-	-	-	
34,585	Services to Protect the Integrity of the Benefit System and Eligibility for Income Related Rent	-	-	-	-	
20,428	Services to Support People to Access Accommodation	-	-	-	-	
730,474	**Total departmental output expenses**	**756,339**	**(2,840)**	**753,499**	**771,469**	
	Departmental other expenses					
-	Transformation Programme: Investing in New Zealand Children and their Families	-	-	-	3,000	1
-	**Total departmental other expenses**	**-**	**-**	**-**	**3,000**	
	Departmental capital expenditure					
90,935	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the PFA	112,314	-	112,314	120,838	1
90,935	**Total departmental capital expenditure**	**112,314**	**-**	**112,314**	**120,838**	

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[68] 2016 $000	Location of end-of-year performance information[69] 2016
	Non-departmental output expenses					
2,157	Children's Commissioner	2,157	-	2,157	2,157	4
-	Community Participation Services	75,080	-	75,080	78,441	2
18,675	Counselling and Rehabilitation Services	18,773	-	18,773	18,773	2
8,421	Education and Prevention Services	8,382	-	8,382	8,427	2
-	Emergency Housing Response	2,693	-	2,693	2,738	2
9,869	Families Commission	12,331	-	12,331	12,331	5
84,696	Family Wellbeing Services	84,509	-	84,509	84,734	2
703,207	Part Payment of Rent to Social Housing Providers	755,268	-	755,268	766,141	2
7,314	Services for Young People	8,588	-	8,588	8,594	2
-	Strong Families and Connected Communities	113,750	-	113,750	113,751	2
3,336	Student Placement Services	3,344	-	3,344	3,512	3
884	Youth Development Partnership Fund	439	-	439	439	3
950	Assistance to Disadvantaged Persons	-	-	-	-	
7,298	Connected Communities	-	-	-	-	
71,663	Participation and Inclusion for Disabled People	-	-	-	-	
642	Short-term Housing in Canterbury	-	-	-	-	
2,382	Strengthening Providers and Communities	-	-	-	-	
109,355	Strong Families	-	-	-	-	
5,590	Trialling New Approaches to Social Sector Change	-	-	-	-	
1,036,439	**Total non-departmental output expenses**	**1,085,314**	**-**	**1,085,314**	**1,100,038**	

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments[70] 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[71] 2016 $000	Location of end-of-year performance information[72] 2016
	Non-departmental other expenses					
40,516	Debt Write-downs	(41,782)	41,121	(661)	75,825	3
693	Extraordinary Care Fund	1,542	-	1,542	3,108	3
18,188	Out of School Care Programmes	18,124	-	18,124	19,045	2
-	Support for the Provision of Social Housing Supply	664	-	664	20,000	2
301	Housing Support Package	-	-	-	-	
59,698	**Total non-departmental other expenses**	**(21,452)**	**41,121**	**19,669**	**117,978**	
	Non-departmental capital expenditure					
141,028	Recoverable Assistance	152,317	-	152,317	150,159	3
1,616,917	Student Loans	1,610,273	-	1,610,273	1,682,736	3
1,757,945	**Total non-departmental capital expenditure**	**1,762,590**	**-**	**1,762,590**	**1,832,895**	
	Multi-category appropriations					
644,064	**Improved Employment and Social Outcomes Support MCA**	**662,669**	**(2,296)**	**660,373**	**678,899**	
	Departmental output expenses					
307,492	*Administering Income Support*	299,870	(1,404)	298,466	307,471	1
257,925	*Improving Employment Outcomes*	295,521	(866)	294,655	295,719	1
53,206	*Improving Work Readiness*	67,278	(26)	67,252	75,709	1
	Non-departmental other expenses					
20,351	*Improving Employment Outcomes – Assistance*	-	-	-	-	1
5,090	*Improving Work Readiness – Assistance*	-	-	-	-	1
335	**Independent Advice on Government Priority Areas MCA**	**339**	**-**	**339**	**538**	
	Non-departmental output expenses					
195	*Other Advice*	339	-	339	269	3
140	*Policy Advice*	-	-	-	269	3

