Ministry of Social Development
Te Manatū Whakahiato Ora

Pūrongo ā-tau
Annual Report

2017/2018

Volume 2 | Performance and financial information

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

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Published October 2018
Ministry of Social Development
PO Box 1556
Wellington 6140
New Zealand

Telephone: +64 4 916 3300
Facsimile: +64 4 918 0099
Email: info@msd.govt.nz
Web: www.msd.govt.nz

ISSN: 1175-9895 (print)
ISSN: 1178-3389 (online)

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Statement of Responsibility

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

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

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2018 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2019 and its operations for the year ending on that date.

Brendan Boyle
Chief Executive
28 September 2018

Independent Auditor's Report

To the readers of the Ministry of Social Development's Annual Report for the year ended 30 June 2018

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

- the financial statements of the Ministry on pages 138 to 177, that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows and statement of trust monies for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2018 on pages 86 to 135;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2018 on pages 197 to 211; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 178 to 196 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018;
  - the schedules of expenses; and revenue for the year ended 30 June 2018; and
  - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- The financial statements of the Ministry on pages 138 to 177:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards.
- The performance information of the Ministry on pages 86 to 135:
  - presents fairly, in all material respects, for the year ended 30 June 2018:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.

- The statements of expenses and capital expenditure of the Ministry on pages 197 to 211 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- The schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 178 to 196 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018; and
  - expenses for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed. The basis for our opinion is explained below and we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Ministry for preparing:

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

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's Strategic Intentions 2016-20, and relevant Estimates of Appropriation and Supplementary Estimates of Appropriation 2017/18, and the 2017/18 forecast financial figures included in the Ministry's 2016/17 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional missions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 78 and 212 to 217, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

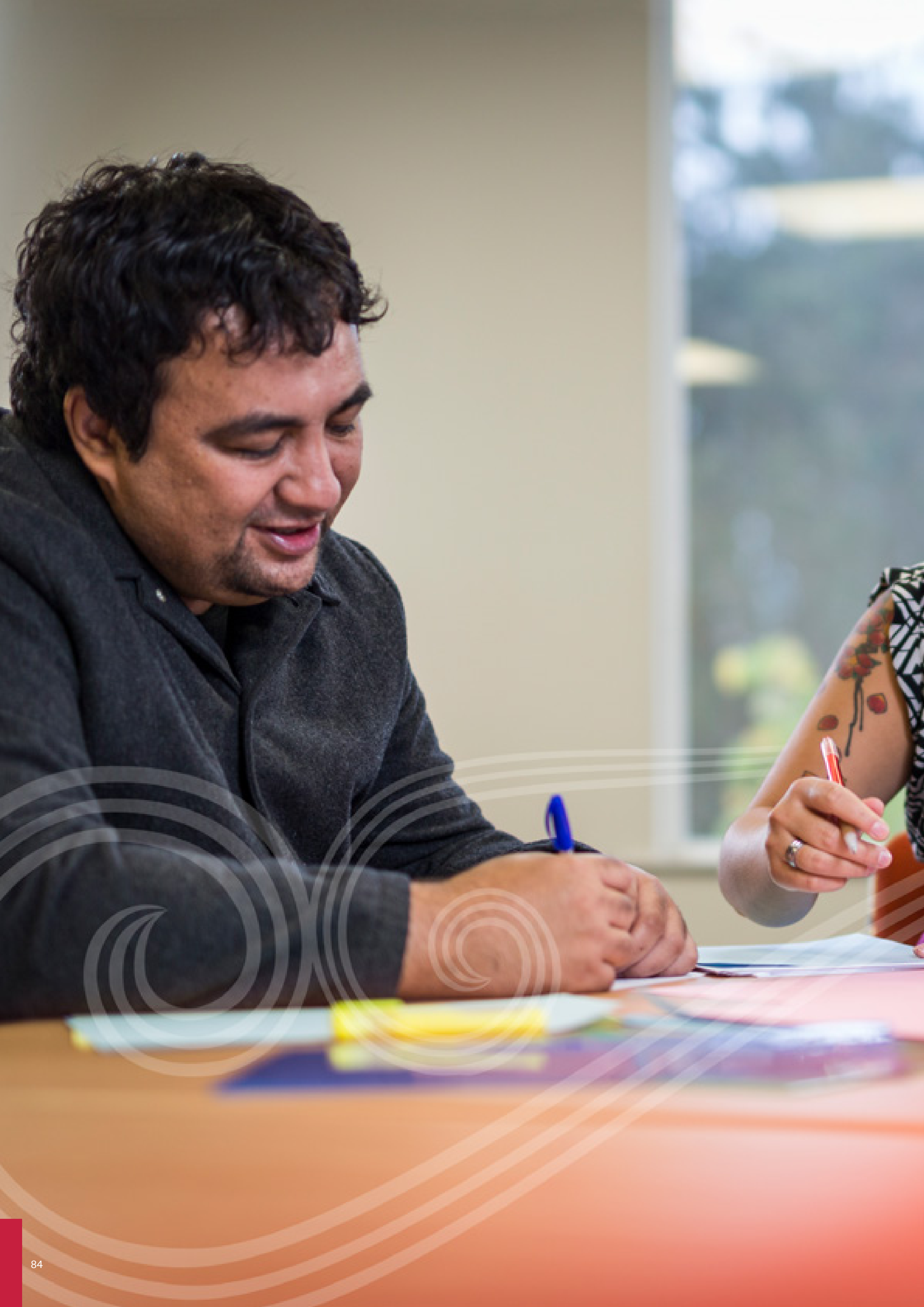
Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

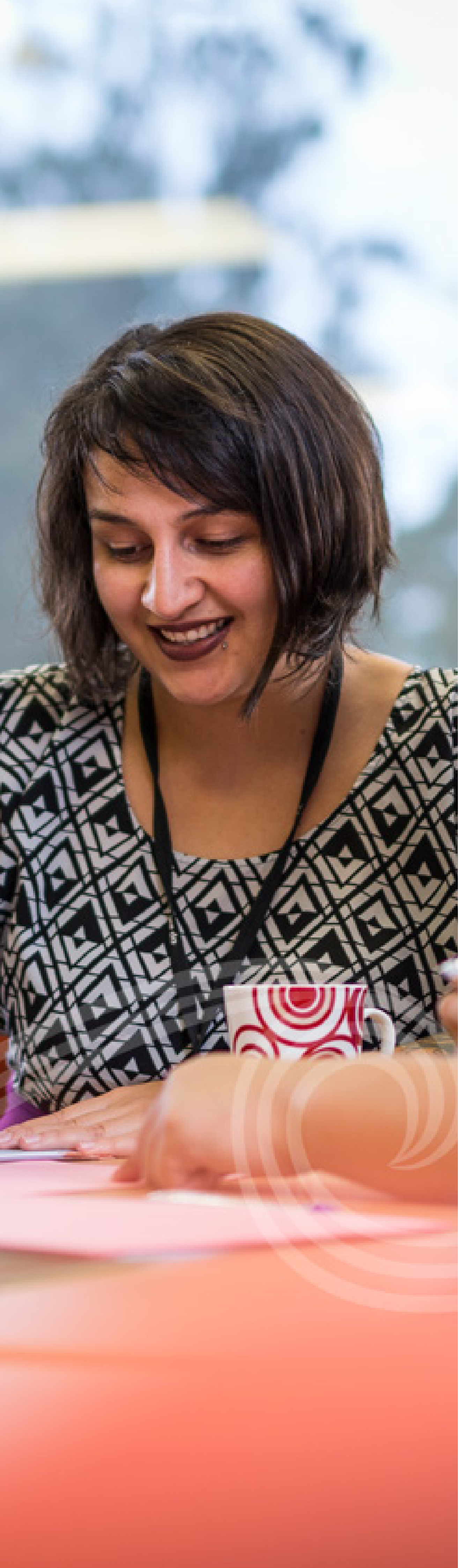
Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

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





Assessing our performance

Our key indicators

In our 2017–2022 Statement of Intent we listed the following indicators that we intended to use to demonstrate our progress towards achieving the outcomes we described[50].

Indicator	2015/16	2016/17	2017/18	Intended trend	Trend
The percentage of clients who have expressed that they were satisfied with the service, content and delivery of the Supporting Victims and Perpetrators of Family Violence and Sexual Violence programme	New indicator in 2017/2018		89%	↑	
The percentage of clients who indicate that they have greater control over their lives after receiving the Elder Abuse and Neglect Service[51]	New indicator in 2017/2018		83%	↑	
The percentage of clients who report having greater financial confidence and capability (comparing pre- and post-intervention)	New indicator in 2017/2018		76%	↑	
The percentage of participants who report they have improved their capability and resilience through completion of a youth development opportunity	New indicator in 2016/2017	98%	95%	↔	↔
The percentage of participants who report an improvement in their personal, social and decision-making skills through completion of a youth development opportunity	New indicator in 2016/2017	97%	95%	↔	↔
The percentage of stakeholders who report being 'satisfied' or 'very satisfied' with the level of engagement of the Office for Seniors	New indicator in 2016/2017	71%	75%	↑	↑

50 These outcomes reflect the priorities of the previous Government and have been less of a focus since the change of Government in October 2017. We are currently developing a new set of performance indicators to inform progress against our new outcomes, impacts and key shifts (see Appendix 3), which we will use for future reporting.

51 The result reflects the Elder Abuse Response Service, which replaced the Elder Abuse and Neglect Service from 1 July 2017.

Indicator	2015/16	2016/17	2017/18	Intended trend	Trend
The accurate assessment of Community Services Card and SuperGold Card applications	97%	97%	98%	↔	↔
The number of public housing places	New indicator in 2016/2017	66,332	67,228[52]	↑	↑
The number of contracted transitional housing places	New indicator in 2016/2017	1,123	2,341	↑	↑
Reduce working-age client numbers by 25%, from 295,000 in June 2014 to 220,000 in June 2018	279,806 30 June 2016	276,331[53] 30 June 2017	277,410 30 June 2018	↓	↔
The percentage of non-current debt paid in full, or under an arrangement to pay, within four months	71%	70%	70%	↑	↔
The percentage of successful prosecutions concluded	97%	96%	95%	↔	↔

52 61,800 of these places are provided by Housing New Zealand, and 5,428 by 31 active community housing providers.

53 In the 2016/2017 Annual Report, this figure was reported as 276,041. This reflected the measurement for the previous Government's Better Public Services target, which excluded Jobseeker Support Student Hardship.

Vote Social Development

Unless otherwise stated, all 2016/2017 performance information for Vote Social Development appropriations was reported in the Ministry of Social Development's 2016/2017 Annual Report.

Output Expense: Administering Support for the Mental Health and Employment Social Bond Pilot

The appropriation commenced from 1 February 2017 and expires on 30 June 2021.

Scope

This appropriation is limited to the costs of administering and providing business support to the Mental Health and Employment Social Bond Pilot.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve efficient and effective administrative support to the Mental Health and Employment Social Bond Pilot.

Summary of Performance

Non-financial Performance

Social bond pilot provider costs and employment outcomes were verified against client records and met social bond standards/agreements for 2017/2018.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
No result available[54]	All payments are administered according to social bond standards/ agreements	Achieved	Achieved

54 No payments under this appropriation had been administered at 30 June 2017.

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000[55]**	**Revised $000[56]**	**Actual $000**
	Revenue			
40	Crown	40	80	80
-	Department	-	-	-
-	Other	-	-	-
40	**Total Revenue**	**40**	**80**	**80**
-	**Total Expense**	**40**	**80**	**40**
40	**Net Surplus/(Deficit)**	**-**	**-**	**40**

55 As set out in the 2017/2018 Estimates of Appropriations for Vote Social Development.

56 Revised budget figures include any changes made in the 2017/2018 Supplementary Estimates of Appropriations for Vote Social Development.

Output Expense: Claims Resolution

This multi-year appropriation commenced from 1 April 2017 and expires on 30 June 2021.

Scope

This appropriation is limited to resolving claims of abuse and neglect for people who were under the supervision, or in the care, custody or guardianship, of the state or who had come to the notice of the state prior to 2008.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve financial resolution for victims of abuse and neglect who were in the care, custody or guardianship of the state.

Summary of Performance

Non-financial Performance

We resolve claims made by people who were abused or harmed while in the care of the state.

Up to 30 June 2018 we had resolved 1,727 of the 3,010 claims received from people in care prior to 2008, and made apologies and payments totalling nearly $26.6 million to 1,398 people.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
40[57]	The number of claims assessed by 30 June 2020 will be no less than	1,000	181
	The budgeted standards shown are for the four-year life of the multi-year appropriation and equate to 250 per year. This is to be achieved by 30 June 2020 or 30 June 2021, according to context. The performance measures reported here were based on our intention to implement a revised claims resolution process that would allow for a much faster assessment of claims and therefore a higher rate of resolution per year. Owing to a number of circumstances, including tribunal proceedings and the announcement of the Royal Commission of Inquiry into Historical Abuse in State Care, implementation did not proceed during 2017/2018. We want to ensure that any changes we make to the claims resolution process meet the needs of all claimants and support them through the claims process. Following the implementation of a new approach we will review the appropriateness of these measures.		
100%	The percentage of claims assessed by 30 June 2020 that will have an offer made by 30 June 2021 will be	100%	88.0%
	The proportion of offers made between 1 April 2017 (the start date of the multi-year appropriation) and 30 June 2018 that were within 12 months of the claim being assessed.		

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
2,000	Crown	7,683	12,342	12,342
-	Department	-	-	-
-	Other	-	-	-
2,000	**Total Revenue**	**7,683**	**12,342**	**12,342**
1,837	**Total Expense**	**7,683**	**12,342**	**5,666**
163	**Net Surplus/(Deficit)**	**-**	**-**	**6,676**

57 This result measures only the period 1 April 2017 to 30 June 2017.

Output Expense: Corporate Support Services

Scope

This appropriation is limited to provision of corporate support services to other agencies.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve quality and efficient corporate support services.

Summary of Performance

Non-financial Performance

Since the establishment of Oranga Tamariki—Ministry for Children on 1 April 2017, we have consistently achieved quality and efficient corporate services across a number of shared and transitional service agreements. We have achieved the agreed service level standards, levels and volumes for 2017/2018.

We agreed with Oranga Tamariki that a number of transitional services would cease or be extended as planned, and where needed we made refinements to the service specifications to better reflect the services being provided. This approach has allowed Oranga Tamariki to focus on developing its own operating model.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
Achieved	Services meet the standards and timeframes agreed between the Ministry of Social Development and Oranga Tamariki—Ministry for Children	Achieved	Achieved

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	-	-
25,000	Department	105,500	86,959	86,629
-	Other	-	-	-
25,000	**Total Revenue**	**105,500**	**86,959**	**86,629**
25,000	**Total Expense**	**105,500**	**86,959**	**86,629**
-	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Output Expense: Data, Analytics and Evidence Services

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an increase in the use and value of the data and information assets of the Ministry and other government agencies to target services more effectively for New Zealanders.

Summary of Performance

Non-financial Performance

This appropriation allows us to supply a number of types of data and analytics to provide insights to inform quality decision making. Our data warehouse and critical foundational data assets also enable a variety of products and insights to support key frontline operations, performance measurement, external performance reporting, ministerial servicing, responding to information requests, research and evaluation, policy advice, data feeds to partners and Statistics New Zealand's Integrated Data Infrastructure, and advanced analytics to increase effectiveness and efficiency and to reduce risk.

Research and evaluation services include:

- identifying and defining opportunities to support better outcomes
- understanding what works for whom
- determining whether policies and services are being delivered effectively
- determining impacts.

In addition, strategic research focuses on enduring policy questions about particular populations or issues. It also includes building frameworks that are appropriate to the populations, for example Māori.

In 2017/2018 we completed the evaluation of the cost-effectiveness of employment assistance in 2014/2015, in which we measured impacts against a broader suite of outcomes beyond welfare, including total income, time in employment, and justice outcomes.

We also enhanced our Client Service Matching tool, which automatically matches clients to the service best suited for their particular circumstances.

As part of our continued commitment to making our Insights available to the public, we enhanced some of our externally available data reports to include more information and to make them easier to understand. We are reviewing our publications process so we can produce more high-quality research and evaluation reports.

In 2017/2018 we worked on developing a Data and Analytics Strategy, focusing on the way we collect and use data in relation to governance, organisational capability, technology, data quality, and stewardship. The Strategy takes into account our operating environment, changing Government and Ministry priorities, and internal restructuring. It is important that it aligns how data and analytics will be used to help us achieve our strategic priorities.

Expenditure on Benefits and Other Related Expenses was $7.979 million higher than the forecast of $19,895.485 million[58]. Most of this was caused by higher-than-expected spending on Sole Parent Support.

58 Estimated actual spend in 2017/2018 as shown in the 2018/2019 Estimates of Appropriations.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
New measure for 2017/2018	The percentage of data infrastructure and tools, developed and delivered against an agreed work programme in accordance with organisational priorities will be no less than	90%	100%
New measure for 2017/2018	Data and Analytics Strategy and plan developed to increase the use and value of data and information assets of the Ministry to better target services for New Zealanders	Achieved	Not achieved
	The Data and Analytics Strategy has not yet been finalised. The Strategy needs to shows how data and analytics will be used to help us achieve our strategic priorities, and therefore could not be completed until the strategic priorities were finalised and the required key shifts identified. We expect to finalise the Data and Analytics Strategy in 2018/2019.		
New measure for 2017/2018	The percentage of products and services delivered to clients within the agreed timeframes will be no less than	90%	96.0%
New measure for 2017/2018	iMSD[59] products and services inform departmental decision-making on services to be provided by the Ministry of Social Development as measured by the proportion of internal clients surveyed who rated the products and data information services 'good' or better will be no less than	90%	71%
	This was the first year we measured client satisfaction scores. Although we have not met the standard this year, we now have a substantial amount of data that highlights the key areas we need to work on to improve our service and impact.		
New measure for 2017/2018	The percentage of products and services produced that consistently reflect the Quality Framework principles[60] will be no less than	80%	100%
New measure for 2017/2018	The percentage of publications released on the Ministry of Social Development external website in accordance with the agreed release timetable, updated quarterly, will be	100%	100%
0.05%	Total Aggregate Social Development BORE[61] spend accuracy on current year mid-point estimates will be within the range of	+/-2%	-0.04%
	This result uses the Estimated Actual figures from Budget 2018 as the forecast and excludes any adjustments made in the Supplementary Estimates of Appropriations.		

