

# statement of objectives and **service performance**

## STATEMENT OF RESPONSIBILITY

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

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

In my opinion these financial statements fairly reflect the financial position and operations of the Ministry of Social Development for the year ended 30 June 2006.



**Peter Hughes**

*Chief Executive*

29 September 2006

Countersigned by:



**Nick Gale**

*Chief Financial Officer*

29 September 2006

## REPORT OF THE AUDITOR-GENERAL

### TO THE READERS OF MINISTRY OF SOCIAL DEVELOPMENT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The Auditor-General is the auditor of the Ministry of Social Development (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Ministry, on his behalf, for the year ended 30 June 2006.

#### Unqualified opinion

In our opinion the financial statements of the Ministry on pages 58 to 133:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Ministry's financial position as at 30 June 2006;
  - the results of its operations and cash flows for the year ended on that date;
  - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year and its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year; and
  - the schedules of non-departmental activities on pages 121 to 133 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2006.

The audit was completed on 29 September 2006, and is the date at which our opinion is expressed.

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

#### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Chief Executive and the Auditor**

The Chief Executive is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2006 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2006. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

### **Independence**

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

In addition to the audit we have carried out assignments in the areas of review of Minimum Processing Standards, and review of the Enterprising Communities Grants Process, which are compatible with those independence requirements.

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



**Ajay Sharma**

*Audit New Zealand*

On behalf of the Auditor-General

Wellington, New Zealand

## **MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS**

This audit report relates to the financial statements of the Ministry of Social Development (the Ministry) for the year ended 30 June 2006 included on the Ministry's website. The Chief Executive is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 September 2006 to confirm the information included in the audited financial statements presented on this website.

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

## STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

For the year ended 30 June 2006

### Vote: Social Development

#### Output Expense: Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self Sufficiency

##### Description

Through this output expense the Ministry provides income support and services to encourage economic and social inclusion. This output expense contributes primarily to the Ministry's high-level outcomes for Working Age People and Families and Whānau. Our services under this output expense contribute to these outcomes by enabling working age people to participate in, and contribute to, society.

To achieve this, we will:

- ensure all clients receive their full and correct entitlements
- help people not in employment to receive the benefits to which they are entitled
- help people in employment know about and access the assistance to which they are entitled
- make work pay through the *Working for Families* package.

##### Scope

The scope of this output expense includes:

- providing information on the full range of assistance available so people can apply for assistance for which they might be eligible
- informing people of their rights and obligations when they receive income support
- assessing, verifying and paying income support
- managing people's needs for income support and other assistance, including responding to changes in people's circumstances in a timely and appropriate manner
- managing client debt repayments in a way that balances the client's ability to repay with the need to ensure integrity of the benefit system

- providing individual assistance to those for whom an employment outcome is not an immediate option, for example single parents caring for their children, people who have ill health or people with a disability
- providing information on social, community, and employment services, and referring people to the agencies that best meet their needs.

## Working for Families

The *Working for Families* package announced in Budget 2004 provides new and increased financial assistance for low- and middle-income working families through:

- more help with house and childcare costs
- increased Family Assistance and a new In-Work payment
- higher income and abatement limits.

The primary focus of *Working for Families* is to make it easier to work and raise a family.

## Services to Provide Income Support and Other Assistance to Eligible People

The average number of working age beneficiaries was forecast in the Ministry's *Statement of Intent 2005/2006* to remain under 300,000.