70 Debt Write-downs in 2015/2016 includes $41.121 million of remeasurement due to changes in interest rates. The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments[73] 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[74] 2016 $000	Location of end-of-year performance information[75] 2016
-	**Social Housing Outcomes Support MCA**	**29,409**	**(140)**	**29,269**	**30,066**	
	Departmental output expenses					
-	*Services to Support People to Access Accommodation*	28,129	(140)	27,989	28,266	1
	Non-departmental other expenses					
-	*Housing Support Package*	1,280	-	1,280	1,800	1
-	**Social Sector Trials MCA**	**7,376**	**(8)**	**7,368**	**8,358**	
	Departmental output expenses					
-	*National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials*	2,265	(8)	2,257	2,985	1
	Non-departmental output expenses					
-	*Social Sector Trials – NGO-led Social Sector Teams and Contracted Programmes and Services*	5,111	-	5,111	5,373	1
5,827	**Management of Service Cards MCA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
4,955	*Administration of Community Services Card*	-	-	-	-	
872	*Management of SuperGold Card*	-	-	-	-	
30,394	**Social Policy Advice MCA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
11,607	*Information, Evaluation and Analytics Services*	-	-	-	-	
18,787	*Policy Advice*	-	-	-	-	
680,620	**Total multi-category appropriations**	**699,793**	**(2,444)**	**697,349**	**717,861**	

73 The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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5. The Families Commission's annual report.

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[76] 2016 $000	Location of end-of-year performance information[77] 2016
	Benefits or related expenses					
1,128,850	Accommodation Assistance	1,163,674	-	1,163,674	1,140,479	3
15,343	Benefits Paid in Australia	39,940	-	39,940	39,941	3
183,095	Childcare Assistance	182,138	-	182,138	194,585	3
377,001	Disability Assistance	376,943	-	376,943	378,656	3
430	Family Start/NGO Awards	432	-	432	705	3
276,884	Hardship Assistance	289,558	-	289,558	293,849	3
1,683,877	Jobseeker Support and Emergency Benefit	1,671,316	-	1,671,316	1,692,956	3
11,591,026	New Zealand Superannuation	12,266,832	-	12,266,832	12,287,231	3
132,020	Orphan’s/Unsupported Child’s Benefit	142,893	-	142,893	144,165	3
1,186,493	Sole Parent Support	1,152,990	-	1,152,990	1,163,217	3
11,935	Special Circumstance Assistance	11,438	-	11,438	14,399	3
511,105	Student Allowances	485,653	-	485,653	514,334	3
11,802	Study Scholarships and Awards	11,158	-	11,158	18,910	3
1,514,559	Supported Living Payment	1,523,016	-	1,523,016	1,532,017	3
-	Transitional Assistance	1	-	1	65	3
177,503	Veterans’ Pension	185,849	-	185,849	187,844	3
3,617	Work Assistance	3,247	-	3,247	4,066	3
41,646	Youth Payment and Young Parent Payment	41,088	-	41,088	42,635	3
18,847,186	**Total benefits or related expenses**	**19,548,166**	**-**	**19,548,166**	**19,650,054**	
23,203,297	**Total Vote Social Development**	**23,943,064**	**35,837**	**23,978,901**	**24,314,133**	
	Vote Senior Citizens					
	Departmental output expenses					
979	Senior Citizens Services	-	-	-	-	
979	**Total Vote Senior Citizens**	**-**	**-**	**-**	**-**	
23,204,276	**Total annual and permanent appropriations**	**23,943,064**	**35,837**	**23,978,901**	**24,314,133**	

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

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5. The Families Commission’s annual report.

Transfers approved under section 26A of the Public Finance Act

The approved appropriation includes adjustments made in the Supplementary Estimates. There were no transfers made under section 26A of the Public Finance Act.

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

For the year ended 30 June 2016

	Expenditure excluding Remeasurements 2016 $000	Appropriation Voted 2016 $000	Unappropriated expenditure 2016 $000
Non-departmental capital expenditure			
Recoverable Assistance	152,317	150,159	(2,158)
Benefits or related expenses			
Accommodation Assistance	1,163,674	1,140,479	(23,195)
Total	**1,315,991**	**1,290,638**	**(25,353)**

Expenses and capital expenditure approved under section 26B of the PFA

Recoverable Assistance is overspent due to the demand-driven nature of the appropriation. Despite the Appropriation Voted budget being set at the higher end of its forecast range, there was not enough funding to cover a sharp increase in expenditure in May and June 2016.

This unappropriated expenditure has been approved by the Minister of Finance under section 26B of the Public Finance Act.

Expenses and capital expenditure incurred in excess of appropriation

Accommodation Assistance is overspent due to a significant accrual of $29 million at year-end to provide for the costs of an historical Accommodation Supplement (AS) payment error dating back to 1993. This significant error related to the assessment and payment system that affected client entitlement to AS.