Financial Performance

2016/2017		2017/2018		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
12,510	Crown	9,940	16,801	16,801
-	Department	-	-	-
-	Other	-	-	-
12,510	**Total Revenue**	**9,940**	**16,801**	**16,801**
11,706	**Total Expense**	**9,940**	**16,801**	**12,471**
804	**Net Surplus/(Deficit)**	**-**	**-**	**4,330**

59 Insights MSD or iMSD is a business group within MSD that provides data, analytics, evidence and research services. Its purpose is to maximise the value of the Ministry's investment in data and analytics capability, thereby improving decision-making from policy to operations, which will drive better outcomes for our clients.

60 The Quality Framework principles are: well commissioned, methodologically sound, client focused, build knowledge and capability, and ethical.

61 Benefits or Related Expenses.

Output Expense: Income Support and Assistance to Seniors

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the accurate and timely assessment and payment of entitlements to older people.

Summary of Performance

Non-financial Performance

In 2017/2018 the number of people on New Zealand Superannuation increased to 753,319, compared with 729,445 at the end of 2016/2017, an increase of 23,874 or 3.3 per cent.

We provided entitlement assessments to 59,535 new applicants for New Zealand Superannuation to help them maintain independence.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
94.6%	The percentage of entitlement assessments for payment of entitlements to older people completed accurately[62] will be no less than	90%	95.3%
86.1%	The percentage of entitlement assessments for payment of entitlements to older people finalised within standard timeframes[63] [64] will be no less than	90%	83.1%
	Increasing work volumes across all services reduced our ability to meet this performance standard. While the increase in the number of older people has been in line with forecasts, increases in demand for supplementary assistance and hardship grants have been higher than expected. We redirected additional support from other units and implemented system efficiencies, but these steps were not sufficient to meet the performance standard this year.		

62 Accuracy measures the percentage of all client entitlement assessments that are processed correctly. The reported performance is based on a sample of applications tested for accuracy that is considered representative of actual performance over all applications. The same basis is used for accuracy measures reported on pages 98, 100, 101, 107 and 118.

63 This combines timeliness measures for all activities in this output expense. Standard timeframes for each component are:

- six working days for New Zealand Superannuation and Emergency Benefit (for people over 65 years of age) entitlement assessments completed for payment in New Zealand
- 20 working days for New Zealand Superannuation entitlement assessments completed for payments overseas and other New Zealand entitlements paid overseas
- 20 working days for Residential Care Subsidy entitlement assessments.

64 Timeliness measures the length of time in working days to complete an action. The reported performance is based on a sample of applications tested for timeliness that is considered representative of actual performance over all applications. The same basis is used for timeliness measures reported on pages 98, 100, 101, 107 and 118.

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
43,781	Crown	37,150	46,787	46,787
-	Department	-	-	-
-	Other	-	-	-
43,781	**Total Revenue**	**37,150**	**46,787**	**46,787**
43,212	**Total Expense**	**37,150**	**46,787**	**46,436**
569	**Net Surplus/(Deficit)**	**-**	**-**	**351**

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

Scope

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

What is intended to be achieved with this appropriation

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

Summary of Performance

Non-financial Performance

We undertake prevention programmes and operate a range of detection activities to minimise and mitigate fraud and to protect the integrity of the welfare system. Our Debt Management Strategy helps guide our efforts to make it easier for clients to avoid committing fraud and accumulating debt.

In order to protect the integrity of the benefit system and income-related Rent Subsidy payments, our specialised investigation staff investigated 5,916 cases and established 2,061 overpayments in 2017/2018 (2016/2017: 5,992 investigations and 2,307 overpayments).

We completed 306 prosecutions (2016/2017: 453), nearly all of which were successful. Cases are investigated only when allegations have been made and there is sound information indicating that fraud may be present.

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

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
59%	The percentage of investigations[65] that result in an entitlement change[66] or identification of an overpayment will be no less than	50%	52.8%
96.2%	The percentage of successful prosecutions concluded will be no less than	95%	95.3%
70.3%	The percentage of non-current debt paid in full, or under arrangement to pay, within four months will be no less than	70%	70.0%
	The reported result is as at 31 March 2018. A system change that came into effect in December 2017 has meant that results after March are not compatible with earlier results and are therefore unreliable for reporting.		

65 Investigations included in this result are only those that were completed during 2017/2018, regardless of when they started.

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

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
49,209	Crown	49,808	47,117	47,117
-	Department	-	-	-
-	Other	-	-	-
49,209	**Total Revenue**	**49,808**	**47,117**	**47,117**
48,122	**Total Expense**	**49,808**	**47,117**	**46,614**
1,087	**Net Surplus/(Deficit)**	**-**	**-**	**503**

Output Expense: Management of Service Cards

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve financial assistance to low-income New Zealanders and older people by the accurate and timely assessment and issuing of discount service cards.

Summary of Performance

Non-financial Performance

In 2017/2018:

- the number of Community Services Card recipients fell from 842,711 to 832,085, reflecting decreases in most client categories
- the total number of SuperGold Cardholders increased from 712,251 to 733,088
- the number of SuperGold Card business partners providing discounts to cardholders increased from 8,583 to 9,213, with a total of 679 new partners joining the programme.

The number of SuperGold Cards and Veteran SuperGold Cards issued is determined by the number of new card applicants and card renewals. In 2017/2018 the number of cards issued was 254,197, compared with 248,413 in 2016/2017.

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

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
96.9%	The percentage of card entitlement assessments completed accurately will be no less than	95%	97.6%
93.8%	The percentage of card entitlement assessments completed within five working days will be no less than	90%	98.8%

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
4,879	Crown	6,705	5,738	5,738
-	Department	-	-	-
-	Other	-	-	-
4,879	**Total Revenue**	**6,705**	**5,738**	**5,738**
4,618	**Total Expense**	**6,705**	**5,738**	**5,381**
261	**Net Surplus/(Deficit)**	**-**	**-**	**357**

Output Expense: Management of Student Loans

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve reduced financial barriers to tertiary study by providing accurate and timely assessment and payment of Student Loans.

Summary of Performance

Non-financial Performance

In 2017/2018 we processed 208,932 Student Loan applications, with over 98 percent of entitlement assessments being completed accurately.

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

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
98.2%	The percentage of entitlement assessments for a Student Loan completed accurately will be no less than	90%	98.4%
99.6%	The percentage of initial entitlement assessments for a Student Loan completed within five working days will be no less than	95%	99.9%

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
15,545	Crown	15,218	16,640	16,640
-	Department	-	-	-
-	Other	-	-	-
15,545	**Total Revenue**	**15,218**	**16,640**	**16,640**
15,083	**Total Expense**	**15,218**	**16,640**	**16,509**
462	**Net Surplus/(Deficit)**	**-**	**-**	**131**

Output Expense: Management of Student Support

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve reduced financial barriers to tertiary study by providing accurate and timely assessment and payment of non-recoverable financial support for students.

Summary of Performance

Non-financial Performance

In 2017/2018 we processed 114,982 Student Allowance applications, with over 94 percent of entitlement assessments being completed accurately, and almost all initial entitlement assessments being completed within five working days of application.

Timely and accurate assessment and payment of Student Allowances during the year helped reduce financial barriers for students, enabling them to access tertiary study.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
96.2%	The percentage of entitlement assessments for a Student Allowance completed accurately will be no less than	90%	94.1%
100%	The percentage of initial entitlement assessments for a Student Allowance completed within five working days will be no less than	95%	99.9%

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
17,356	Crown	16,459	17,192	17,192
-	Department	-	-	-
-	Other	-	-	-
17,356	**Total Revenue**	**16,459**	**17,192**	**17,192**
16,712	**Total Expense**	**16,459**	**17,192**	**16,544**
644	**Net Surplus/(Deficit)**	**-**	**-**	**648**

Output Expense: Place-based Initiatives – Tairāwhiti Local Leadership

Scope

This appropriation is limited to the provision of operational support for the place-based approach being led by the Tairāwhiti Social Impact Collective.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a new way of working together in Tairāwhiti to achieve an improvement in the outcomes of at-risk children, young people and their families.

Summary of Performance

Non-financial Performance

Manāki Tairāwhiti is a place-based initiative comprising iwi, government and NGO leaders in Gisborne and Wairoa. The initiative aims to improve local collaborative practice and services for at-risk families.

A range of different programmes has been brought together under the Manāki Tairāwhiti governance structure so that social sector agencies and NGOs can work together in better ways to improve outcomes for those needing support.

A governance group oversees the co-ordination of community-led action plans between agencies.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
New measure for 2017/2018	Provide ongoing local support arrangements by 30 June 2018	Achieved	Achieved

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
205	Crown	225	391	391
-	Department	-	-	-
-	Other	-	-	-
205	**Total Revenue**	**225**	**391**	**391**
194	**Total Expense**	**225**	**391**	**391**
11	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Output Expense: Planning, Correspondence and Monitoring

Scope

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

What is intended to be achieved with this appropriation

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

Summary of Performance

Non-financial Performance

In 2017/2018 we provided services to support Ministers to discharge their portfolio responsibilities, including their roles as responsible Ministers for Crown entities that are attached to the Social Development portfolio. This included:

- supporting Crown entities through the pre- and post-election periods, and on the transition to a new Government
- advice on the process for disestablishing the Families Commission/Superu.

During the year we prepared responses to 1,467 written parliamentary questions, 1,096 items of correspondence and 71 Official Information Act requests for Ministers.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Crown Entity Monitoring		
100%	The percentage of occasions on which advice is given to the Ministers on Crown entity and Statutory Tribunal appointments within agreed timeframes will be between	95-100%	100.0%
100%	The percentage of all reports[67] provided to the Minister that are factually accurate, meet all legislative requirements, and contain no avoidable errors will be between	95-100%	100.0%
100%	The percentage of occasions on which advice to Ministers on draft accountability documents for Crown entities for the next financial year is provided within agreed timeframes will be no less than	100%	100.0%
	Ministerial and Executive Services		
95%	The percentage of ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed, will be between	95-100%	95.0%
99.7%	The percentage of written Parliamentary question replies provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders, will be between	95-100%	100.0%
100%	The percentage of ministerial Official Information Act request replies completed within the statutory timeframe (or unless otherwise agreed), will be between	95-100%	100.0%

67 Reports include policy advice, aide memoires, briefings and updates to support the Minister's decision-making responsibilities. This result is based on adverse comments from the Minister.

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
6,344	Crown	4,494	5,616	5,616
-	Department	-	-	-
-	Other	-	-	-
6,344	**Total Revenue**	**4,494**	**5,616**	**5,616**
6,316	**Total Expense**	**4,494**	**5,616**	**5,348**
28	**Net Surplus/(Deficit)**	**-**	**-**	**268**

Output Expense: Policy Advice

Scope

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

What is intended to be achieved with this appropriation

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

Summary of Performance

Non-financial Performance

We provided high-quality policy advice to support Ministers to make decisions on social policy matters. This included advice on employment and income support issues, an overhaul of the welfare system (including the provision of secretariat support for the Welfare Expert Advisory Group), public housing, community and families policy, issues faced by people with a health condition or disability, issues faced by older New Zealanders, and international social policy matters.

We supported the incoming Government by providing policy advice on key priorities such as the Families Package. We also supported the Child Poverty Unit to see the Child Poverty Reduction Bill through the legislative development process.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
6.6	The satisfaction rating[68] given by Ministers[69] for the quality and timeliness of policy advice, as per the Common Satisfaction Survey will be at least	8.0	7.7
	The result represents the average score from surveys completed by the Minister for Social Development and the Minister of Housing and Urban Development.		
73.7%	The technical quality of policy advice papers assessed by a survey with a methodological robustness of 85%[70] will be no less than	75%	73.3%
	The result was characterised by the New Zealand Institute of Economic Research, who conducted the technical assessment, as "holding steady in a time of change" and "a good result given a heavy workload".		
$190.28	The total cost[71] per hour per person of producing outputs will be	$130.00–$140.00	$166.46
	The higher-than-expected result is largely due to increased overheads resulting from the application of a new overhead allocation model across MSD appropriations and methodological improvements to the calculation of the cost of policy advice. These changes will be reflected in future budgeted standards.		

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

69 The Ministers who receive services that we sent the Satisfaction Survey to are the Minister for Social Development and the Minister of Housing and Urban Development.

70 This measure is a compulsory policy advice measure for all public sector agencies. The wording of the measure was supplied by the Treasury. The reported performance is based on a sample of policy papers tested for methodological robustness that is considered representative of actual performance over all policy papers.

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

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
20,167	Crown	14,393	14,465	14,465
-	Department	-	-	-
-	Other	-	-	-
20,167	**Total Revenue**	**14,393**	**14,465**	**14,465**
19,821	**Total Expense**	**14,393**	**14,465**	**13,772**
346	**Net Surplus/(Deficit)**	**-**	**-**	**693**

Output Expense: Processing of Veterans' Pensions

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the accurate and timely assessment and payment of Veterans' Pensions and related allowances.

Summary of Performance

Non-financial Performance

In 2017/2018 we granted 191 pensions to veterans to support them to maintain their independence and social participation, compared with 172 in 2016/2017.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
95.1%	The percentage of Veterans' Pension entitlement assessments completed accurately will be no less than	90%	94.5%
94.7%	The percentage of Veterans' Pension entitlement assessments completed within timeframes[72] will be no less than	90%	96.5%

Financial Performance

2016/2017		2017/2018		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
588	Crown	443	647	647
-	Department	-	-	-
-	Other	-	-	-
588	**Total Revenue**	**443**	**647**	**647**
464	**Total Expense**	**443**	**647**	**640**
124	**Net Surplus/(Deficit)**	**-**	**-**	**7**

72 Six working days for entitlement assessments for payment in New Zealand, and 20 working days for assessments for payment overseas.

Output Expense: Promoting Positive Outcomes for Disabled People

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the increased participation and contribution of disabled people by providing advice and support to the Minister for Disability Issues and by co-ordinating and monitoring against the Convention on the Rights of Persons with Disabilities, the New Zealand Disability Strategy and the Disability Action Plan.

Summary of Performance

Non-financial Performance

In 2017/2018 we continued work towards improving the identification and removal of barriers that disabled people experience, and ensuring they have the same opportunities and outcomes as other New Zealanders. Initiatives we progressed included:

- development of the New Zealand Disability Strategy 2016-2026 Outcomes Framework
- implementation of the New Zealand Disability Action Plan 2014-2018
- development of the New Zealand Sign Language Board's five-year strategy for 2018-2023 and the completion of the New Zealand Sign Language Fund's third funding round
- development of the Government response to the United Nations Committee on the Rights of Persons with Disabilities list of issues, as part of New Zealand's second periodic review of implementation of the United Nations Convention on the Rights of Persons with Disabilities.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
6.2	The quality rating given to a monitoring report by disabled people on their rights under the United Nations Convention on the Rights of Persons with Disabilities[73] is of high quality will be no less than	7.0	No report produced this year
	A formal evaluation of the monitoring report in 2017 indicated the need for improvement. In 2018 we have focused on developing a new reporting framework based on the recommendations of the evaluation.		
9	The satisfaction rating[74] given by the Minister for Disability Issues for the quality of the annual report[75] is no less than	7.0	7.5
89%	The percentage of stakeholders who report being 'satisfied' or 'very satisfied' with the level of engagement of the Office for Disability Issues	75%	76.0%

Financial Performance

2016/2017		2017/2018		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
4,045	Crown	3,716	4,234	4,234
-	Department	-	1,000	1,000
-	Other	-	-	-
4,045	**Total Revenue**	**3,716**	**5,234**	**5,234**
3,951	**Total Expense**	**3,716**	**5,234**	**5,022**
94	**Net Surplus/(Deficit)**	**-**	**-**	**212**

73 Based on a rating system developed by the Office for Disability Issues that assesses the elements of a good quality report, such as sound methodology and being easy to understand. This is measured on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

74 The Satisfaction Survey rating measures the Minister for Disability Issues' satisfaction with the quality of the annual report providing an accurate picture of progress against agreed priorities, where 1 means unsatisfied and 10 means extremely satisfied.

75 *Towards a non-disabling New Zealand*, the annual report from the Minister for Disability Issues to the House of Representatives on implementation of the New Zealand Disability Strategy, December 2017, published at **https://www.odi.govt.nz/assets/Uploads/2017-Annual-Progress-Report-on-implementation-of-NZDS.pdf.**

Output Expense: Promoting Positive Outcomes for Seniors

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve positive outcomes for seniors by supporting their inclusion in a society where older people can age positively, are highly valued and are recognised as an integral part of families and communities, and by supporting greater advocacy of their issues by Ministers.

Summary of Performance

Non-financial Performance

In 2017/2018 we supported the Minister for Seniors, Hon Tracey Martin, to launch a national conversation to help guide the development of a new strategy for an ageing population by producing a discussion document and engagement strategy. We also:

- received affiliate membership status to the World Health Organization (WHO) Global Network of Age-friendly Cities and Communities – this membership enables us to provide access to WHO resources and networks and recognises our intention to work towards being age-friendly
- organised the first Age-Friendly National Forum in June 2018, bringing together a broad cross-section from central and local government, academics, NGOs, community agencies and older people to showcase and discuss age-friendly initiatives
- supported the implementation of the new Elder Abuse Response Service (EARS) to address the immediate needs of older people experiencing abuse and neglect.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
New measure for 2017/2018	The number of page views on SuperSeniors webpages carrying information on Elder Abuse Response services will be no less than	100,000	690,076
New measure for 2017/2018	The number of unique email addresses that are subscribed to the SuperSeniors Newsletter will be no less than	300,000	299,866
	The result fell short of the target by 0.04 percent and is considered insignificant.		
71%	The percentage of stakeholders[76] who report being 'satisfied' or 'very satisfied' with the level of engagement of the Office for Seniors will be no less than	90%	75.0%
	The performance result for this measure has increased by 4 percent from 2016/2017. Since the survey was completed we have consolidated our stakeholder mailing list, made improvements to the monthly stakeholder newsletters, and developed more content for our website, Facebook and Twitter pages, where levels of engagement are high (average monthly Twitter impressions of between 12,000 and 17,000 people with 100-200 engagements; average monthly Facebook reach 100,000 with 30,000 post engagements).		