The actual average number of working age beneficiaries for 2005/2006 was 287,807.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
242,754	<b>Revenue</b>	245,343	232,345	245,343
3,450	Crown	4,395	7,835	8,185
426	Department	111	4,349	4,349
	Other			
<b>246,630</b>	<b>Total Revenue</b>	<b>249,849</b>	<b>244,529</b>	<b>257,877</b>
<b>242,130</b>	<b>Total Expense</b>	<b>255,322</b>	<b>244,529</b>	<b>257,877</b>
<b>4,500</b>	<b>Net Surplus/(Deficit)</b>	<b>(5,473)</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
91.3%	The percentage of clients satisfied with the level of service provided by contact centres will be no less than:	91.5% <sup>1</sup>	85%
82.8%	The percentage of clients satisfied with the level of service provided by case managers will be no less than:	82.8% <sup>2</sup>	85%
	<b>Timeliness<sup>3</sup></b>		
87.9%	The percentage of entitlement assessments completed within five working days will be no less than:	86.5%	85%
	<b>Accuracy<sup>4</sup></b>		
90.8%	The percentage of entitlement assessments completed accurately will be no less than:	92.2%	90%
	<b>Debt Management</b>		
96.0%	The percentage of current debtors <sup>5</sup> repaying debt will be no less than:	96.0% <sup>6</sup>	90%

1 Client satisfaction has been maintained as a result of a high level of training support provided to new staff.

2 Performance in 2005/2006 is consistent with the previous year's performance.

3 Accuracy and timeliness results exclude unverifiable cases. Unverifiable means that the record holds insufficient information to verify the accuracy and timeliness of that action. The total percentage of unverifiable records was 2.1% at the end of June 2006.

4 As above.

5 Current debtors are those clients who are currently in receipt of a benefit and have a debt with the Ministry.

6 Standardised processes ensured timely recovery of debt owed by clients and has resulted in consistent performance.

## Output Expense: Services to Minimise the Duration of Unemployment and Move People into Work

### Description

Through this output expense the Ministry provides services aimed at assisting jobseekers into sustainable employment<sup>7</sup>. This output expense contributes to the Ministry's high-level outcome for Working Age People by preparing clients for work, placing clients into employment, and supporting clients while in employment.

To assist clients into sustainable employment we work in partnership with industry to identify skill and labour shortages and to develop labour market opportunities for jobseekers; and we work with communities to enhance labour market development.

### Scope

The scope of this output expense includes developing regional employment initiatives and providing tailored case management and contracted employment training to:

- help people who are receiving a benefit and are able to work to enter the workforce and achieve a sustainable employment outcome
- help people who are receiving a benefit and are not able to work immediately, or at all, to become work ready or to participate in their communities.

Assisting people into sustainable employment includes:

- assessing clients' capability to work
- supporting jobseekers to develop skills and knowledge relevant to labour market opportunities
- actively working with industry to identify employment opportunities for job-seeking clients
- matching jobseekers to appropriate employment opportunities
- providing clients with support once they are placed into employment.

The scope of this output expense also includes assisting disadvantaged communities and groups to recognise and develop their own labour market initiatives and to use their assets to create employment opportunities that lead to self sufficiency and contribute to the local economy.

<sup>7</sup> Sustainable employment focuses on getting people into employment, spending longer periods in employment, having shorter transition periods between jobs and having the opportunity to move into higher-quality jobs over time. New result measures for sustainable employment were introduced by the Ministry in 2004/2005 that seek to demonstrate the move to generating sustainable employment outcomes for the Ministry's clients.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
225,989	Crown	229,924	265,914	231,924
560	Department	1,225	1,376	1,481
<b>226,549</b>	<b>Total Revenue</b>	<b>231,149</b>	<b>267,290</b>	<b>233,405</b>
<b>221,949</b>	<b>Total Expense</b>	<b>227,611</b>	<b>267,290</b>	<b>233,405</b>
<b>4,600</b>	<b>Net Surplus/(Deficit)</b>	<b>3,538</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Getting clients into work</b>		
36.5%	The proportion of job-seeking clients in receipt of a core benefit who exit into employment will be:	37.7%	35%
36.8%	The proportion of job-seeking clients in receipt of a core benefit with a duration of six months or more, who exit into employment will be:	38.7%	36%
	<b>Clients remaining in work longer</b>		
40.4 weeks	The average cumulative time that job-seeking clients, who exit to work, spend in employment over the course of a year will be:	40.4 weeks <sup>8</sup>	36.5 weeks
66.0%	The proportion of job-seeking clients who exited into employment and achieved six months continuous employment will be: <sup>9</sup>	65.5% <sup>10</sup>	58%

8 A continued focus on linking together short-term work opportunities has contributed to clients spending longer periods in employment.