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

Statement of Departmental Capital Injections

For the year ended 30 June 2016

Actual capital injection 2015 $000		Actual capital injection 2016 $000	Approved appropriation 2016 $000
18,210	Ministry of Social Development – Capital injections	2,300	2,300
18,210	**Total**	**2,300**	**2,300**

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

For the year ended 30 June 2016

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

Appendix: Information Sharing with New Zealand Police, the Ministries of Health, Justice, and Education, and the Children's Action Plan Directorate

The Ministry of Social Development is the lead agency for the Information Sharing Agreement for Improving Services for Vulnerable Children (the AISA). The Ministry must report annually, in its annual report, on the following information specified by the Privacy Commissioner.

This is the first report on this AISA. It covers the period 1 July 2015 to 30 June 2016.

Information sharing between the New Zealand Police, Ministries of Social Development, Health, Justice, and Education, and the Children's Action Plan (CAP) Directorate

Description	Progress
Number of referrals made to The Hub	865 children from 417 households
Number of individuals whose information is shared under the agreement, or where the number is not known, the best estimate of that number	331
Number of vulnerable children identified[1]	865
Number of referrals (by pathway):	
• Universal services	31
• Child, Youth and Family	21
• Children's Team[2]	813
Number of children successfully exited with outcomes achieved	Results not yet available[3]
Number of complaints received about an alleged interference with privacy under the agreement and the disposition of those complaints	0
Number of reported instances of improper access to/use of information by Hub worker	0
Amendments to the AISA	0

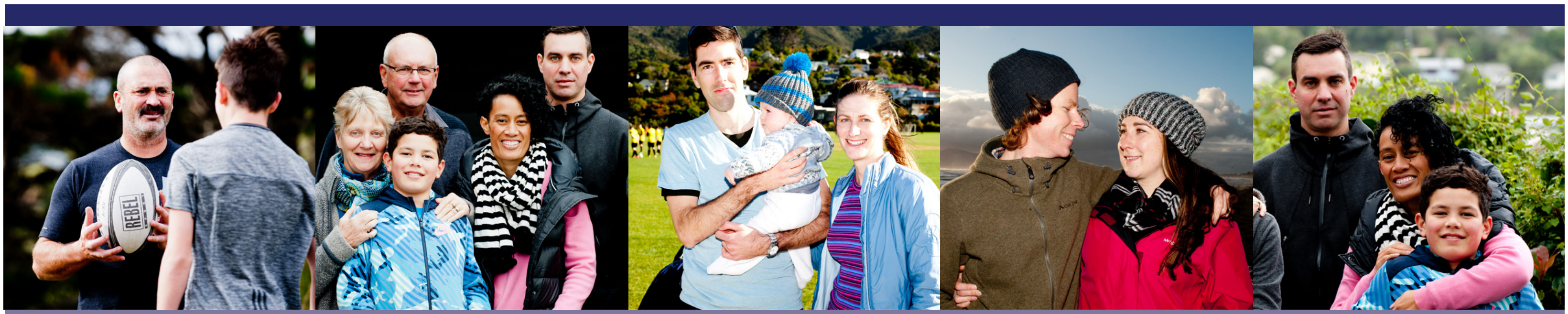
Qualitative feedback on the AISA

The Advisory Expert Group on Information Security's *Final Report to the Vulnerable Children's Board* (April 2016) recommends that this AISA is reviewed against the Privacy Act 1993 requirements and that the CAP Directorate considers broadening the scope to include district health boards as parties.

Commentary on audits

In March 2016 KPMG completed its 'Functional Review of Vulnerable Kids Information System (MVP)', which reviews the security arrangements for the AISA, and raised no concerns. The review found types of access, permissions, authentication and privacy of information to be adequate and appropriate. It also found there was full audit, logging and tracking capability to ensure accountability for privacy and security. No issues were uncovered with regard to privacy and information security.

1 'Vulnerable Children' is defined as any child that does not result in a 'no further action' by The Hub.
2 Referred to one of the three Children's Teams which operate with the Vulnerable Children's Hub: Hamilton, Canterbury or Counties Manukau.
3 It is too early to report on these results as the three Children's Teams who operate with the Vulnerable Children's Hub have not been operating long enough to see sufficient numbers of exits with outcomes achieved. These results will be reported in a future Annual Report.



MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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New Zealand Government