76 Stakeholders are selected from the following groups: seniors, sector organisations and central and local government. The reported performance is based on a survey that is considered representative of actual performance. The same basis is used for survey-based performance measures on pages 110, 115, 116 and 120.

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
1,010	Crown	1,022	1,187	1,187
-	Department	-	-	-
-	Other	-	-	-
1,010	**Total Revenue**	**1,022**	**1,187**	**1,187**
850	**Total Expense**	**1,022**	**1,187**	**1,138**
160	**Net Surplus/(Deficit)**	**-**	**-**	**49**

Capital Expense: Ministry of Social Development – Capital Expenditure PLA

Scope

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Social Development, as authorised by section 24(1) of the Public Finance Act 1989.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the replacement or upgrade of assets in support of the delivery of the Ministry's services.

How performance will be assessed for this appropriation

Expenditure is in accordance with the Ministry's ten-year capital plan.

Summary of Performance

Non-financial Performance

All current and prior year capital expenditure has supported the delivery of our Long-term Investment Plan.

For further details of departmental capital expenditure incurred against appropriations, refer to Notes 9 and 10 in the Departmental statements (pages 161 to 164). For details of departmental capital injections, refer to the Departmental Statement of Financial Position (page 150).

Financial Performance

2016/2017		2017/2018		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
84,406	Capital Expenditure (PLA)	69,255	107,040	86,050

Multi-Category Expense Appropriation: Community Support Services

Overarching Purpose Statement

The overarching purpose of this appropriation is to prevent and reduce vulnerability and harm for individuals, families and communities.

Scope

Departmental Output Expenses

Developing and Managing Community Services

This category is limited to approving, monitoring, contracting and managing the relationships with community-based service providers, engaging with communities and developing services.

Non-Departmental Output Expenses

Community Support and Advice

This category is limited to services that build financial capability, develop community and provider capability, and provide targeted advice and support for vulnerable individuals and families.

Participation and Support Services for Seniors

This category is limited to services that address isolation, abuse and neglect of older people, and support participation in communities.

Supporting Victims and Perpetrators of Family and Sexual Violence

This category is limited to services that support victims of family and sexual violence and address perpetrator behaviour.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a reduction in the number of families that experience hardship and adverse life outcomes.

How performance will be assessed for this appropriation

Performance will be assessed by:

- a decrease in the number of family harm investigations attended by NZ Police[77]
- a decrease in the number of working-age people on a benefit.

Summary of Performance

Non-financial Performance

In 2017/2018 we purchased a wide range of services to improve social outcomes for vulnerable families. This included a range of services that were developed or redesigned, for example services relating to building financial capability and to addressing elder abuse and neglect. In addition we worked to address or prevent family violence through initiatives such as E Tū Whānau and the It’s Not OK campaign.

77 Data from NZ Police.

Over time the work funded through this appropriation will reduce the number of families that experience hardship and adverse life outcomes, including benefit dependency and family and sexual violence.

All clients treated for harmful sexual behaviour had a decrease in risk factors and are therefore less likely to go on to offend. All surveyed community groups say that the It's Not OK campaign has increased their ability to address or prevent family violence.

Over 22,500 clients received Building Financial Capability services, and 81 percent of them are unlikely to require further support to reach their financial goals.

The number of family harm investigations attended by Police fell from 125,126 in 2016/2017 to 119,222 in 2017/2018, a fall of 4.7 percent[78], while the number of people receiving a working-age benefit increased by 0.4 percent from 276,331 at 30 June 2017 to 277,410 at 30 June 2018.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Departmental Output Expenses		
	Developing and Managing Community Services		
	The category is intended to achieve effective and efficient customer and community services that meet community needs and reduce vulnerability.		
	MSD Approvals		
97%	The percentage of Level 1[79] and Level 2[80] Ministry of Social Development contracted providers who will be assessed at least once every two years against Ministry of Social Development approval standards will be no less than	100%	100%
92%	The percentage of Level 3[81] Ministry of Social Development contracted providers who will be assessed within the review frequency[82] against Ministry of Social Development approval standards will be no less than	90%	92%
94%	The percentage of assessments on behalf of Social Sector Agencies[83] who will be assessed by Ministry of Social Development Approvals within the review frequency, against Social Sector Accreditation Standards, will be no less than	100%	100%
	Result Measurement Framework		
27%	The percentage of total services funded with Result Measurement Framework contracts (for contracting work) will be no less than	50%	52%
New measure for 2017/2018	The percentage of all contracted services which achieved or exceeded the target for their primary contracted measure will be no less than	75%	76%
	Non-Departmental Output Expenses		
	Community Support and Advice		
	The category is intended to achieve increased financial capability, inclusion and improved wellbeing of vulnerable individuals and families.		

78 Data is sourced from NZ Police. This is point in time data, as family harm investigation statistics are drawn from a dynamic operational database. They are subject to change as new information is continually recorded.

79 These are providers who deliver care-based services.

80 These are providers delivering services to high-risk/vulnerable clients who require intensive support.

81 These are providers delivering services to low-risk client groups or the general population.

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

83 Social sector agencies include the Ministry of Justice, Department of Corrections and any other agencies that the agreement specifies.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Building Financial Capability		
New measure for 2017/2018	The percentage of clients who report having greater financial confidence and capability (comparing pre and post intervention) will be no less than	80%	82%
New measure for 2017/2018	The percentage of clients who completed the service with all of their goals achieved, or evidence (in worker's opinion) of ability to achieve their goals without further support will be no less than	80%	81%
	Sector Umbrella Groups		
New measure for 2017/2018	The number of agencies worked with or supported will be no less than	500	542
New measure for 2017/2018	The percentage of member agencies who report they have up to date information from the umbrella organisation will be no less than	90%	97%
New measure for 2017/2018	The percentage of member agencies who report that they are better able to deliver their services as a result of the support offered by the umbrella organisation will be no less than	90%	99%
	Microfinance Partnership		
New measure for 2017/2018	The percentage of loans approved during the reporting period will be no less than	25%	29%
	Participation and Support Services for Seniors This category is intended to achieve a reduction in the number of isolated, abused and neglected older people, and increase their participation in their communities.		
	Elder Abuse and Neglect Services (EANS)[84]		
New measure for 2017/2018	The percentage of clients who indicate that the service provided met their needs will be no less than	80%	83%
New measure for 2017/2018	The percentage of clients who indicate they have greater control over their lives after receiving the service will be no less than	80%	100%
	Supporting Victims and Perpetrators of Family and Sexual Violence This category is intended to achieve a reduction in the number of victims and perpetrators of family and sexual violence.		
New measure for 2017/2018	The percentage of clients who have expressed that they were satisfied with the service, content and delivery of the programme will be no less than	90%	90%
	Harmful Sexual Behaviour Services		
New measure for 2017/2018	The percentage decrease in risk factors (excludes non-mandated adults pre-assessed as low risk) for clients who complete the intervention will be no less than	80%	100%

84 EANS was replaced by the Elder Abuse Response Service (EARS) from 1 July 2017. The result for this performance measure pertains to the EARS service.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
New measure for 2017/2018	The percentage increase in protective factors for clients who complete the intervention will be no less than	80%	100%
	E Tū Whānau[85]		
Result not available[86]	The percentage of those surveyed who report that the use of E Tū Whānau resources has led to a change in beliefs and attitudes in their community will be no less than	60%	66%
54	The number of activities supported by E Tū Whānau will be between	40-50	42
	It's Not OK		
90%	The percentage of surveyed community groups that say the campaign has increased their ability to address or prevent family violence will be no less than	90%	100%

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
-	Developing and Managing Community Services	15,408	23,936	23,936
	Revenue from Others			
-	Developing and Managing Community Services	3,675	-	-
-	**Total Revenue**	**19,083**	**23,936**	**23,936**
-	**Total Expense**	**19,083**	**23,936**	**23,684**
-	**Net Surplus/(Deficit)**	**-**	**-**	**252**

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
-	Community Support and Advice	26,156	22,781	22,826
-	Participation and Support Services for Seniors	2,990	2,991	2,956
-	Supporting Victims and Perpetrators of Family and Sexual Violence	44,573	44,608	44,467
-	**Total Expense**	**73,719**	**70,380**	**70,249**

85 Performance information for E Tū Whānau for 2016/2017 was reported in the 2016/2017 Non-departmental Appropriations Report for Vote Social Development.

86 A survey was carried out in early 2017 but, due to an unexpected software issue, the data became corrupted and was deemed unusable. The 2016/2017 performance information was reported in the 2016/2017 Non-Departmental Appropriations Report for Vote Social Development.

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

Overarching Purpose Statement

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

Scope

Departmental Output Expenses

Administering Income Support

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

Improving Employment Outcomes

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

Improving Work Readiness Outcomes

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
New measure for 2017/2018	An investment framework, in line with an investment strategy and supported by evidence, is used to guide and inform investment decisions within the Improved Employment and Social Outcomes Support MCA.	Achieved	Achieved

Summary of Performance

Non-financial Performance

In 2017/2018 the overall increase in benefit numbers was largely the result of an increase in Jobseeker Support groups.

At 30 June 2018, 277,410 people were on a working-age benefit[87]. This is an increase of 1,079 since June 2017. The number on Job Seeker Support increased from 118,776 in June 2017 to 122,513 in June 2018.

87 A working-age benefit is a benefit that is primarily targeted at people between the ages of 18 and 64 years.

In 2017/2018 we supported 77,466 working-age people into work. Around 64 percent of those with full-time work obligations who left the benefit system stayed off benefit for at least six months, while 61 percent of those with part-time work obligations that left the benefit system did not return to benefit within 26 weeks.

We assessed more than 253,000 applications for main benefits in 2017/2018.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Departmental Output Expenses		
	Administering Income Support		
	This category is intended to achieve accurate and efficient operation of the benefit system so that the correct amount is paid to the correct people on time.		
89.2%	The proportion of benefit entitlement assessments completed accurately will be no less than	90%	90.8%
91.7%	The proportion of benefit entitlement assessments completed within five working days will be no less than	90%	92.2%
	Improving Employment Outcomes		
	This category is intended to achieve an increase in the number of people (from those who are currently receiving or are likely to receive working-age benefits and are work-ready) moving into sustainable employment.		
65.4%	The proportion of clients with full-time work obligations[88] who remain independent of benefit[89] for at least 26 weeks will be no less than	60%	64.1%
85.4%	The proportion of clients with full-time work obligations who are engaged will be no less than	80%	86.6%
54.6%	The proportion of clients who are not on a main benefit eight weeks following completion of an employment intervention programme will be no less than	50%	54.2%
	Improving Work Readiness Outcomes		
	This category is intended to achieve a substantial reduction in barriers to employment so that people who are receiving or are likely to receive working-age benefits can become work ready.		
61.9%	The proportion of clients with part-time, preparation or deferred obligations who remain independent of benefit for at least 26 weeks will be no less than	60%	60.9%
75.3%	The proportion of clients with part-time, preparation or deferred work obligations who are engaged will be no less than	70%	71.0%
41.2%	The proportion of clients who are not on a main benefit 16 weeks after completing a work readiness intervention will be no less than	35%	38.4%

88 Full-time work obligations means 30 hours or more per week.

89 When a client becomes independent of benefit, this does not always mean that they have entered sustainable employment (although in most cases that is the reason).

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
286,399	Administering Income Support	262,952	268,229	268,229
299,246	Improving Employment Outcomes	309,519	305,528	305,528
84,969	Improving Work Readiness Outcomes	86,339	88,374	88,374
	Revenue from Others			
3,076	Administering Income Support	3,562	3,562	1,878
-	Improving Employment Outcomes	-	-	-
-	Improving Work Readiness Outcomes	-	-	-
673,690	**Total Revenue**	**662,372**	**665,693**	**664,009**
658,620	**Total Expense**	**662,372**	**665,693**	**655,051**
15,070	**Net Surplus/(Deficit)**	**-**	**-**	**8,958**

Multi-Category Expense Appropriation: Partnering for Youth Development

Overarching Purpose Statement

The single overarching purpose of this appropriation is to improve outcomes for young people through youth development opportunities.

Scope

Departmental Output Expenses

Administering Youth Development

This category is limited to generating, funding and promoting youth development opportunities.

Non-Departmental Output Expenses

Increasing Youth Development Opportunities

This category is limited to purchasing youth development opportunities.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an improvement in the capability and resilience of young people.

How performance will be assessed for this appropriation

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
97.8%	The percentage of participants who report they have improved their capability and resilience through completion of a youth development opportunity will be between	80-85%	95.4%
New measure for 2017/2018	The percentage of participants who report being satisfied or very satisfied with the youth development opportunity they have participated in will be between	85-90%	91.8%

Summary of Performance

Non-financial Performance

In 2017/2018 the Ministry of Youth Development (MYD) spent $8.243 million supporting around 200 providers to deliver over 800 youth development programmes or services to almost 100,000 rangatahi. Over 10,000 completed participant feedback surveys to tell us what they thought about the MYD-supported programmes or services they took part in.

The Prime Minister's Youth Award

The four-day programme element of the Prime Minister's Youth Award challenged 95 young people to think differently and expand their aspirations for the future. It was featured on Māori TV and Radio New Zealand, with interviews from the young people.

New Partnership Fund Board announced

On 9 May 2018 the Minister for Youth announced the 10 members of the new Partnership Fund Board. The Partnership Fund Board is tasked with making investments in partnership with business and philanthropic sectors, iwi, and other funders to increase the capability and resilience of young people and support them in participating confidently within their communities and whānau.

The Partnership Fund, with a budget of $1.78 million, successfully attracted partner investments of $4.7 million in cash and in-kind support to help deliver youth development programmes or services to over 9,000 young people.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Departmental Output Expense		
	Administering Youth Development		
	This category is intended to achieve an increase in youth development opportunities for all young people, particularly those from disadvantaged backgrounds.		
71,096	The number of individual young people accessing funded youth development opportunities will be no less than	70,000	92,705
43%	The percentage of total funding for youth development opportunities targeted at young people from disadvantaged backgrounds will be no less than	30%	52.0%
	Non-Departmental Other Expense		
	Increasing Youth Development Opportunities		
	This category is intended to achieve an improvement in the personal, social and decision-making skills of young people through completion of youth development opportunities.		
97.2%	The percentage of participants who report an improvement in their personal, social and decision-making skills through completion of a youth development opportunity will be between	80-85%	95.4%
12.2%	The percentage of total youth development opportunities created in partnership with the business and philanthropic sector will be no less than	10%	9.9%
	The potential impact of a youth development programme presented to the Partnership Fund Board often carries more weight than the number of opportunities it can generate. In 2017/2018 the Board put more emphasis on funding opportunities that reach rangatahi who often have less access to such opportunities.		

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
2,682	Administering Youth Development	2,339	2,351	2,351
2,682	**Total Revenue**	**2,339**	**2,351**	**2,351**
2,494	**Total Expense**	**2,339**	**2,351**	**2,075**
188	**Net Surplus/(Deficit)**	**-**	**-**	**276**

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
7,803	Increasing Youth Development Opportunities	8,253	8,253	8,243
7,803	**Total Expense**	**8,253**	**8,253**	**8,243**

Vote Social Housing

Unless otherwise stated, all 2016/2017 performance information for appropriations that were part of Vote Social Housing in 2017/2018 was reported in the 2016/2017 Annual Report of the Ministry of Social Development.

Output Expense: Administering the Legacy Social Housing Fund

This appropriation was part of Vote Building and Housing in 2016/2017. Performance information for that year was reported in the 2016/2017 Annual Report of the Ministry of Business, Innovation and Employment.

Scope

This appropriation is limited to the administration costs of the Legacy Social Housing Fund.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve safe, healthy and affordable homes through the effective and efficient administration of the Legacy Social Housing Fund.

Summary of Performance

Non-financial Performance

We effectively administered the Legacy Social Housing Fund (SHF) by:

- completing 137 units, taking total SHF completions to 888 units
- allocating all remaining funding from the 2012-2015 Social Housing Fund, taking total SHF units allocations to approximately 1,020 units[90].

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
Achieved	Effective and efficient administration of the Legacy Social Housing Fund	Achieved	Achieved

Financial Performance

2016/2017		2017/2018		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
600	Crown	600	600	600
-	Department	-	-	-
-	Other	-	-	-
600	**Total Revenue**	**600**	**600**	**600**
330	**Total Expense**	**600**	**600**	**431**
270	**Net Surplus/(Deficit)**	**-**	**-**	**169**

90 Prior to the allocation of remaining funding, approximately 900 units were to be delivered. Following the allocation of remaining funding, approximately 1,020 will now be delivered.

Multi-Category Expense Appropriation: Community Group Housing

This multi-category appropriation was part of Vote Building and Housing in 2016/2017. Performance information for that year was reported in the 2016/2017 Annual Report of the Ministry of Business, Innovation and Employment.

Overarching Purpose Statement

The overarching purpose of this appropriation is to purchase housing services from Housing New Zealand Corporation and Community Group Housing providers to maintain the supply of tenanted Community Group Housing properties.

Scope

Non-Departmental Output Expenses

Community Group Housing Market Rent Top-Up

This category is limited to the provision of funding to Housing New Zealand Corporation to pay the difference between the contracted rent with the Community Group Housing provider and market rent for the leased properties.

Non-Departmental Other Expenses

Community Housing Rent Relief

This category is limited to the provision of a rent relief fund to Community Group Housing providers for the sole purpose of helping them meet their contracted rent payments.

Non-Departmental Capital Expenditure

Acquisition and Improvement of Community Group Housing Properties

This category is limited to debt or equity in Housing New Zealand Corporation to acquire, modernise or reconfigure properties leased by Community Housing Providers.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve safe, healthy and affordable homes by supporting third party providers of social and/or affordable housing services.