9 This measure is acknowledged as a proxy measure by the Ministry as the reference 'into employment', and the associated extended period of monitoring for the measure, means that these results could capture instances where the actual 'employment' outcome is contributed to by other circumstances outside of the Ministry's control.

10 A continued focus on linking together short-term work opportunities has contributed to clients spending longer periods in employment.

## Output Expense: Services to Seniors

### Description

Through this output expense the Ministry provides services to seniors living in New Zealand and overseas. These services aim to promote self-reliance, positive ageing, and independence for older people. This output expense contributes primarily to the Ministry's high-level outcome for Older People, by providing New Zealand Superannuation (NZ Super) and other entitlements, and by providing portability arrangements so New Zealand superannuitants have entitlement regardless of where they choose to live. It also contributes by increasing the network of international social security agreements.

### Scope

The scope of this output expense includes:

- assessing, paying and reviewing entitlements for NZ Super and supplementary benefits, grants, allowances and subsidies paid to NZ Super clients or pensioners
- administering and implementing New Zealand's international social security agreements and general portability and special portability arrangements.

### Outputs

The outputs contained within this output expense are:

- Services to Seniors
- International Services.

### Services to Seniors

The average number of superannuitants was forecast in the Ministry's *Statement of Intent 2005/2006* to be 480,000. The actual average number of superannuitants for 2005/2006 was 487,838.

### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
29,737	Crown	35,844	34,789	35,844
132	Department	346	336	366
<b>29,869</b>	<b>Total Revenue</b>	<b>36,190</b>	<b>35,125</b>	<b>36,210</b>
<b>28,164</b>	<b>Total Expense</b>	<b>34,824</b>	<b>35,125</b>	<b>36,210</b>
<b>1,705</b>	<b>Net Surplus/(Deficit)</b>	<b>1,366</b>	<b>-</b>	<b>-</b>

## Service Performance (NZ Super)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Timeliness<sup>11</sup></b>		
85.7%	The percentage of entitlement assessments completed within five working days shall be no less than:	83.0% <sup>12</sup>	85%
	<b>Accuracy</b>		
93.2%	The percentage of entitlement assessments completed accurately will be no less than:	94.6%	92%
	<b>Quality</b>		
94.3%	The percentage of clients satisfied with the level of service provided will be no less than:	94.3%	90%

## Service Performance (International Services)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Accuracy</b>		
93.6%	The percentage of entitlement assessments completed accurately will be no less than:	95.8%	92%
	<b>Timeliness</b>		
92.5%	Applications for payment overseas processed within 24 hours will be no less than: <sup>13</sup>	96.3%	95%
92.4%	Review actions processed within five working days will be no less than:	94.7%	90%
96.0%	Correspondence replied to within five working days will be no less than:	94.2%	90%
95.6%	The percentage of all incoming calls that are answered within 20 seconds will be no less than:	92.3%	90%
	<b>Satisfaction</b>		
New measure in 2005/06	The percentage of independently surveyed clients satisfied with the level of service will be no less than:	85.0%	85%

11 Accuracy and timeliness results exclude unverifiable cases. Unverifiable means that the record holds insufficient information to verify the accuracy and timeliness of that action. The total percentage of unverifiable records was 2.1% at the end of June 2006.

12 Number of superannuitants for the year 2005/2006 exceeded the forecast by nearly 8,000, thus resulting in increased number of cases being assessed. Processing improvements are being made to increase the performance for this measure in 2006/2007.

13 This measure is dependent on the timely and regular receipt of information from our partners in Australia.

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

### Description

Through this output expense the Ministry provides services to minimise fraud through: encouraging voluntary compliance and awareness of the consequences of non-compliance; using preventative barriers and early detection mechanisms; and investigating and applying sanctions to those committing benefit fraud.