How performance will be assessed for this appropriation

The performance for this appropriation will be assessed by Housing New Zealand Corporation's support to community group providers by making available up to 1,500 Community Group Housing properties and related housing services.

Summary of Performance

Non-financial Performance

Housing New Zealand (HNZ) rents homes to government-funded community groups that provide a variety of services, including long-term residential care, transitional housing and emergency housing. These community groups provide residential services for people with high and complex needs and work with people who experience mental illness, people with intellectual and physical disabilities, residential alcohol and drug services, women seeking refuge, youth at risk, and families needing emergency housing. These services are contracted by government agencies including MSD, the Ministry of Health, District Health Boards, Oranga Tamariki, and the Department of Corrections.

HNZ added 12 properties to the Community Group Housing portfolio either through purchase, redevelopment, new build, leased properties, or repurposing of vacant properties (net of disposals). These 1,492 homes were provided to 203 community groups across the country.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Non-Departmental Output Expenses ***Community Group Housing Market Rent Top-Up*** This category is intended to achieve safe, healthy and affordable homes with the purchase of housing services from Housing New Zealand Corporation.		
Exempted	An exemption was granted under s15D(2)(b)(ii) of the Public Finance Act, as additional performance information is unlikely to be informative in light of the nature of the transaction or causal event giving rise to the expense.	Exempted	Exempted
	Non-Departmental Other Expenses ***Community Housing Rent Relief*** This category is intended to achieve safe, healthy and affordable homes by the provision of rent relief to service provider tenants of the Community Group Housing properties.		
Exempted	An exemption was granted under s15D(2)(b)(iii) of the Public Finance Act as the amount of the annual appropriation for a non-departmental other expense is less than $5 million.	Exempted	Exempted
	Non-Departmental Capital Expenditure ***Acquisition and Improvement of Community Group Housing Properties*** This category is intended to achieve the acquisition, modernisation or reconfiguration of Housing New Zealand Corporation State houses to ensure safe, healthy and affordable homes.		
Exempted	An exemption was granted under s15D(2)(b)(iii) of the Public Finance Act as the amount of this annual appropriation for non-departmental capital expenditure is less than $15 million.	Exempted	Exempted

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-departmental Output Expenses			
9,764	Community Group Housing Market Rent Top-Up	10,106	10,106	10,106
	Non-departmental Other Expenses			
4,104	Community Housing Rent Relief	4,104	4,104	4,051
	Non-departmental Capital Expenditure			
5,414	Acquisition and Improvement of Community Group Housing Properties	5,800	6,186	6,186
19,282	**Total Expense**	**20,010**	**20,396**	**20,343**

Multi-Category Expense Appropriation: Emergency Housing

Overarching Purpose Statement

The single overarching purpose of this appropriation is to fund the delivery of emergency housing places in New Zealand.

Scope

Non-Departmental Output Expenses

Emergency Housing Services

This category is limited to payments to emergency housing providers on a per household basis to cover tenancy and property management; and services to support tenants in emergency housing to move into sustainable housing.

Provision of Emergency Housing Places

This category is limited to supporting emergency housing providers to provide emergency housing places.

Non-Departmental Other Expenses

Impairment of Crown Assets Related to Emergency Housing

This category is limited to expenses incurred as a result of the impairment of Crown assets related to emergency housing, including write-down and write-offs.

Non-Departmental Capital Expenditure

Acquisition, Development and Construction of Emergency Housing

This category is limited to funding the acquisition, construction and development or redevelopment of land or properties for the purpose of providing emergency housing.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve better outcomes for vulnerable households through the provision of emergency housing and associated support services.

How performance will be assessed for this appropriation

Performance will be assessed by delivering between 2,000 and 2,200 emergency housing places and associated support services (where applicable).

Summary of Performance

Non-financial Performance

At 30 June 2018 there were 1,218 new places available in addition to the 1,123 we had secured prior to 1 July 2017[91], and a further 407 opportunities had been identified.

91 *Ministry of Social Development Housing Quarterly Report*, June 2018, published at **https://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/housing-quarterly-report-jun2018.pdf.**

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Non-Departmental Output Expenses ***Emergency Housing Services*** This category is intended to achieve an increase in support services for the families and individuals who access the additional emergency housing places secured.		
New measure for 2017/2018	The total number of emergency housing places that receive associated support services[92] will be between	1,200-1,400	1,699[93]
	Provision of Emergency Housing Places This category is intended to achieve improved access to emergency places for eligible families and individuals across New Zealand.		
New measure for 2017/2018[94]	The number of emergency housing places[95] in areas of demand will be between	2,000-2,200	2,341[96]
	Non-Departmental Other Expenses ***Impairment of Crown Assets Related to Emergency Housing*** This category is intended to achieve recognition of the expense so that the asset is valued in accordance with generally accepted accounting practice.		
Exempted	An exemption was granted under s15D(2)(b)(iii) of the Public Finance Act as the amount of the annual appropriation for a non-departmental other expense is less than $5 million.	Exempted	Exempted
	Non-Departmental Capital Expenditure ***Acquisition, Development and Construction of Emergency Housing*** This category is intended to achieve an increase in the supply of emergency housing places.		
New measure for 2017/2018	The number of emergency housing places that will be acquired, developed or constructed will be between[97]	90-158	94

92 Support Services allocated in this category only cover the additional 1,400 emergency housing places funded through the Cabinet paper titled *Measures to support more people in emergency housing* [CAB-16-MIN-0491]. Support Services are provided by contracted providers to households to help them find permanent housing. These can include facilitating access to budgeting skills, drug and alcohol services and other health or social services already on offer in identified areas of demand.

93 In early 2018 the Cabinet Social Wellbeing Committee agreed to the reallocation of forecast underspends in this appropriation for the Winter 2018 Response, which included funding to secure additional transitional housing places (including contracted motels) [SWC-18-MIN-0015].

94 In our 2016/2017 Annual Report we reported that 436 additional housing places had been made available during that year in areas of high demand, bringing the total available at 30 June 2017 to 1,123.

95 Places can house either individuals or family units. The term 'place' is used to describe the unit of housing that meets the need of a household (either an individual or a family). We draw on administrative data and engagement with local stakeholders to determine the appropriate level of supply for specific locations.

96 This figure represents the total number of emergency housing places.

97 Housing New Zealand (HNZ) delivered 94 transitional houses using its own funds on the basis that an additional loan facility of $20 million would be made available to HNZ by 30 June 2018. Due to timing delays in getting the loan agreement in place by 30 June 2018, the loan transfer to HNZ will now be completed in the 2018/2019 year.

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-departmental Output Expenses			
6,768	Emergency Housing Services	21,935	49,446	36,771
1,363	Provision of Emergency Housing Places	26,609	40,899	35,432
	Non-departmental Other Expenses			
-	Impairment of Crown Assets Relates to Emergency Housing	-	2,555	2,555
	Non-departmental Capital Expenditure			
100,000[98]	Acquisition, Development and Construction of Emergency Housing	-	32,342	-
108,131	**Total Expense**	**48,544**	**125,242**	**74,758**

98 In 2016/2017 this category was part of the Community Group Housing MCA in Vote Building and Housing. Performance information for that year was reported in the 2016/2017 Annual Report of the Ministry of Business, Innovation and Employment.

Multi-Category Expense Appropriation: Social Housing Outcomes Support

This multi-category appropriation was in Vote Social Development in 2016/2017.

Overarching Purpose Statement

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

Scope

Departmental Output Expenses

Services to Support People to Access Accommodation

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

Non-Departmental Output Expenses

Services Related to Supporting Outcomes for those in Need of or at Risk of Needing Social Housing

This category is limited to the provision of support services to those in need of social housing or those at risk of entering social housing.

Non-Departmental Other Expenses

Housing Support Package

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

Performance will be assessed using a combination of data sources. Administrative data will allow the tracking of achievement of housing assessments and placement on the housing register. Additional sources of information, including a social housing valuation, will be used to track the key drivers and risk factors that predict social housing needs and identify variances in trends projected from the valuation. Over time, repeated valuations will contribute to an understanding of how the management of the social housing system is influencing movements in the future valuation.

Summary of Performance

Non-financial Performance

We achieved timely completions of housing assessments and provision of support to people on the Social Housing Register and in public housing. We also provided Sustaining Tenancies, the Housing First programme and the Creating Positive Pathways pilot.

Sustaining Tenancies

The Sustaining Tenancies trial seeks to support clients and their families to sustain their tenancy in public housing. The service commenced in February 2017 and has supported more than 300 people to 30 June 2018.

Housing First

The Housing First pilot in Auckland began in March 2017, with the four contracted providers allocated 472 places over a 20-month contract term. An additional 100 places (taking the total to 572 places) were allocated between May and July 2018. Between 1 March 2017 and 30 June 2018, 285 clients were housed.

An expansion of the pilot into three additional metropolitan areas is well advanced. Services are now operational in both Christchurch (May 2018) and Tauranga (June 2018) with 100 places over two years contracted in both cities. Three clients have been housed in these areas as at 30 June 2018.

A service in Wellington is also being developed at present in conjunction with local providers.

A further expansion of Housing First into provincial towns is under way. Consultation with the sector and relevant stakeholders has begun in Whangarei/Northland, Rotorua, Hawke's Bay, Nelson and Blenheim.

Creating Positive Pathways

The Creating Positive Pathways pilot is being worked on jointly between MSD and the Department of Corrections. Consultation with the sector and relevant stakeholders has been completed and MSD is now looking to procure services from providers. MSD is aiming to have those services provided in the first quarter of the 2018/2019 year.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Departmental Output Expense		
	Services to Support People to Access Accommodation		
	This category is intended to achieve accurate and efficient operation of the social housing register so that more people who are eligible for social housing have their housing needs met, and those who are capable of housing independence move closer towards that.		
97%	The percentage of Income-Related Rent assessments (for tenants with verified income) that are calculated accurately[99] will be no less than	90%	98.9%
90.4%	The proportion of housing needs assessments completed within five working days[100] will be no less than	90%	90.8%
	Non-departmental Output Expense		
	Services Related to Supporting Outcomes for those in Need of or at Risk of Needing Social Housing		
	This category is intended to achieve an increase in the number of people who are able to secure and sustain tenancies, and transition to housing independence.		
2	The number of trials supported through the Tenant Outcomes Fund will be no less than	3	2
	The third trial will no longer be implemented due to a change in Government priorities.		
	Non-departmental Other Expense		
	Housing Support Package		
	This category is intended to achieve more people transitioning from social housing to housing independence to ensure that social housing is available for households with greater housing need.		
Exempted	This category was granted performance reporting exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount of the annual appropriation for a non-departmental output expense is less than $5 million.	Exempted	Exempted

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
44,830	Services to Support People to Access Accommodation	43,345	48,325	48,325
44,830	**Total Revenue**	**43,345**	**48,325**	**48,325**
40,092	**Total Expense**	**43,345**	**48,325**	**43,313**
4,738	**Net Surplus/(Deficit)**	**-**	**-**	**5,012**

99 The reported performance is based on a sample of applications tested for accuracy that is considered representative of actual performance over all applications.

100 The reported performance is based on a sample of applications tested for timeliness that is considered representative of actual performance over all applications.

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
3,443	Services Related to Supporting Outcomes for those in Need of or at Risk of Needing Social Housing	5,438	10,383	6,819
	Non-Departmental Other Expenses			
3,648	Housing Support Package	2,600	2,600	2,820
7,091	**Total Expense**	**8,038**	**12,983**	**9,639**

Multi-Category Expense Appropriation: Social Housing Purchasing

This multi-category appropriation was in Vote Social Development in 2016/2017.

Overarching Purpose Statement

The single overarching purpose of this appropriation is to secure and purchase social housing tenancies for those who are eligible.

Scope

Non-Departmental Output Expenses

Part Payment of Rent to Social Housing Providers

This category is limited to the part purchase of tenancies from social housing providers.

Services Related to the Provision of Social Housing

This category is limited to the provision of services related to the provision of social housing by a social housing provider.

Non-Departmental Other Expenses

Support for the Provision of Social Housing Supply

This category is limited to providing support to secure access to properties for social housing providers to use for social housing tenancies.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve better access to social housing places by providing payments to secure access to properties for social housing providers and the part-purchase of social housing tenancies from social housing providers.

How performance will be assessed for this appropriation

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
66,332	The number of social housing places[101] provided by all social housing providers will be no less than	67,000	67,228[102]

101 A social housing place is defined for this purpose as a property that is available for a tenant who may be eligible for the Income-Related Rent Subsidy, and includes:

- any house provided by Housing New Zealand (HNZ) (excluding Community Group Housing, but including IRRS tenancies, market rent tenancies, and short- and long-term vacancies), or
- an IRRS tenancy provided by a registered community housing provider.

102 This figure includes 1,444 HNZ properties that were vacant at 30 June 2018.

Summary of Performance

Non-financial Performance

Most tenants in public housing pay an income-related rent of no more than 25 percent of their net income. We pay an Income-Related Rent Subsidy (IRRS) to Housing New Zealand and registered Community housing Providers to cover the balance between the tenant's rental and the market rent for the property.

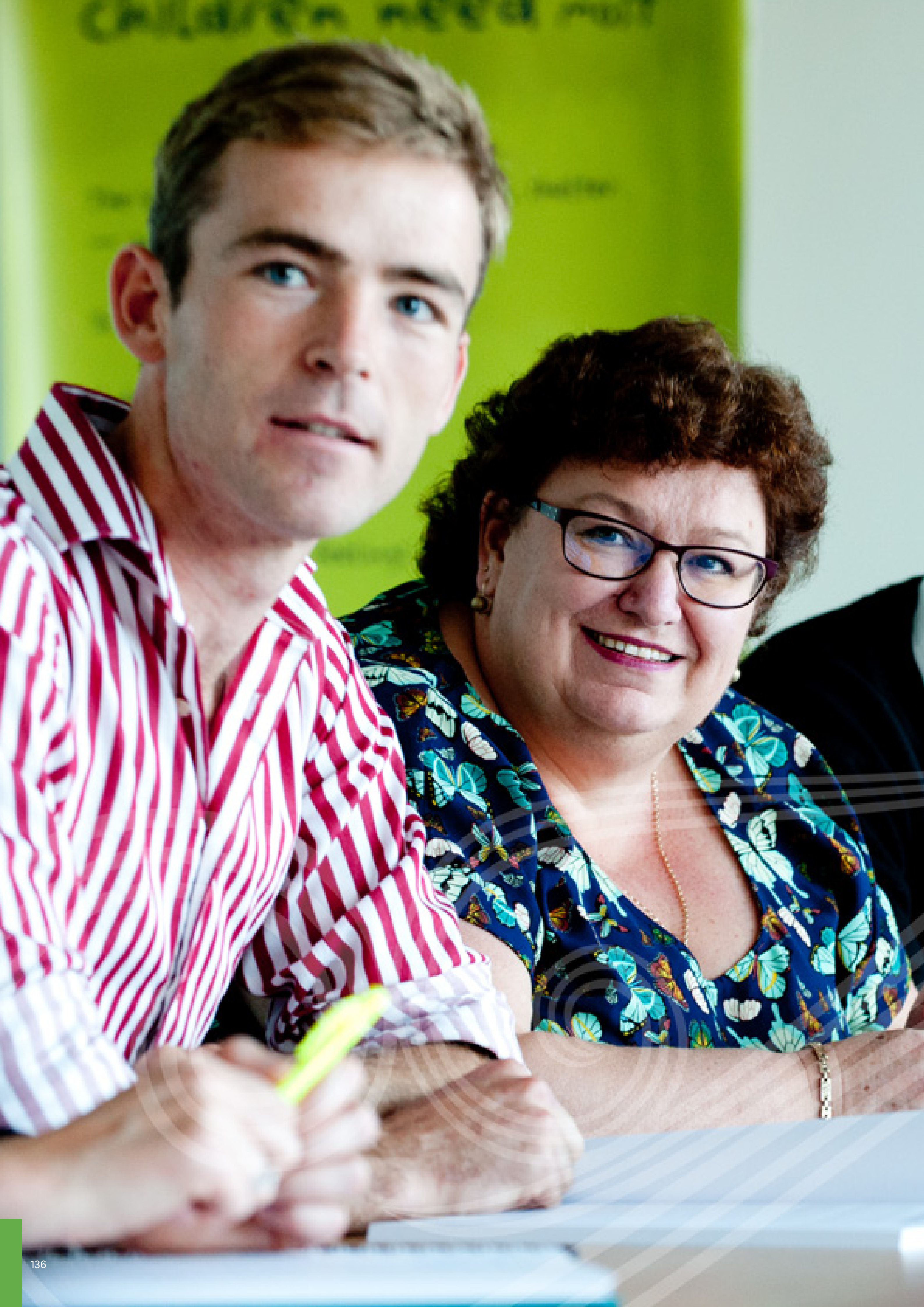
At 30 June 2018 there were 64,312 tenancies receiving the IRRS, including 58,973 HNZ-owned properties and 5,339 owned by community housing providers.

The number of applications on the Public Housing and Transfer Registers was 10,589 at the same point in time, which represented an increase of 3,816 from 30 June 2017. We continued to work intensively with Housing New Zealand and community housing providers to match people to houses that suit their need, with 1,527 applicants starting a tenancy in the June 2018 quarter, compared with 1,725 in the June 2017 quarter.

2016/2017 Actual Standard	Measure	2017/2018 Budgeted Standard	2017/2018 Actual Standard
	Non-departmental Output Expenses ***Part Payment of Rent to Social Housing Providers*** This category is intended to achieve an increase in social housing support for eligible people through the payment of income-related rent subsidy.		
New measure for 2017/2018	This category will contribute 90-100% of what is intended to be achieved with the Social Housing Purchasing MCA.	Achieved	Achieved
	Services Related to the Provision of Social Housing This category is intended to achieve continuity of support for social housing tenants who previously had the cost of water rate charges paid for.		
Exempted	This category was granted performance reporting exemption under s15D(2)(b)(iii) of the Public Finance Act as the amount of the annual appropriation for a non-departmental output expense is less than $5 million.	Exempted	Exempted
	Non-departmental Other Expense ***Support for the Provision of Social Housing Supply*** This category is intended to achieve an increase in social housing places through the provision of payments to secure access to properties for social housing providers.		
New measure in 2017/2018	The number of income-related rent subsidy places contracted from community housing providers will be no less than	4,500	5,339
New measure in 2017/2018	The number of income-related rent subsidy places contracted from Housing New Zealand will be no less than	57,500	58,973

Financial Performance

2016/2017		2017/2018		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
815,277	Part Payment of Rent to Social Housing Providers	900,451	889,466	890,145
400	Services Related to the Provision of Social Housing	400	400	400
	Non-Departmental Other Expenses			
6,902	Support for the Provision of Social Housing Supply	-	45,642	10,575
822,579	**Total Expenses**	**900,851**	**935,508**	**901,120**



Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

These financial statements are for the year ended 30 June 2018 and include unaudited forecast financial statements for the year ending 30 June 2019. 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 (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 2018. The financial statements were authorised for issue by the Chief Executive of the Ministry on 28 September 2018.

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 includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions.

These financial statements have been prepared in accordance with 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 a 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 and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Ministry:

Financial Instruments

In January 2017, the External Reporting Board (XRB) issued PBE IFRS 9 *Financial Instruments*. This replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- revised hedge accounting requirements to better reflect the management risks.

The Ministry will adopt PBE IFRS 9 for the financial year ending 30 June 2019. The Ministry is currently assessing the effects of the new standard.

Impairment of Revalued Assets

In April 2017 the XRB issued *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)*, which now clearly scopes in revalued property, plant and equipment into the impairment accounting standards. Previously only property, plant and equipment measured at cost were scoped into the impairment accounting standards.

This amendment is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The main change under the amendment is that a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs.

The Ministry will adopt this amendment for the financial year ending 30 June 2020. The Ministry is currently assessing the effects of the new standard.

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 2018 budget figures are for the year ended 30 June 2018 and were published in the 2016/2017 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 2018.

The 2019 forecast figures are for the year ending 30 June 2019, and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2019.

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 2019 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 10 April 2018. 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 2019 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 2018/2019 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 10 April 2018, 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 6,725 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 as we cannot reliably determine the outcome of such valuation and believe there would be no significant variation if they were.
- Estimated year-end information for 2017/2018 was used as the opening position for the 2018/2019 forecasts.

The actual financial results achieved for 30 June 2019 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 is the establishment of the Ministry of Housing and Urban Development from 1 October 2018. This has resulted in an initial departmental net transfer of $8 million from Vote Social Housing and Vote Social Development to Vote Housing and Urban Development in 2018/2019.

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 and/or other data sources, which reflect an appropriate measure of resource consumption/use. The third stage accumulates and allocates overhead costs to output expenses based on resource consumption/use where possible, such as the FTE staff ratio, or where an appropriate driver cannot be found then in proportion to the cost charges in the previous two stages.

Criteria for direct and indirect costs

Direct costs are costs that vary directly with the level of activity and are causally related, 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 2018 direct costs accounted for 84.4 percent of the Ministry's costs (2017: 84.0 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 duration of less than 12 months are recognised at their nominal value.

Property, plant and equipment

Property, plant and equipment consist 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 ten 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 Note 14).

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 Note 9).

Useful life 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.

Critical judgements in applying the Ministry's accounting policies

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 that it has no finance leases.

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 2018.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

Continuing Activities Actual 2017 $000	Discontinuing Activities Actual 2017 $000	Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000	Unaudited Forecast 2019 $000
			Revenue				
921,332	468,893	1,390,225	Revenue Crown		926,149	887,798	943,873
27,410	3,334	30,744	Revenue other	1	89,507	112,737	90,180
123	-	123	Gain on disposal of property, plant and equipment	2	-	-	-
36	-	36	Gain on foreign exchange	2	28	-	-
948,901	**472,227**	**1,421,128**	**Total revenue**		**1,015,684**	**1,000,535**	**1,034,053**
			Expenses				
499,780	194,439	694,219	Personnel costs	3	477,292	523,492	488,861
53,762	5,989	59,751	Depreciation and amortisation expenses	9,10	62,870	76,603	72,258
10,949	10,322	21,271	Capital charge	4	11,933	9,396	11,847
353,122	261,477	614,599	Other operating expenses	5	435,473	391,044	461,087
-	-	-	Loss on disposal of property, plant and equipment	2	374	-	-
917,613	**472,227**	**1,389,840**	**Total expenses**		**987,942**	**1,000,535**	**1,034,053**
31,288	**-**	**31,288**	**Net surplus/(deficit)**		**27,742**	**-**	**-**
			Other comprehensive revenue and expense				
			Item that will not be reclassified to net surplus/(deficit)				
18,000	-	18,000	Gain on property revaluations		-	-	-
49,288	**-**	**49,288**	**Total comprehensive revenue and expense**		**27,742**	**-**	**-**

Explanations of significant variances against the original 2017/2018 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development Statement of Financial Position

As at 30 June 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000	Unaudited Forecast 2019 $000
	Equity				
165,457	Taxpayers' funds	15	197,448	172,087	230,362
29,944	Revaluation reserve	15	29,944	11,944	29,943
195,401	**Total equity**		**227,392**	**184,031**	**260,305**
	Assets				
	Current assets				
90,619	Cash and cash equivalents	6	90,814	27,608	59,168
10,672	Accounts receivable	7	16,506	3,815	10,672
23,501	Prepayments		25,538	7,728	23,501
24,296	Crown receivable	8	-	-	-
149,088	**Total current assets**		**132,858**	**39,151**	**93,341**
	Non-current assets				
133,079	Property, plant and equipment	9	135,552	133,726	204,572
163,161	Intangible assets	10	182,237	152,502	180,032
296,240	**Total non-current assets**		**317,789**	**286,228**	**384,604**
445,328	**Total assets**		**450,647**	**325,379**	**477,945**
	Liabilities				
	Current liabilities				
121,078	Accounts payable and accruals	11	93,859	79,369	124,453
3,374	Revenue received in advance	11	2,235	-	-
31,288	Return of operating surplus to the Crown	12	27,742	-	-
40,218	Provision for employee entitlements - current	14	40,218	9,224	40,218
17,864	Other provisions	13	21,677	234	16,864
213,822	**Total current liabilities**		**185,731**	**88,827**	**181,535**
	Non-current liabilities				
36,105	Provision for employee entitlements - non-current	14	37,524	52,521	36,105
36,105	**Total non-current liabilities**		**37,524**	**52,521**	**36,105**
249,927	**Total liabilities**		**223,255**	**141,348**	**217,640**
195,401	**Net assets**		**227,392**	**184,031**	**260,305**

Explanations of significant variances against the original 2017/2018 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000	Unaudited Forecast 2019 $000
327,242	**Balance at 1 July**		**195,401**	**177,056**	**227,391**
49,288	Total comprehensive revenue and expense		27,742	-	-
	Owner transactions				
(31,288)	Return of operating surplus to the Crown	12	(27,742)	-	-
9,483	Capital injections		32,569	7,101	32,914
(14,047)	Capital withdrawal - cash		(578)	(126)	-
(110,277)	Capital withdrawal - non cash		-	-	-
(35,000)	Transfers from Revaluation Reserve to Oranga Tamariki—Ministry for Children		-	-	-
195,401	**Balance at 30 June**		**227,392**	**184,031**	**260,305**

Explanations of significant variances against the original 2017/2018 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development
Statement of Cash Flows

For the year ended 30 June 2018

Continuing Activities Actual 2017 $000	Disc-ontinuing Actiities Actual 2017 $000	Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000	Unaudited Forecast 2019 $000
			Cash flows from operating activities				
927,036	468,893	1,395,929	Receipts from Crown revenue		950,876	887,798	943,873
20,500	3,339	23,839	Receipts from other revenue		90,327	112,737	90,180
(302,786)	(278,864)	(581,650)	Payments to suppliers		(445,404)	(390,676)	(461,587)
(521,222)	(163,097)	(684,319)	Payments to employees		(476,881)	(523,860)	(488,861)
(10,949)	(10,322)	(21,271)	Payments for capital charge		(11,933)	(9,396)	(11,847)
(4,127)	64	(4,063)	Goods and services tax (net)		(5,469)	-	-
10,546	-	10,546	Intercompany cash flow with Oranga Tamariki—Ministry for Children		(17,233)	-	-
118,998	**20,013**	**139,011**	**Net cash flow from operating activities**	**16**	**84,283**	**76,603**	**71,758**
			Cash flows from investing activities				
1,511	-	1,511	Receipts from sale of property, plant and equipment		1,257	2,000	2,000
(13,235)	(15,116)	(28,351)	Purchase of property, plant and equipment		(27,312)	(37,351)	(89,219)
(51,158)	(4,897)	(56,055)	Purchase of intangible assets		(58,738)	(31,874)	(32,580)
(62,882)	**(20,013)**	**(82,895)**	**Net cash flow from investing activities**		**(84,793)**	**(67,225)**	**(119,799)**
			Cash flows from financing activities				
9,483	-	9,483	Capital injections		32,569	7,101	32,914
(14,047)	-	(14,047)	Capital withdrawal from the Crown		(578)	(126)	-
(38,577)	-	(38,577)	Return of operating surplus		(31,286)	-	(18,000)
(43,141)	**-**	**(43,141)**	**Net cash flow from financing activities**		**705**	**6,975**	**14,914**
12,975	-	12,975	Net increase/(decrease) in cash		195	16,353	(33,127)
67,602	10,042	77,644	Cash at the beginning of the year		90,619	11,255	92,295
80,577	**10,042**	**90,619**	**Cash at the end of the year**		**90,814**	**27,608**	**59,168**

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

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

Refer to Note 16 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2017/2018 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2018

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

Actual 2017 $000		Actual 2018 $000
	William Wallace Trust	
419	**Balance at 1 July**	**475**
(37)	Distributions	(26)
93	Revenue	44
475	**Balance at 30 June**	**493**
	Custody Trust	
-	**Balance at 1 July**	**6**
6	Contributions	-
-	Distributions	-
-	Revenue	-
6	**Balance at 30 June**	**6**

William Wallace Trust Account

The William Wallace Awards were held by MSD on an annual basis to celebrate the achievements of young people in care. The awards were in the form of scholarship funding for tertiary study or a contribution to vocational and leadership programmes. The trust was established in May 1995 and administered by MSD to hold funds from an estate for the above purpose. The administration of the trust was transferred to Oranga Tamariki—Ministry for Children from 1 May 2018.

Custody Trust Account

The Custody Trust account has been established and administered by MSD to administer donations received from the public on behalf of children who were under the care and guardianship of the Chief Executive of the Ministry of Social Development. The administration of the trust was transferred to Oranga Tamariki—Ministry for Children from 1 May 2018.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development Statement of Commitments

As at 30 June 2018

Actual 2017 $000		Actual 2018 $000
	Capital commitments	
-	Buildings	-
-	**Total capital commitments**	**-**
	Operating commitments	
	Non-cancellable accommodation leases	
46,917	Not later than one year	42,498
95,026	Later than one year and not later than five years	91,991
142,327	Later than five years	133,819
284,270	**Total non-cancellable accommodation leases**	**268,308**
284,270	**Total operating commitments**	**268,308**
284,270	**Total commitments**	**268,308**

Capital commitments

The Ministry has no capital commitments at balance date (2017: nil).

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.

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 $0.565 million expected to be received in 2018/2019. Refer to Note 1 for actual sub-lease rental recoveries for 2017/2018.

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2018

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 2017 $000		Actual 2018 $000
35	Personal grievances claims	40
198	Other claims	855
233	**Total contingent liabilities**	**895**

Personal grievances

Personal grievances claims represent amounts claimed by employees for personal grievances cases. There are seven personal grievances claims (2017: seven).

Other claims

Other claims are represented by a property dispute and outstanding grievances claims from our clients for unpaid benefit entitlements and other disputes. Altogether there are eight claims in this category (2017: nine).

Contingent assets

The Ministry has no contingent assets (2017: nil).

The Statement of Accounting Policies: Departmental on pages 138 to 148 and Notes 1 to 22 on pages 157 to 177 form part of these financial statements.

Ministry of Social Development
Notes to the Financial Statements

Note 1: Revenue other

Actual 2017 $000		Actual 2018 $000
551	Sub-lease rental recoveries	621
30,193	Other recoveries	88,886
30,744	**Total revenue other**	**89,507**

The Ministry received other revenue from Oranga Tamariki—Ministry for Children for corporate support services ($86.198 million), the Social Investment Agency for corporate support services ($0.431 million), IT operating leases ($1.025 million), Promoting Positive Outcomes for Disabled People ($1 million) and other revenue ($0.232 million). The Ministry also received revenue from sub-leased premises ($0.621 million).

Note 2: Gain and losses on disposal of property, plant and equipment and foreign exchange

Actual 2017 $000		Actual 2018 $000
123	Gain / (loss) on disposal of fixed assets	(374)
36	Net foreign exchange gains	28
159	**Total gains**	**(346)**

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 $0.374 million (2017: $0.123 million gain).

Note 3: Personnel costs

Actual 2017 $000		Actual 2018 $000
658,719	Salaries and wages	451,045
3,589	Increase/(decrease) in employee entitlements	3,561
4,357	Increase/(decrease) in restructuring costs	512
19,402	Defined superannuation contribution scheme	14,226
8,152	Other personnel expenses	7,948
694,219	**Total personnel costs**	**477,292**

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 each financial year. The capital charge rate for the year ended 30 June 2018 was 6 percent (2017: 6 percent).

Note 5: Operating expenses

Actual 2017 $000		Actual 2018 $000
989	Audit fees[103]	761
77,013	Rental, leasing and occupancy costs	72,435
942	Bad debts written off	4
(572)	Impairment of receivables	38
103,863	Client financial plan costs[104]	-
173,527	Employment support and subsidies[105]	173,101
25,380	Non-specific client costs[106]	-
50,592	Office operating expenses	38,626
87,464	IT related operating expenses	83,325
7,512	Travel expenses	5,112
33,025	Consultancy and contractors' fees	14,972
15,075	Professional fees	25,574
39,789	Other operating expenses	21,525
614,599	**Total operating expenses**	**435,473**

Note 6: Cash and cash equivalents

Actual 2017 $000		Actual 2018 $000
90,619	Cash at bank and on hand	90,814
90,619	**Total cash and cash equivalents**	**90,814**

103 Audit fees include statutory audit fees only.

104 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. These costs have been incurred by Oranga Tamariki—Ministry for Children from 1 April 2017.

105 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.

106 Non-specific client costs include costs which cannot be attributed to a specific client. It includes costs for maintaining an infrastructure that supports the Ministry to meet its legal and support obligations for the care and protection of children and young persons and the casework resolution process. These costs have been incurred by Oranga Tamariki—Ministry for Children from 1 April 2017.

Note 7: Accounts receivable

Actual 2017 $000		Actual 2018 $000
	By type	
10,672	Trade and other receivables	16,506
10,672	**Total receivables**	**16,506**
	By maturity	
10,672	Expected to be realised within one year	16,506
-	Expected to be held for more than one year	-
10,672	**Total receivables**	**16,506**
	Trade and other receivables	
11,508	Gross trade and other receivables	17,380
(836)	Impairment of trade and other receivables	(874)
10,672	**Total trade and other receivables**	**16,506**
10,672	Receivables from exchange transactions	16,506
-	Receivables from non-exchange transactions	-
	Impairment of trade and other receivables	
1,407	**Balance at beginning of the year**	**836**
-	Impairment losses recognised on receivables	38
(571)	Reversal of impairment losses	-
836	**Balance at end of the year**	**874**
836	Collective impairment allowance	874
-	Individual impairment allowance	-
836	**Balance at end of the year**	**874**

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

Debtors impairment

As at 30 June 2018 (and 30 June 2017) 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 2018 the Ministry had no debtors deemed insolvent (2017: nil).

Ageing profile of receivables

as at 30 June 2017				as at 30 June 2018		
Gross $000	Impairment $000	Net $000		Gross $000	Impairment $000	Net $000
10,108	-	10,108	Not past due	15,879	-	15,879
111	-	111	Past due 1–30 days	418	-	418
378	-	378	Past due 31–60 days	74	-	74
57	-	57	Past due 61–90 days	45	-	45
854	(836)	18	Past due >91 days	964	(874)	90
11,508	**(836)**	**10,672**		**17,380**	**(874)**	**16,506**

Note 8: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2018 Crown receivable was nil (2017: $24.296 million).

Note 9: Property, plant and equipment

	Land $000	Buildings $000	Furniture and Fittings $000	Computer Equip-ment $000	Motor Vehicles $000	Plant and Equip-ment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**
Additions by purchase	-	1,896	38,478	12,689	775	899	54,737
Revaluation increase/(decrease)	9,336	339	-	-	-	-	9,675
Work in progress movement	-	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Asset transfers	(42,634)	(174,105)	(255)	-	-	(4,990)	(221,984)
Other asset movement	-	78	(513)	-	(3)	-	(438)
Disposals	(1,000)	-	(3,388)	(111)	(1,065)	(92)	(5,656)
Balance as at 30 June 2017	**22,820**	**26,252**	**126,077**	**116,576**	**25,834**	**15,210**	**332,769**
Balance as at 1 July 2017	**22,820**	**26,252**	**126,077**	**116,576**	**25,834**	**15,210**	**332,769**
Additions by purchase	-	-	13,306	10,379	6,536	99	30,320
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	(4,987)	22	2,290	(313)	(16)	(3,004)
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	(215)	(20,678)	(4,795)	(5,177)	(30,865)
Balance as at 30 June 2018	**22,820**	**21,265**	**139,190**	**108,567**	**27,262**	**10,116**	**329,220**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Depreciation expense	-	4,239	8,601	7,852	2,986	876	24,554
Eliminate on disposal	-	-	(3,318)	(112)	(681)	(43)	(4,154)
Eliminate on revaluation	-	(8,325)	-	-	-	-	(8,325)
Asset transfers	-	(18,030)	(250)	-	-	(3,401)	(21,681)
Other asset movement	-	(166)	(291)	-	(1)	-	(458)
Balance as at 30 June 2017	**-**	**255**	**80,798**	**92,190**	**13,126**	**13,321**	**199,690**
Balance as at 1 July 2017	**-**	**255**	**80,798**	**92,190**	**13,126**	**13,321**	**199,690**
Depreciation expense	-	886	9,805	9,210	2,863	444	23,208
Eliminate on disposal	-	-	(215)	(20,678)	(3,274)	(5,063)	(29,230)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2018	**-**	**1,141**	**90,388**	**80,722**	**12,715**	**8,702**	**193,668**
Carrying amounts							
At 1 July 2016	**57,118**	**195,655**	**22,443**	**20,614**	**14,782**	**3,485**	**314,097**
At 30 June and 1 July 2017	**22,820**	**25,997**	**45,279**	**24,386**	**12,708**	**1,889**	**133,079**
At 30 June 2018	**22,820**	**20,124**	**48,802**	**27,845**	**14,547**	**1,414**	**135,552**
Unaudited forecast carrying amount at 30 June 2019	22,820	45,507	87,098	33,773	13,974	1,400	204,572

Valuation

A market valuation of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2018. Registered valuer Andrew Parkyn, ANZIV, from Quotable Value Limited was the project manager.