Benefit Control provides assurance that the integrity of the benefit system provided by the Ministry is protected by preventing, detecting, deterring and sanctioning benefit fraud.

### Scope

The scope of this output expense includes:

- helping clients to voluntarily comply and be aware of their obligations
- detecting and preventing fraud early, to mitigate client debt escalation and consequential barriers to their social and economic independence
- investigating irregularities and sanctioning deliberate fraud to deter reoccurrence by the offender, and to signal to others the seriousness and consequences of benefit abuse
- ensuring clients receive their full and correct entitlements.

Specific activities include:

- Early Intervention Strategy and Prevention:
  - data matching to detect clients who are receiving or have been receiving entitlements to which they are not eligible<sup>14</sup>
  - Early Intervention interviews and brokerage to ensure clients are receiving their correct and full entitlement, to remind them of their obligations, and to assist them to access additional services where required
  - Client Review Process to issue entitlement review forms to randomly-selected clients, encouraging the timely notification of changes in clients' circumstances
  - Selected Client Review to carry out lower level investigations on selected client situations that appear to differ from the information held by the Ministry.

<sup>14</sup> Data matching also provides information to support investigations and prosecutions.

- Investigations and prosecutions:
  - the investigation of irregularities in client information and of allegations received from external sources, to detect and assess the overpayment of entitlements and to take follow-up action to deter clients from re-offending
  - prosecution action against clients who deliberately commit serious or continuous benefit fraud.

We conduct information matches with the:

- Inland Revenue Department
- Department of Corrections
- New Zealand Customs
- Accident Compensation Corporation
- Department of Internal Affairs – Deaths and Marriages Registry.

The matches with the Department of Internal Affairs and the Accident Compensation Corporation are new in 2005/2006. This is also the first year in which Student Allowance recipients are included in these matches. All the matches are carried out in full compliance with the requirements of the Privacy Act and the Privacy Regulations.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
34,080	Crown	35,928	30,911	35,928
157	Department	377	240	300
<b>34,237</b>	<b>Total Revenue</b>	<b>36,305</b>	<b>31,151</b>	<b>36,228</b>
<b>33,308</b>	<b>Total Expense</b>	<b>34,669</b>	<b>31,151</b>	<b>36,228</b>
<b>929</b>	<b>Net Surplus/(Deficit)</b>	<b>1,636</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Client awareness</b>		
No standard included in 2004/05	The percentage of clients aware of the consequences of committing benefit fraud will exceed:	84.0% <sup>15</sup>	70%
	<b>Quality</b>		
New measure in 2005/06	The change of circumstances notification and benefit cancellation rate for clients contacted through the Early Intervention Strategy will exceed:	22.5% <sup>16</sup>	15%
New measure in 2005/06	The average duration of fraudulent <sup>17</sup> overpayments will not exceed:	29 working days <sup>18</sup>	45 working days
New measure in 2005/06	Of the cases that we prosecute, the proportion of successful prosecutions concluded will exceed:	94.5% <sup>19</sup>	85%

15 This is an annual measure that became available in June 2006. The survey result indicates higher awareness among clients than expected.

16 The Early Intervention Strategy focuses on different client groups. The client group receiving Unemployment Benefit, by their very nature, change their circumstances more often and therefore enables increased reviews of benefit through the Strategy.

17 Fraud refers to a violation of a civil or criminal statute and involves intentional misrepresentation of facts for the purpose of obtaining unauthorised benefits from a programme; the misrepresentation may involve either the deliberate provision of incorrect facts or the deliberate failure to provide correct facts.

18 Results reflect the volumes of desk bound investigations such as Selective Client Reviews and letters sent to clients that enable a larger number of cases to be managed more quickly, reducing the duration of overpayments.

19 Results reflect increased efforts to achieve success in every prosecution, through a rigorous vetting process that improves the quality of cases forwarded for prosecution.

## Output Expense: Debt Management – Former Beneficiaries

### Description

Through this output expense the Ministry provides debt management services for non-current debt, which is debt owed by former beneficiaries. This output expense supports the achievement of the Ministry's outcomes by negotiating realistic repayment rates with former beneficiaries, by monitoring the integrity of the benefit system and returning money to the Crown.

### Scope

The collection of non-current debt takes into account the individual's ability to repay and the management of the Crown's fiscal risk. We give due consideration to ensuring that debt repayments do not cause undue hardship or jeopardise a client's ability to stay in employment through unrealistic debt repayment levels. We take a whole-of-organisation approach to debt prevention and ensure our staff carry out their duties with due diligence and respect for the rights of clients.

The types of non-current debts collected in this output expense include:

- Special Needs Grants (recoverable)
- advances
- overpayments generated by Ministry or client error or oversight
- Liable Parent Contribution and Maintenance
- debt arising from abuse of the benefit system
- debt arising from Student Allowances and fraudulently received Student Loans
- debt arising from employment-related grants and allowances.

The collection of current benefit debt is managed in Output Expense: Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self Sufficiency.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
19,390	<b>Revenue</b>	19,024	18,854	19,024
82	Crown	198	155	180
	Department			
<b>19,472</b>	<b>Total Revenue</b>	<b>19,222</b>	<b>19,009</b>	<b>19,204</b>
<b>17,825</b>	<b>Total Expense</b>	<b>17,969</b>	<b>19,009</b>	<b>19,204</b>
<b>1,647</b>	<b>Net Surplus/(Deficit)</b>	<b>1,253</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
\$72.903m	Actual collection of non-current beneficiary debt, New Zealand Superannuation debt, employment-related grants and allowances debt, liable parent contribution, maintenance debt, and major repairs and advances debt is expected to be:	\$70.911m	\$70m – \$73m
\$4.858m	Actual collection of Student Allowance debt and fraudulent Student Loan debt is expected to be:	\$7.007m <sup>20</sup>	\$5m – \$5.6m
	<b>Quality</b>		
83.0%	The proportion of collectable non-current beneficiary debtors on arrangement to pay, or paid in full within four months of debt establishment, will be no less than:	82.0%	82%

20 The value of debt establishment has increased as a result of data matching with Inland Revenue Department. This has also increased the value of debt collected.

## Output Expense: Community Services Card

### Description

Through this output expense the Ministry administers the distribution of the Community Services Card and provides information to the public about the card. This output expense contributes to the Ministry's high-level outcomes for Children and Young People, Working Age People, Older People, and Families and Whānau. It contributes to these outcomes by reducing the effects of hardship, and by giving low- and middle-income people access to affordable primary health services.

### Scope

The scope of this output expense involves administering the Community Services Card. These services are managed by the National Community Services Card Centre, which is a centralised processing unit with a call centre. The centre is responsible for:

- processing applications and reapplications
- ensuring people who are entitled to receive a card know how to apply
- producing and distributing the cards.

The future of the Community Services Card remains under review and is dependent on health sector developments regarding Primary Health Organisations and related services.

### Community Services Card

The number of current cards issued was forecast in the Ministry's *Statement of Intent 2005/2006* to be 1,100,000. The actual number of cards issued was 1,013,524.

The volume of applications and renewals of Community Services Cards to be processed was forecast to be 206,000 and the actual number processed for 2005/2006 year was 204,562.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
5,898	Crown	5,797	7,028	5,797
207	Department	252	36	36
<b>6,105</b>	<b>Total Revenue</b>	<b>6,049</b>	<b>7,064</b>	<b>5,833</b>
<b>5,382</b>	<b>Total Expense</b>	<b>5,453</b>	<b>7,064</b>	<b>5,833</b>
<b>723</b>	<b>Net Surplus/(Deficit)</b>	<b>596</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
85.1%	The percentage of all calls to the Community Services Card centre answered within 20 seconds will be no less than:	87.2%	85%
	<b>Timeliness</b>		
95.4%	The percentage of initial applications and those requiring validation processed within two working days of receipt will be no less than:	91.1%	90%
	<b>Accuracy</b>		
95.7%	The percentage of Community Services Card entitlement assessments accurately completed as determined by regulation will be no less than:	94.7%	90%

## Output Expense: Services to Students

### Description

Through this output expense the Ministry provides financial support to New Zealand students who might otherwise be unable to access tertiary education. This output expense contributes to the Ministry's high-level outcomes for Children and Young People, Working Age People and Families and Whānau. It contributes to these outcomes by helping people gain qualifications which will improve their employment prospects and by providing support to families who have one or more members studying.