The valuation involved a desktop review and a sample physical inspection of the Ministry's land and buildings assets and has been completed in compliance with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).

No significant change was noted between the fair value and the carry value of the Ministry's land and buildings from the above valuation.

The next full valuation involving the physical inspection of all the Ministry's land and buildings assets is scheduled for 2019/2020.

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.

Work in progress

	Land $000	Buildings $000	Furniture and Fittings $000	Computer Equip-ment $000	Motor Vehicles $000	Plant and Equip-ment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2016	**-**	**28,936**	**6,746**	**6,018**	**-**	**10**	**41,710**
Work in progress movement	-	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Balance as at 30 June 2017	**-**	**8,788**	**2**	**4,952**	**523**	**29**	**14,294**
Balance as at 1 July 2017	**-**	**8,788**	**2**	**4,952**	**523**	**29**	**14,294**
Work in progress movement	-	(4,987)	22	2,290	(313)	(16)	(3,004)
Balance as at 30 June 2018	**-**	**3,801**	**24**	**7,242**	**210**	**13**	**11,290**

The total amount of property, plant and equipment under construction and work in progress is $11.290 million (2017: $14.294 million).

Restrictions

There are no restrictions over the title of the Ministry's property, plant and equipment assets. No property, plant and equipment assets are pledged as security for liabilities.

Note 10: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2016	**396,533**	**396,533**
Additions by purchase and internally generated	56,802	56,802
Work in progress movement	(6,535)	(6,535)
Asset transfers	(7,501)	(7,501)
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2017	**439,299**	**439,299**
Balance as at 1 July 2017	**439,299**	**439,299**
Additions by purchase and internally generated	51,275	51,275
Work in progress movement	7,463	7,463
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2018	**498,037**	**498,037**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2016	**244,737**	**244,737**
Amortisation expense	35,197	35,197
Disposals	-	-
Asset transfers	(3,796)	(3,796)
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2017	**276,138**	**276,138**
Balance as at 1 July 2017	**276,138**	**276,138**
Amortisation expense	39,662	39,662
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2018	**315,800**	**315,800**
Carrying amounts		
At 1 July 2016	**151,796**	**151,796**
At 30 June and 1 July 2017	**163,161**	**163,161**
At 30 June 2018	**182,237**	**182,237**
Unaudited forecast carrying amount at 30 June 2019	180,032	180,032

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2016	**45,705**	**45,705**
Work in progress movement	(6,535)	(6,535)
Balance as at 30 June 2017	**39,170**	**39,170**
Balance as at 1 July 2017	**39,170**	**39,170**
Work in progress movement	7,463	7,463
Balance as at 30 June 2018	**46,633**	**46,633**

The total amount of intangibles in the course of construction is $46.633 million (2017: $39.170 million).

Restrictions

There are no restrictions over the title of the Ministry's intangible assets. No intangible assets are pledged as security for liabilities.

Note 11: Accounts payable and accruals and revenue received in advance

Actual 2017 $000		Actual 2018 $000
	Payables and deferred revenue under exchange transactions	
16,321	Creditors	10,694
3,374	Income in advance for recovered services	2,235
91,391	Accrued expenses	75,267
111,086	**Total Payables and deferred revenue under exchange transactions**	**88,196**
	Payables and deferred revenue under non-exchange transactions	
13,366	GST payable	7,898
13,366	**Total Payables and deferred revenue under non-exchange transactions**	**7,898**
124,452	**Total payables and deferred revenue**	**96,094**

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

Note 12: Return of operating surplus

Actual 2017 $000		Actual 2018 $000
31,288	Net surplus/(deficit)	27,742
31,288	**Total repayment of surplus**	**27,742**

The repayment of surplus is required to be paid to the Crown by 31 October 2018.

Note 13: Provisions

Actual 2017 $000		Actual 2018 $000
3,417	ACC Partnership programme	4,089
2,841	Restructuring provision	571
714	Lease reinstatement	2,632
10,892	Other provisions	14,385
17,864	**Total provisions**	**21,677**

Provisions by category

	ACC Partnership Pro-gramme $000	Lease Reinstate-ment $000	Re-structure $000	Operating lease incentive $000	Holidays Act $000	Others $000	Total $000
2017							
Balance as at 1 July 2016	**4,986**	**1,028**	**1,137**	**-**	**-**	**10**	**7,161**
Additional provisions made	-	512	2,100	9,673	1,759	-	14,044
Amounts used	(1,028)	-	(98)	(539)	-	-	(1,665)
Unused amounts reversed	(541)	(540)	(298)	-	-	-	(1,379)
Discount unwind	-	13	-	-	-	-	13
Transfer to Oranga Tamariki—Ministry for Children	-	(300)	-	-	-	(10)	(310)
Balance as at 30 June 2017	**3,417**	**713**	**2,841**	**9,134**	**1,759**	**-**	**17,864**
2018							
Balance as at 1 July 2017	**3,417**	**713**	**2,841**	**9,134**	**1,759**	**-**	**17,864**
Additional provisions made	3,405	2,076	224	830	3,199	-	9,734
Amounts used	(933)	-	(2,131)	(537)	-	-	(3,601)
Unused amounts reversed	-	(214)	(363)		-	-	(577)
Discount unwind	-	57	-	-	-	-	57
Transfer to Oranga Tamariki—Ministry for Children	(1,800)	-	-	-	-	-	(1,800)
Balance as at 30 June 2018	**4,089**	**2,632**	**571**	**9,427**	**4,958**	**-**	**21,677**

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 2018. 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 nine sites where a lease reinstatement provision had been established with a value of $2.632 million (2017: seven sites with a value of $0.713 million). The timing of any future lease reinstatement work is currently up to 16 years and one month 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 $2.581 million (2017: $0.720 million) was established for the lease reinstatement costs. This is being depreciated on a straight-line basis for each lease term.

Operating lease incentive

The lease incentive relates to an initial 12-month rent-free period beginning from August 2017 on the Ministry's National Office building at 56 The Terrace, Wellington. The lease is over a term of 18 years and the rent-free period is currently being amortised over the term of the lease in accordance with generally accepted accounting standards.

Restructure

Restructuring provision is for equalisation allowances of $0.345 million (2017: $0.841 million) for staff members affected by restructures in 2009 and 2017 who were reassigned to positions with the Ministry at lower salary levels.

A restructuring provision of $0.224 million for the remaining Ministry staff impacted by the establishment of Oranga Tamariki—Ministry for Children has been made in June 2018.

The total restructuring provision as at 30 June 2018 is $0.571 million (2017: $2.841 million).

Holidays Act provision

The Holidays Act provision accounts for any Ministry payroll compliance issues with the Holidays Act 2003, mainly relating to employees and ex-employees who have worked different shifts and hours each week, resulting in underpaid leave over a period of time. The value of the provision of $4.958 million (2017: $1.759 million) is based on a professional assessment by the Ministry's human resources group.

Note 14: Employee entitlements

Actual 2017 $000		Actual 2018 $000
	Current liabilities	
9,374	Retirement and long service leave	10,019
29,140	Provision for annual leave	28,483
1,704	Provision for sickness leave	1,716
40,218	**Total current liabilities**	**40,218**
	Non-current liabilities	
36,105	Retirement and long service leave	37,524
36,105	**Total non-current liabilities**	**37,524**
76,323	**Total employment entitlements**	**77,742**

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 2017				as at 30 June 2018		
2018 %	2019 %	2020 %	Employee Entitlement Variables	2019 %	2020 %	2021 %
1.97	2.36	3.92	Discount rates	1.78	1.90	3.55
3.10	3.10	3.10	Salary inflation	3.10	3.10	3.10

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

	Actual 2018 $000	Salary + 1% 2018 $000	Salary - 1% 2018 $000	Discount + 1% 2018 $000	Discount - 1% 2018 $000
Current	10,019	38	(38)	24	(25)
Non-current	37,524	3,915	(3,427)	3,218	(3,737)
Total	**47,543**	**3,953**	**(3,465)**	**3,242**	**(3,762)**

Note 15: Equity

Actual 2017 $000		Actual 2018 $000
	Taxpayers' funds	
280,298	**Balance at 1 July**	**165,457**
31,288	Surplus/(deficit)	27,742
9,483	Capital contribution	32,569
(14,047)	Capital withdrawal - cash	(578)
(110,277)	Capital withdrawal - non-cash	-
35,000	Transfers from Revaluation reserve on asset transfer to Oranga Tamariki—Ministry for Children	-
(35,000)	Transfer to Oranga Tamariki—Ministry for Children	-
(31,288)	Repayment of surplus	(27,742)
165,457	**Balance at 30 June**	**197,448**
	Revaluation reserves	
46,944	**Balance at 1 July**	**29,944**
18,000	Revaluation gains	-
(35,000)	Transfer to Taxpayers' funds on asset transfer to Oranga Tamariki—Ministry for Children	-
29,944	**Balance at 30 June**	**29,944**
195,401	**Total Equity**	**227,392**

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

Actual 2017 $000		Actual 2018 $000
31,288	**Net surplus/(deficit)**	**27,742**
	Add/(less) non-cash items	
65,645	Working capital transfer to Oranga Tamariki—Ministry for Children	-
24,554	Depreciation	23,208
35,197	Amortisation	39,662
125,396	**Total non-cash items**	**62,870**
	Add/(less) items classified as investing or financing activities	
(123)	(Gains)/losses on disposal property, plant and equipment	374
(123)	**Total items classified as investing or financing activities**	**374**
	Add/(less) working capital movements	
(1,159)	(Increase)/decrease in accounts receivable	18,462
(4,497)	(Increase)/decrease in prepayments	(2,037)
15,737	Increase/(decrease) in accounts payable	(27,221)
3,374	Increase/(decrease) in revenue received in advance	(1,139)
(25,292)	Increase/(decrease) in provision for employee entitlements	-
10,703	Increase/(decrease) other provisions	3,813
(1,134)	**Net movements in working capital items**	**(8,122)**
	Add/(less) movements in non-current liabilities	
(16,416)	Increase/(decrease) in provision for employee entitlements	1,419
(16,416)	**Net movements in non-current liabilities**	**1,419**
139,011	**Net cash inflow from operating activities**	**84,283**

Note 17: Related party transactions

The Ministry is a wholly-owned entity of the Crown and received funding from the Crown of $926 million to provide services to the public for the year ended 30 June 2018 (2017: $1,390 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 circumstance.

Transactions with key management personnel

Actual 2017		Actual 2018
	Leadership Team, including the Chief Executive	
$5,560,922	Remuneration	$2,713,339
12.3	Full-time equivalent members	6.3

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 18: Events after the balance sheet date

No significant events, which may have had an impact on the actual results, have occurred between year-end and the signing of the financial statements. Refer Note 22 for information on the May 2018 Cabinet decision to establish a Ministry of Housing and Urban Development and subsequent impact for MSD.

Note 19: Financial instruments

Financial instrument categories

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

Actual 2017 $000		Actual 2018 $000
	Loans and receivables	
90,619	Cash and cash equivalents	90,814
34,968	Accounts receivable and Crown receivable	16,506
125,587	**Total loans and receivables**	**107,320**
	Financial liabilities measured at amortised cost	
111,086	Creditors, accruals and revenue received in advance	88,196
111,086	**Total financial liabilities measured at amortised cost**	**88,196**

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 2017/2018 there were no instruments recognised at fair value in the Statement of Financial Position (2017: 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 that 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 2018 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2017: 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 Note 7), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

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 drawdowns 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 2017 $000		Actual 2018 $000
	Creditors and other payables	
111,086	Less than six months	88,196
111,086	**Total creditors and other payables**	**88,196**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2017: nil).

Note 20: Capital management

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

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

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

Note 21: Major budget variations

Explanations for major variances from the Ministry's estimated figures in the Forecast Financial Statements 2017/2018 are as follows:

	Notes	Actual 2018 $000	Unaudited Budget 2018 $000	Variance 2018 $000
Statement of Comprehensive Revenue and Expense				
Revenue				
Revenue Crown	a	926,149	887,798	(38,351)
Expenses				
Personnel costs	b	477,292	523,492	46,200
Other operating expenses	c	435,473	391,044	(44,429)
Statement of Financial Position				
Equity				
Revaluation reserve	d	29,944	11,944	(18,000)
Assets				
Current assets				
Cash and cash equivalents	e	90,814	27,608	(63,206)
Accounts receivable	f	16,506	3,815	(12,691)
Prepayments	g	25,538	7,728	(17,810)
Liabilities				
Current liabilities				
Provision for employee entitlements - current	h	40,218	9,224	(30,994)
Other provisions	i	21,677	234	(21,443)
Statement of Cash flows				
Cash flows from operating activities				
Receipts from Crown revenue	j	950,876	887,798	(63,078)
Cash flows from investing activities				
Purchase of intangible assets	k	(58,738)	(31,874)	26,864
Cash flows from financing activities				
Return of operating surplus	l	(31,286)	-	31,286

Statement of Comprehensive Revenue and Expense

a. Revenue Crown is higher than budgeted by $38.351 million mainly because of the transfer of $9.041 million from Oranga Tamariki—Ministry for Children for the Community Investment contract management function, a transfer of $6.141 million as a result of the disestablishment of the Families Commission (Superu), a transfer of $3 million from 2016/2017 to 2017/2018 for supporting offenders into employment trials, a transfer of $1.500 million from 2016/2017 to 2017/2018 for the Oranga Mahi and DHB programme of work, a transfer of $4.738 million from 2016/2017 to 2017/2018 for building capability and capacity to implement an investment approach for social housing, a reforecasting of funding of $4.659 million for Claims Resolution, new funding of $2.624 million to modernise frontline tools, and new funding of $3.643 million to improve the availability of the Ministry's digital channels.

b. Personnel costs is lower than budgeted by $46.200 million, mainly due to an overallocation of budget to this expenditure category in the unaudited budget, offset by an underallocation of budget to the Other operating expenses category.

c. Other operating expenses is higher than budgeted by $44.429 million, mainly because of an underallocation of budget to this expenditure category in the Main Estimates, offset by an overallocation of budget to the Personnel expenses category.

Statement of Financial Position

d. Revaluation reserve is higher than budget by $18.000 million, mainly because of a change in valuation of the Ministry's land and buildings as a result of the full valuation performed by Quotable Value Limited as at 30 June 2017.

e. Cash and cash equivalents is higher than budgeted by $63.206 million, mainly because of the timing of cash drawdowns and of corporate support services arrangement receipts from Oranga Tamariki—Ministry for Children.

f. Accounts receivable is higher than budget by $12.691 million, mainly because of an outstanding corporate support services receivable of $7.916 million due from Oranga Tamariki—Ministry for Children as at 30 June 2018, representing one month of corporate support services.

g. Prepayments is higher than budget by $17.810 million, mainly because of the timing of IT software license prepayment transactions ($11.072 million) and a rental payment transaction ($5.104 million) in June 2018.

h. Provision for employee entitlements is higher than budget by $30.994 million, mainly because of a variation in the number of days of annual leave entitlement for employees from the unaudited budget assumptions offset significantly by lower-than-budgeted expenditure in the non-current employee entitlements category, which includes unvested long service leave entitlement.

i. Other provisions is higher than budget by $21.443 million, mainly because of outstanding provision for compliance with the Holidays Act 2003 ($4.958 million) and the ongoing provision for operating lease incentive at the Ministry's National Office at 56 The Terrace, Wellington ($9.427 million).

Statement of Cash Flows

j. Receipts from Crown revenue is higher than budget by $63.078 million, mainly due to the additional Revenue Crown of $38.351 million (refer note (a)) as well as the drawdown of the opening Crown receivable balance as at 1 July 2017 of $24.296 million.

k. Purchase of intangible assets is higher than budget by $26.864 million, mainly due to the completion of a number of capital projects during the year including Simplification ($14.555 million), the Client Management System upgrade ($3.709 million) and the infrastructure refresh ($2.687 million).

l. Return of operating surplus is higher than budget due by $31.286 million, mainly due to significant In-principle Expense and Capital Transfers (IPECTs)[107] of funding from 2016/2017 to 2017/2018 including for Simplification changes, investment approach trials and public housing resulting in a larger operating surplus in 2016/2017 than budgeted.

Note 22: Discontinued Activities

In May 2018, Cabinet agreed to establish a Ministry of Housing and Urban Development with the commencement of initial functions from 1 October 2018. The following functions will be initially transferred from MSD:

- the Ministry's housing policy for emergency, transitional and public housing and
- Housing Business group, including the Ministry's purchaser function.

This change will result in the majority of Vote Social Housing appropriations transferring to the new Vote Housing and Urban Development from 1 October 2018. The Benefits or Related Expense appropriation Accommodation Assistance will be transferred to Vote Social Development as well as the client-facing departmental funding to assess and review eligibility for public, transitional and emergency housing and income-related rent, and managing the Social Housing Register.

Some MSD assets and liabilities will be transferred to the new Ministry, mainly relating to employee-related provisions and capital funding for a technology solution for managing emergency housing contracts.

As the functions transferring to the new Ministry are not considered a major line of operation for MSD, the financial effects of this discontinued operation have not been separately disclosed in the Financial Statements, in accordance with NZ IFRS 5 (PBE).

107 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 output being purchased. IPECTs 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 2018 budget figures are for the year ended 30 June 2018, which are consistent with the best estimate financial information submitted to the Treasury for the BEFU for the year ending 30 June 2018.

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 Advances, which were advances made for the repairs or maintenance of clients' homes. This programme is no longer current.

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

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

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Derivatives

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

Social benefit receivables

Social benefit debt receivables relate to benefit overpayments, advances on benefits and recoverable special needs grants (refer Note 3). They are initially assessed at 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 Financial Statements of the Government.

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 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 2018.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2018

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 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000
1	Interest revenue		1	-
484	Maintenance capitalisation		419	-
292	Miscellaneous revenue		-	450
411	Gain on foreign exchange		-	-
10,010	Student Loan - administration fee	2	9,193	10,347
11,198	**Total non-departmental income**		**9,613**	**10,797**

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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000
230,366	Benefit recoveries - current debt		248,262	231,004
849	Benefit recoveries - liable parent contributions		744	536
94,944	Benefit recoveries - non-current debt		105,305	92,086
252,720	Overseas pension recoveries		289,036	278,649
97,622	Student Loans - repayment of principal	2	96,547	98,978
676,501	**Total non-departmental capital receipts**		**739,894**	**701,253**

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 expense. 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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2018

Actual 2017 $000		Actual 2018 $000	Unaudited Budget 2018 $000
1,162,619	Non-departmental output expenses	1,153,254	1,148,030
138,477	Non-departmental other expenses	103,714	129,344
1,757,463	Non-departmental capital expenditure	1,638,328	1,840,984
20,350,301	Benefits or related expenses	21,106,981	21,041,351
51,422	Other operating expenses	37,688	39,587
23,460,282	**Total non-departmental expenses**	**24,039,965**	**24,199,296**

The Other operating expenses of $37.688 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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000
	Current assets			
235,342	Cash and cash equivalents	4	279,177	150,494
-	Crown equity investment		6,186	-
121,893	Receivables	3	136,339	333,387
15,119	Prepayments - benefits and allowances		16,630	766
372,354	**Total current assets**		**438,332**	**484,647**
	Non-current assets			
612,853	Receivables	3	671,261	424,084
53	Other advances		45	37
612,906	**Total non-current assets**		**671,306**	**424,121**
985,260	**Total non-departmental assets**		**1,109,638**	**908,768**

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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Liabilities

As at 30 June 2018

Actual 2017 $000		Notes	Actual 2018 $000	Unaudited Budget 2018 $000
	Current liabilities			
253,740	Accruals - other than government departments	4	338,987	335,549
102,667	Tax payable		109,411	111,322
834	Other current liabilities	4	3,003	409
357,241	**Total non-departmental liabilities**		**451,401**	**447,280**

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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2018

Actual 2017 $000		Actual 2018 $000
	Capital commitments	
-	Buildings	-
-	Total capital commitments	-
	Operating commitments	
	Non-cancellable accommodation leases	
-	Not later than one year	38,953
-	Later than one year and not later than five years	39,002
-	Later than five years	575
-	**Total non-cancellable accommodation leases**	**78,530**
-	**Total operating commitments**	**78,530**
-	**Total commitments**	**78,530**

The Ministry has entered into various short- and long-term lease arrangements with housing providers for the provision of emergency, transitional and public housing places to meet projected demand for housing places for clients. The lease terms range from three months to 25 years. The amounts payable to the providers is determined Income-related Rent Subsidies to which clients are entitled, which in turn is determined by the market rent or average rent and the client's income prevailing at that time. In 2016/2017, due to the uncertainty of these factors the amount of the commitment with respect to these leases was not able to be reliably measured and was recorded as an unquantifiable commitment at balance date.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2018

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2017: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2018 (2017: nil).

Unquantifiable contingent assets

Public Housing – Crown Residual Interest (CRI)

The Crown has the contractual right to receive the return of Crown Residual Interest (CRI) in relation to public housing properties released from capacity contracts with registered community housing providers via a cash payment. The CRI is an asset created to provide protection to the Crown in the event that a property is no longer needed for public housing.

Quantifiable contingent assets

The Ministry on behalf of the Crown has no quantifiable contingent assets (2017: 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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2018

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 2018 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2018 were as follows:

Actual 2017 $000		Actual 2018 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**-**
5	Contributions	8
(7)	Distributions	(7)
-	**Balance at 30 June**	**1**
	Australian Embargoed Arrears	
479	**Balance at 1 July**	**536**
6,747	Contributions	5,206
(6,696)	Distributions	(5,230)
6	Revenue	7
536	**Balance at 30 June**	**519**
	Maintenance	
23	**Balance at 1 July**	**22**
388	Contributions	538
(392)	Distributions	(534)
3	Revenue	5
22	**Balance at 30 June**	**31**
	Netherlands Debt	
4	**Balance at 1 July**	**11**
86	Contributions	100
(79)	Distributions	(111)
11	**Balance at 30 June**	**-**
569	**Total trust monies**	**551**

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 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 2017/2018.

The Statement of Accounting Policies: Non-departmental on pages 178 to 181 and Notes 1 to 4 on pages 191 to 196 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 budget figures are as follows:

Schedule of income and expenses

Non-departmental other expenses are lower than budget by $25.630 million, mainly due to lower expenditure on debt write-downs from interest rate remeasurement of $13.023 million.

Non-departmental capital expenditure is lower than budget by $202.656 million, which is mainly due to the Student Loan appropriation variance against the unaudited budget of $206.850 million. This has been driven by the impact of policy changes to provide more financial support to students in tertiary education, including implementation of the Fees-free Tertiary Education for 2018 policy and increasing Student Loan living costs.

There are no other significant variances against budget.

Schedule of assets and liabilities

Cash and cash equivalents is higher than budget by $128.683 million mainly due to the timing of cash drawdowns from the Treasury.

Crown equity investment of $6.186 million represents the Crowns equity interest in Housing New Zealand to acquire, modernise or reconfigure properties leased by Community Housing Providers. This is a reclassification from the assumptions contained in the unaudited budget where a budget of $5.8 million was classified as a capital withdrawal.

Current and non-current receivables were higher than budget by $50.129 million. This is mainly due to a lower provision for doubtful debts of $13.023 million due to interest rate remeasurement and a change in the opening balance applied to the actual results since the unaudited budget was first calculated (in April 2017) of $11.668 million.

Prepayments were higher than budget by $15.864 million mainly due to a $14.020 million prepayment for Income-related Rent Subsidies.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2018

Actual 2017 $000		Actual 2018 $000
	Student loans	
-	**Opening nominal balance**	-
1,572,613	New lending	1,424,885
(97,622)	Repayment	(96,547)
(1,485,001)	Loan balance transfer to IRD	(1,337,531)
10,010	Administration fee	9,193
-	**Closing nominal balance**	-
-	**Net carrying value of student loans**	-

The Student Loan Scheme is administered by MSD in conjunction with the Ministry of Education and the Inland Revenue Department (IRD). MSD's role is to assess and make payments to students undertaking tertiary education. Student loans are transferred to IRD on a daily basis for collection. The interest rate risk and the credit risk on student loans are held by 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 1.78 percent and 4.42 percent (1.97 percent and 4.75 percent at 30 June 2017).

The fair value of the portfolio as at 30 June 2018 is $808 million ($735 million at 30 June 2017).

Social benefit and other receivables

As at 30 June 2018

Actual 2017 $000[108]		Actual 2018 $000
	Social benefit receivables	
1,478,814	Nominal value of receivable	1,589,593
1,478,814	Gross value of receivables	1,589,593
(744,085)	less provision for impairment[109]	(782,932)
734,729	Net social benefit receivables	806,661
17	Other receivables	939
734,746	**Total receivables**	**807,600**
	Total receivables are represented by:	
121,893	Current	136,339
612,853	Non-current	671,261
734,746	**Balance at end of the year**	**807,600**
	Social benefit receivables	
	Movements in the carrying value of the loans are as follows:	
703,963	**Balance at 1 July**	**734,729**
427,396	Face value of new receivables during the year	465,090
(326,159)	Receivables repaid during the year	(354,311)
(70,471)	Subsequent net impairment	(38,847)
734,729	**Balance at 30 June**	**806,661**

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment of $38.847 million during the 2017/2018 year (2017: $70.471 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 $40.287 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $46.134 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 (0.19) percent and (0.33) percent from 1 July 2017 to 30 June 2018 (2017: (0.15) percent and 0.44 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.

108 Prior year information has been restated due to a classification issue of $103.809 million between Nominal value and Gross value of receivables and the provision for impairment. Total receivables are the same value as reported in the 2016/2017 Annual Report.

109 Impairment of social benefit receivables includes a decrease of $13.023 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 2017 $000		Actual 2018 $000
	Loans and receivables	
235,342	Cash and cash equivalents	279,177
17	Debtors and other receivables	939
235,359	**Total loans and receivables**	**280,116**
	Fair value through surplus or deficit - held for trading	
-	Derivative financial instrument liabilities	-
	Financial liabilities measured at amortised cost	
254,574	Creditors and other payables	341,990

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 2017/2018 there were no instruments recognised at fair value in the Statement of Financial Position (2017: 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.

At balance date, the Ministry had no foreign exchange forward contracts (2017: nil).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2017: 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 (NZDMO) (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 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 NZDMO. 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 2017 $000		Actual 2018 $000
	Creditors and other payables	
254,574	Less than six months	341,990
254,574		**341,990**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2017: nil).

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 2018.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[110] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[111] 2018 $000	Location of end-of-year performance informa-tion[112] $000
	Vote Social Development					
	Departmental output expenses					
25,000	Corporate Support Services	86,629	-	86,629	86,959	1
11,684	Data, Analytics and Evidence Services	12,471	-	12,471	16,801	1
43,167	Income Support and Assistance to Seniors	46,561	(125)	46,436	46,787	1
48,054	Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments	46,726	(112)	46,614	47,117	1
4,602	Management of Service Cards	5,387	(6)	5,381	5,738	1
15,083	Management of Student Loans	16,553	(44)	16,509	16,640	1
16,667	Management of Student Support	16,587	(43)	16,544	17,192	1
194	Place-based initiatives - Tairāwhiti Local Leadership	391	-	391	391	1
6,310	Planning, Correspondence and Monitoring	5,355	(7)	5,348	5,616	1
19,798	Policy Advice	13,791	(19)	13,772	14,465	1
464	Processing of Veterans' Pensions	641	(1)	640	647	1

110 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

112 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. The Vote Social Development Non-departmental Appropriations Report
3. The Vote Social Housing Non-departmental Appropriations Report
4. No reporting due to an exemption obtained under section 15D of the Public Finance Act
5. The Office of the Children's Commissioner's Annual Report
6. The Families Commission Annual Report.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[113] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[114] 2018 $000	Location of end-of-year performance information[115] $000
3,949	Promoting Positive Outcomes for Disabled People	5,025	(3)	5,022	5,234	1
850	Promoting Positive Outcomes for Seniors	1,139	(1)	1,138	1,187	1
3,998	Adoption Services	-	-	-	-	
316,957	Care and Protection Services	-	-	-	-	
8,780	Children's Action Plan	-	-	-	-	
8,309	Designing and Implementing Social Investment	-	-	-	-	
37,290	Investing in Communities	-	-	-	-	
252	Place-based initiatives - national support	-	-	-	-	
95,528	Youth Justice Services	-	-	-	-	
666,936	**Total departmental output expenses**	**257,256**	**(361)**	**256,895**	**264,774**	
	Departmental other expenses					
21,128	Transformation Programme: Investing in New Zealand Children and their Families	-	-	-	-	
21,128	**Total departmental other expenses**	**-**	**-**	**-**	**-**	

113 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[116] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[117] 2018 $000	Location of end-of-year performance information[118] $000
	Departmental capital expenditure					
84,406	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the Public Finance Act	86,050	-	86,050	107,040	1
84,406	**Total departmental capital expenditure**	**86,050**	**-**	**86,050**	**107,040**	
	Non-departmental output expenses					
2,157	Children's Commissioner	2,657	-	2,657	2,657	5
81,818	Community Participation Services	80,610	-	80,610	81,160	2
14,092	Families Commission	1,930	-	1,930	1,930	6
3,329	Student Placement Services	3,336	-	3,336	3,512	4
-	Supporting Equitable Pay for Care and Support Workers	6,264	-	6,264	7,610	4
16,874	Counselling and Rehabilitation Services	-	-	-	-	
9,194	Education and Prevention Services	-	-	-	-	
6,167	Emergency Housing Response	-	-	-	-	
84,798	Family Wellbeing Services	-	-	-	-	

116 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[119] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[120] 2018 $000	Location of end-of-year performance information[121] $000
107,229	Strong Families and Connected Communities	-	-	-	-	
325,658	**Total non-departmental output expenses**	**94,797**	**-**	**94,797**	**96,869**	
	Non-departmental other expenses					
91,943	Debt Write-downs	59,552	13,023	72,575	79,478	4
817	Extraordinary Care Fund	1,225	-	1,225	1,508	4
17,779	Out of School Care Programmes	18,992	-	18,992	19,473	2
17,388	Hurunui/Kaikoura Earthquake Employment Support	-	-	-	-	
127,927	**Total non-departmental other expenses**	**79,769**	**13,023**	**92,792**	**100,459**	
	Non-departmental capital expenditure					
184,850	Recoverable Assistance	207,257	-	207,257	204,931	4
1,572,613	Student Loans	1,424,885	-	1,424,885	1,521,739	4
1,757,463	**Total non-departmental capital expenditure**	**1,632,142**	**-**	**1,632,142**	**1,726,670**	

119 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[122] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[123] 2018 $000	Location of end-of-year performance information[124] $000
	Multi-category appropriations					
-	**Community Support Services MCA**	**93,977**	**(44)**	**93,933**	**94,316**	
	Departmental output expenses					
-	*Developing and managing Community Services*	23,728	(44)	23,684	23,936	1
	Non-departmental output expenses					
-	*Community Support and Advice*	22,826	-	22,826	22,781	1
-	*Participation and Support Services for Seniors*	2,956	-	2,956	2,991	1
-	*Supporting Victims and Perpetrators of Family and Sexual Violence*	44,467	-	44,467	44,608	1
657,043	**Improved Employment and Social Outcomes Support MCA**	**655,844**	**(793)**	**655,051**	**665,693**	
	Departmental output expenses					
279,498	*Administering Income Support*	299,872	(547)	299,325	271,791	1
298,677	*Improving Employment Outcomes*	272,580	(209)	272,371	305,528	1
78,868	*Improving Work Readiness Outcomes*	83,392	(37)	83,355	88,374	1

122 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[125] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[126] 2018 $000	Location of end-of-year performance informa-tion[127] $000
418	**Independent Advice on Government Priority Areas MCA**	**230**	**-**	**230**	**518**	
	Non-departmental output expenses					
418	*Other Advice*	1	-	1	269	4
-	*Policy Advice*	229	-	229	249	4
10,295	**Partnering for Youth Development MCA**	**10,322**	**(4)**	**10,318**	**10,604**	
	Departmental output expenses					
2,492	*Administering Youth Development*	2,079	(4)	2,075	2,351	1
	Non-departmental output expenses					
7,803	*Increasing Youth Development Opportunities*	8,243	-	8,243	8,253	1
8,131	**Emergency Housing MCA**	**-**	**-**	**-**	**-**	
	Non-departmental output expenses					
6,768	*Energency Housing Services*	-	-	-	-	
1,363	*Provision of Emergency Housing Places*	-	-	-	-	

125 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[128] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[129] 2018 $000	Location of end-of-year performance informa-tion[130] $000
46,731	**Social Housing Outcomes Support MCA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
39,640	*Services to Support People to Access Accommodation*	-	-	-	-	
	Non-departmental output expenses					
3,443	*Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing*	-	-	-	-	
	Non-departmental other expenses					
3,648	*Housing Support Package*	-	-	-	-	
822,579	**Social Housing Purchasing MCA**	**-**	**-**	**-**	**-**	
	Non-departmental output expenses					
815,277	*Part Payment of Rent to Social Housing Providers*	-	-	-	-	
400	*Services Related to the Provision of Social Housing*	-	-	-	-	
	Non-departmental other expenses					
6,902	*Support for the Provision of Social Housing Supply*	-	-	-	-	

128 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[131] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[132] 2018 $000	Location of end-of-year performance information[133] $000
2,012	**Social Sector Trials MCA**	-	-	-	-	
	Departmental output expenses					
764	*National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials*	-	-	-	-	
	Non-departmental output expenses					
1,248	*Non-Governmental Organisation led Social Sector Teams and Contracted Programmes and Services*	-	-	-	-	
1,547,209	**Total multi-category appropriations**	**760,373**	**(841)**	**759,532**	**771,131**	

131 The remeasurement adjustment to departmental output expense appropriations and departmental output expense categories of MCAs relates to movement in the unvested long service leave provision due to changes in discount rates. The Non-departmental other expense, Debt Write-downs includes $13.023 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurements.

132 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 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[134] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[135] 2018 $000	Location of end-of-year performance information[136] $000
	Benefits or related expenses					
198,590	Childcare Assistance	196,083	-	196,083	204,065	4
376,965	Disability Assistance	379,302	-	379,302	382,020	4
191	Family Start/NGO Awards	65	-	65	705	4
352,527	Hardship Assistance	354,660	-	354,660	365,443	4
1,697,015	Jobseeker Support and Emergency Benefit	1,697,342	-	1,697,342	1,710,412	4
13,043,292	New Zealand Superannuation	13,698,735	-	13,698,735	13,717,533	4
152,103	Orphan's/Unsupported Child's Benefit	164,979	-	164,979	166,589	4
1,158,572	Sole Parent Support	1,116,671	-	1,116,671	1,122,653	4
10,941	Special Circumstance Assistance	10,513	-	10,513	11,179	4
464,857	Student Allowances	510,804	-	510,804	530,041	4
12,109	Study Scholarships and Awards	12,906	-	12,906	16,167	4
1,532,617	Supported Living Payment	1,540,605	-	1,540,605	1,547,596	4
3	Transitional Assistance	140	-	140	1,127	4
175,018	Veterans' Pension	162,911	-	162,911	164,085	4
2,349	Work Assistance	2,659	-	2,659	3,222	4
46,172	Youth Payment and Young Parent Payment	55,088	-	55,088	56,848	4
1,126,980	Accommodation Assistance	-	-	-	-	
20,350,301	**Total benefits or related expenses**	**19,903,463**	**-**	**19,903,463**	**19,999,685**	
24,881,028	**Total annual and permanent appropriations**	**22,813,850**	**11,821**	**22,825,671**	**23,066,628**	

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[137] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[138] 2018 $000	Location of end-of-year performance informa-tion[139] $000
	Multi-Year Appropriations					
	Departmental output expenses					
-	Administering Support for the Mental Health and Employment Social Bond Pilot	40	-	40	80	1
1,837	Claims Resolution	5,666	-	5,666	12,342	1
	Non-departmental output expenses					
241	Mental Health and Employment Social Bond Pilot	62	-	62	633	4
2,078	**Total Multi-year appropriations**	**5,768**	**-**	**5,768**	**13,055**	
24,883,106	**Total Vote Social Development**	**22,819,618**	**11,821**	**22,831,439**	**23,079,683**	
	Vote Social Housing					
	Departmental output expenses					
-	Administering the Legacy Social Housing Fund	431	-	431	600	1
-	**Total departmental output expenses**	**431**	**-**	**431**	**600**	
	Non-departmental other expenses					
-	Social Housing Provider Development	3,944	-	3,944	7,172	3
-	**Total non-departmental other expenses**	**3,944**	**-**	**3,944**	**7,172**	

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[140] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[141] 2018 $000	Location of end-of-year performance informa-tion[142] $000
	Benefits or related expenses					
-	Accommodation Assistance	1,203,518	-	1,203,518	1,230,562	4
-	**Total benefits or related expenses**	**1,203,518**	**-**	**1,203,518**	**1,230,562**	
	Multi-category appropriations					
-	**Community Group Housing MCA**	**20,343**	**-**	**20,343**	**20,396**	
	Non-departmental output expenses					
-	*Community Group Housing Market Rent Top-Up*	10,106	-	10,106	10,106	1
	Non-departmental other expenses					
-	*Community Housing Rent Relief*	4,051	-	4,051	4,104	1
	Non-departmental capital expenditure					
-	*Acquisition and Improvement of Community Group Housing Properties*	6,186	-	6,186	6,186	1
-	**Emergency Housing MCA**	**74,758**	**-**	**74,758**	**125,242**	
	Non-departmental output expenses					
-	*Emergency Housing Services*	36,771	-	36,771	49,446	1
-	*Provision of Emergency Housing Places*	35,432	-	35,432	40,899	1

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2017 $000		Expenditure including Remeasurements 2018 $000	Remeasurements[143] 2018 $000	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[144] 2018 $000	Location of end-of-year performance information[145] $000
	Non-departmental other expenditure					
-	*Impairment of Crown Assets Related to Emergency Housing*	2,555	-	2,555	2,555	1
	Non-departmental capital expenditure					
-	*Acquisition, Development and Construction of Emergency Housing*	-	-	-	32,342	1
-	**Social Housing Outcomes Support MCA**	**52,966**	**(14)**	**52,952**	**61,308**	
	Departmental output expenses					
-	*Services to Support People to Access Accommodation*	43,327	(14)	43,313	48,325	1
	Non-departmental output expenses					
-	*Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing*	6,819	-	6,819	10,383	1

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

For the year ended 30 June 2018

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2017 $000		Expenditure including Remeasure-ments 2018 $000	Remeasure-ments[146] 2018 $000	Expenditure excluding Remeasure-ments 2018 $000	Appropriat-ion Voted[147] 2018 $000	Location of end-of-year performance informa-tion[148] $000
	Non-departmental other expenses					
-	*Housing Support Package*	2,820	-	2,820	2,600	1
-	**Social Housing Purchasing MCA**	**901,120**	**-**	**901,120**	**935,508**	
	Non-departmental output expenses					
-	*Part Payment of Rent to Social Housing Providers*	890,145	-	890,145	889,466	1
-	*Services Related to the Provision of Social Housing*	400	-	400	400	1
	Non-departmental other expenses					
-	*Support for the Provision of Social Housing Supply*	10,575	-	10,575	45,642	1
-	**Total multi-category appropriations**	**1,049,187**	**(14)**	**1,049,173**	**1,142,454**	
-	**Total annual and permanent appropriations**	**2,257,080**	**(14)**	**2,257,066**	**2,380,788**	
-	**Total Vote Social Housing**	**2,257,080**	**(14)**	**2,257,066**	**2,380,788**	
24,883,106	**Total annual, permanent and multi-year appropriations**	**25,076,698**	**11,807**	**25,088,505**	**25,460,471**	

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Transfers approved under section 26A of the Public Finance Act

The approved appropriation includes adjustments made in the Supplementary Estimates. No transfers were 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 2018

	Expenditure excluding Remeasurements 2018 $000	Appropriation Voted[149] 2018 $000	Unappropriated expenditure 2018 $000
Vote Social Development			
Non-departmental capital expenditure			
Recoverable Assistance	207,257	204,931	(2,326)

Expenses and capital expenditure approved under section 26B of the Public Finance Act

The Recoverable Assistance Non-departmental capital expenditure appropriation is demand driven and was forecast at a small margin above its midpoint forecast level, to reduce the likelihood of incurring unappropriated expenditure before the end of the 2017/2018 financial year.

However, in the three months to May 2018 the number of Recoverable Assistance grants was 15.7 percent higher than in the same period in 2017. Although the forecast at Budget 2018, which was incorporated into the 2017/2018 Supplementary Estimates, expected an increase in the number of Recoverable Assistance payments, the actual amount granted in April and May 2018 was higher than expected.

This resulted in actual costs exceeding appropriation by $2.326 million.

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

Nil.

Expenses and capital expenditure incurred without appropriation or outside scope or period of appropriation

Nil.

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

Statement of Departmental Capital Injections

For the year ended 30 June 2018

Actual Capital Injection 2017 $000		Actual Capital Injection 2018 $000	Approved Appropriation 2018 $000
9,483	Ministry of Social Development - Capital injection	32,567	32,567
9,483	**Total**	**32,567**	**32,567**

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

For the year ended 30 June 2018

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

Appendix 1:

Departmental asset services and asset management

Asset services

Our assets enable us to visit clients, communicate, facilitate face-to-face discussion, and meet together online. Many of these assets support services of significant national importance, and maintaining their fitness for purpose and their availability is essential in allowing us to continue to provide services to our clients.

Our asset management practices are designed to optimise the Government's investment in social services for the benefit of all New Zealanders.

Technology

Our Information Communication Technology (ICT) assets play a critical role in ensuring that we can provide services in a timely way, reliably, efficiently, and in accordance with current government policy and legislation. Our investment in systems has enabled us to support increased activity through online digital channels.

We continue to work with the Office of the Government Chief Digital Officer, which leads and assists agencies in meeting their goals for the effective use of technology.

Property

Our property assets comprise mainly leased commercial office properties. These assets house our staff and enable us to facilitate face-to-face engagement with stakeholders and clients.

We actively collaborate with the Government Property Group and other government agencies to provide effective and safe office accommodation.

Motor vehicles

Our aim is to provide fit-for-purpose, safe vehicles at the lowest total cost of ownership to enable our people to carry out their core functions. The fleet is going through a period of significant change, with the introduction of a new fleet management system that will give us a national view of our fleet and access to meaningful data that will enable us to better meet our transport needs.

To optimise our procurement opportunities, we participate in the all-of-government vehicle contracts managed by the Ministry of Business, Innovation and Employment.

Asset management

Strong capital asset management and investment management practices are critical to our long-term success. This ensures best value for money from the assets needed to deliver fundamental government services.

Asset performance measures

From this year we are required to report on our asset performance measures. Asset performance standards assist us in monitoring the levels of service that are being delivered from our assets.

The measures and standards for asset performance are approved by our Investment Strategy Governance Committee at the start of each financial year.

Asset performance in 2017/2018 is set out below.

2016/2017 Actual Standard	Measure	Indicator	2017/2018 Approved Standard	2017/2018 Actual Standard
	Property assets			
	Office work-point density (office area per work point (m^2)):	Utilisation		
26.1	Work and Income client-facing service sites[1]		<33	26.0
11.8	Regional/National Offices		<15	12.6
	Technology assets			
99.81%	Percentage of time core applications are available[2]	Availability	99%	99.73%
99.99%	Percentage of time the vendor managed network is available		99.96%	99.99%
	Fleet assets			
65%	Percentage of passenger vehicles under 5 years of age	Condition	85%	80%
	Estimated targets are set at the start of each year on the basis of expected costs and the number of vehicles that can be replaced within the capital available. The actual number of vehicles replaced and associated costs may vary from the estimate.			

1 This measure includes all MSD offices that deliver face-to-face Work and Income services to clients.

2 Core applications are defined as systems whose criticality is such that any issue that occurs is resolved as a high priority. The result reflects applications availability during core operational hours (7.30am – 7.30pm Monday to Friday and 8am – 2pm Saturday).

Appendix 2:

Information-sharing agreement between the Ministry of Social Development and the Ministry of Education

MSD is the lead agency for the approved information-sharing agreement (AISA) with the Ministry of Education (MoE) for providing services to help disengaged youth move into education, employment or training[1], and must report annually on the following information specified by the Privacy Commissioner.

The NEET (Not in Education, Employment or Training) Service was established in 2012 within the Youth Service. It identifies those school leavers who may be at greater risk of long-term unemployment using a statistical predictive modelling tool. The model takes into account the age of a young person, whether their parents are on a benefit, any history of involvement with Oranga Tamariki—Ministry for Children, and their school history. Young people who receive a risk rating of Low, Medium or High are referred to the NEET Service[2]. NEET clients can remain in the Youth Service for up to three years from the age of 15.

Young people can also refer themselves to the NEET Service for support, through a community provider, and may still be in school when they engage in the service. These 'walk-in' referrals occur separately from the referrals using information from MoE rated through the model.

This is the first report on this AISA. It covers the period 1 July 2017 to 30 June 2018.

Scale	
Total MoE records received by MSD	40,297
MoE and MSD records combined to make a single profile	29,624
'Most at risk' individuals identified and referred to external provider	11,969
Benefits	
Active enrolment count of NEET clients at the beginning of the period	6,835
Of these, enrolments from referrals using information from MoE	2,362
Count of NEET clients enrolled during period	7,019
Of these, enrolments from referrals using information from MoE	2,595
Active enrolment count of NEET clients at the end of the period	7,167
Of these, enrolments from referrals using information from MoE	2,303
Individuals re-engaged in education, training or work-based learning	11,094
Of these, outcomes from referrals using information from MoE	3,302

1 The agreement was entered into in 2012 under section 123F of the Social Security Act 1964 and is available to view at **http://www.youthservice.govt.nz/documents/1135-mou-moe-msd-for-youth-services-2012.pdf.** Section 123F was amended in 2016, and from that time the agreement became an AISA in terms of Part 9A of the Privacy Act 1993. The Privacy Commissioner advised MSD, as lead agency, of its reporting requirements in a notice dated 20 September 2017 (available to view at **https://privacy.org.nz/assets/Files/AISAs/MoE-MSD-Youth-Services-reporting-notice.pdf**).

2 Clients with a rating of Very Low are not referred to the service.

We make sure our model is accurate and its data is protected

We measure model accuracy each time the model is refreshed. The most recent model has an AUROC score of 0.79, which means there is a 79 percent chance that the rankings reflect the actual level of risk. This is generally accepted as a 'good' accuracy.

We store the model and data outputs within the secure MSD data warehouse.

Effectiveness of information-sharing under the agreement

The last evaluation of the NEET Service[3] was conducted by the Treasury in February 2017. It focused on the impacts of the service rather than the effectiveness of the information-sharing mechanisms. It did find, however, that that high-risk youth were more likely to be recruited than low-risk youth, and about half of all participants between 2012 and 2014 were drawn from the highest-risk 20 percent of the 16- to 17-year-old resident population.

About one-third of all new recruits were still enrolled in school when recruited (ie 'walk-ins'), and among these high-school-student participants, targeting was particularly weak. Only about 30 percent were drawn from the highest-risk 20 percent of the youth population.

The evaluation also suggested the programme's design or provider contracts could be reviewed to see if targeting could be strengthened.

Number of complaints

No complaints were received about any alleged interference with privacy under the agreement.

Amendments made to the AISA since the Order in Council came into force

There have been no amendments to the agreement since the Order in Council came into force.

3 The report of the evaluation is available at **https://treasury.govt.nz/publications/wp/evaluation-impact-youth-service-youth-payment-and-young-parent-payment-wp-16-07-html.**

Appendix 3:

Our outcomes, impacts and key shifts for 2018/2019 and beyond

We want to achieve these outcomes:

- New Zealanders get the support they require
- New Zealanders are resilient and live in inclusive and supportive communities
- New Zealanders participate positively in society and reach their potential.

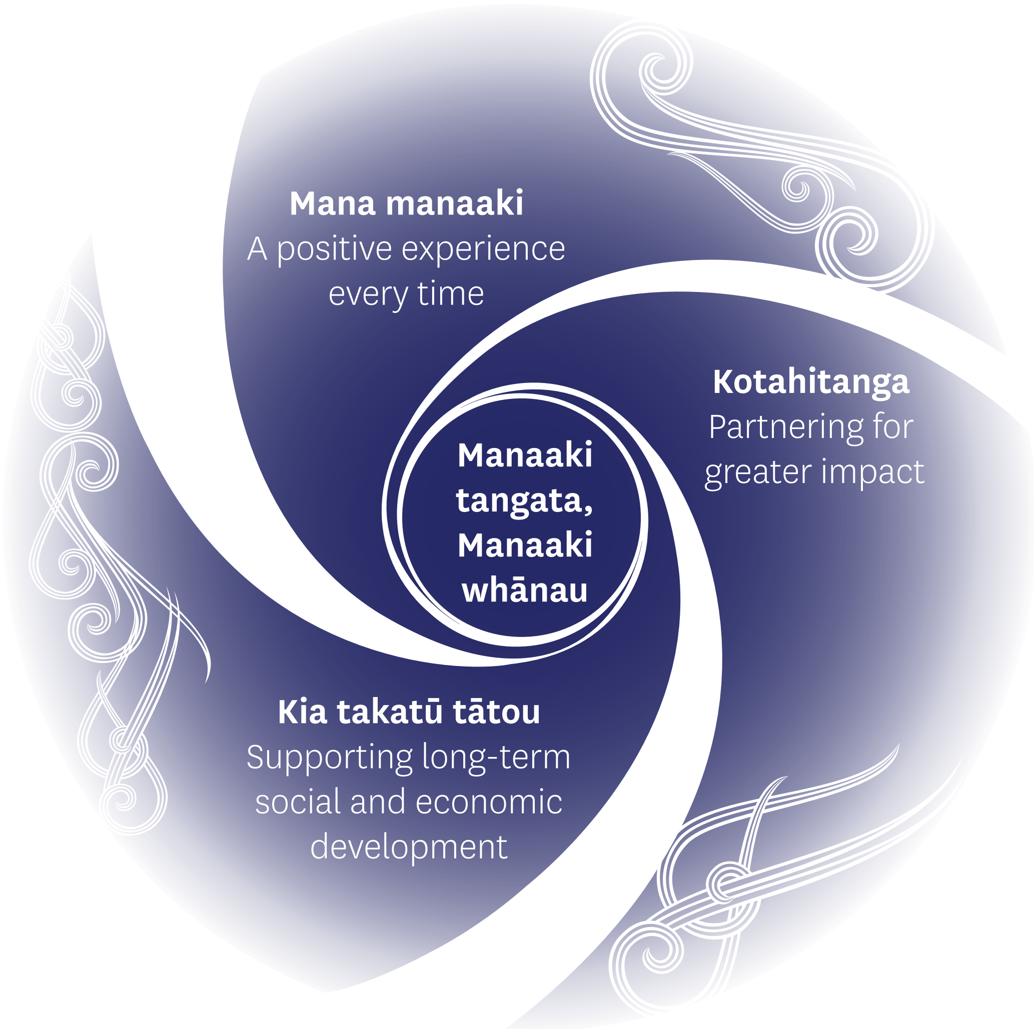
We want to have these impacts:

- Improve equity of outcomes, particularly for Māori
- Improve people's trust and confidence in the welfare system
- Improve the effectiveness of support
- Reduce the number of people in hardship or insecure housing
- Improve awareness of, and access to, support
- Reduce harm and improve the strength of whānau, families and communities
- Improve our contribution to industry and regional development
- Improve the effectiveness of connections across different providers and organisations
- Improve employment outcomes through sustainable work
- Improve people's readiness for work, including through training and education
- Improve people's abilities to participate meaningfully in society.

Te Pae Tawhiti – Our Future

We want to become a trusted and proactive organisation, connecting clients to all the support and services that are right for them, to improve the social and economic wellbeing of New Zealanders.

To achieve our purpose of helping New Zealanders to be safe, strong and independent, we identified three key shifts to focus on:



Mana manaaki – A positive experience every time

Looking after the dignity of people with warmth, listening, respect, compassion, openness and fairness, and helping people, whānau, families and communities are at the centre of what we do.

Kotahitanga – Partnering for greater impact

We're stronger when we work together with whānau, families, hapū, iwi, providers, communities and other government agencies. By allowing others to take the lead in some services, our clients could connect directly with trusted partners who are better placed to meet their needs.

Kia takatū tātou – Supporting long-term social and economic development

We will prepare ourselves for the future and take a long-term approach to community, regional and economic development. To improve employment outcomes people will need our support to acquire skills for current and future job markets. We will broaden our role in community development and social services to support people who are volunteering, training or caring for whānau and families.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

The Aurora Centre, 56 The Terrace,
PO Box 1556, Wellington 6140, New Zealand

New Zealand Government