The StudyLink service line manages the delivery of Student Allowance and Student Loan services. Student Allowance and Student Loan policy is primarily the responsibility of the Ministry of Education. We have a protocol with the Ministry of Education, the Inland Revenue Department and the Tertiary Education Commission that defines the roles and responsibilities of each agency for the Student Allowance and Loan programmes. We also work closely with other agencies to ensure effective co-ordination and communication.

### Scope

The scope of this output expense includes:

- providing information to help students understand all Student Allowance and Student Loan obligations and entitlements
- assessing, verifying and paying Student Allowances and Student Loans to students
- assisting students to consider all options for funding their study
- providing comprehensive information to students who are considering entering tertiary study.

### Student Allowances

The volume of Student Allowance applications approved in 2005/2006 was forecast in the Ministry's *Statement of Intent 2005/2006* to be in the range of 66,000 to 71,000 (from a total of between 89,000 to 94,000 applications received).

The actual volume of Student Allowance applications approved for 2005/2006 was 61,841 from an actual number of allowance applications received of 88,044.

### Student Loans

The volume of Student Loan accounts established in 2005/2006 was forecast to be in the range of 155,000 to 160,000 (from a total of between 194,000 to 199,000 applications received). The actual volume of Student Loan accounts established in 2005/2006 was 163,516 from an actual number of loan applications received of 210,278.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
31,908	<b>Revenue</b>	34,063	40,569	32,063
94	Crown Department	200	110	125
<b>32,002</b>	<b>Total Revenue</b>	<b>34,263</b>	<b>40,679</b>	<b>32,188</b>
<b>31,447</b>	<b>Total Expense</b>	<b>34,055</b>	<b>40,679</b>	<b>32,188</b>
<b>555</b>	<b>Net Surplus/(Deficit)</b>	<b>208</b>	<b>-</b>	<b>-</b>

## Service Performance (Student Allowances)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Timeliness</b>		
97.9%	The initial entitlement assessment for a Student Allowance will be completed within five working days of application receipt:	95.4%	95%
	<b>Accuracy</b>		
98.0%	The percentage of students who receive their correct Student Allowance entitlement on their first payment will be no less than:	97.7%	94%

## Service Performance (Student Loans)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Timeliness</b>		
97.6%	The initial entitlement assessment for a Student Loan will be completed within three working days of application receipt:	98.3%	95%
	<b>Accuracy</b>		
99.7%	The percentage of students who receive their correct entitlement (living cost component) on their first payment will be no less than:	99.7%	95%

### Service Performance (Student Allowances and Loans)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
86.7%	The percentage of independently surveyed students satisfied with the level of service provided by the StudyLink contact centre will be no less than:	84.4%	85%
80.6%	The percentage of independently surveyed students satisfied with the level of service from StudyLink staff will be no less than:	82.3% <sup>21</sup>	85%
80.7%	The percentage of independently surveyed institutions that are satisfied with the level of service from StudyLink staff will be no less than:	84.0%	85%

### Service Performance (Highway to your Future programme)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
98.0%	The percentage of independently surveyed users of the Highway to your Future programme who found the programme information valuable will be no less than:	92.1%	90%
92.0%	The percentage of New Zealand secondary schools contacted that will participate in one or more components of the Highway to your Future programme will be no less than:	95.3% <sup>22</sup>	90%

21 A number of initiatives including StudyWise, Application Support Service and improved resolution services have been undertaken and had a positive impact on overall satisfaction. Results for student satisfaction have been trending up slightly over the previous years, with further work underway to improve services.

22 Continuing to build excellent working relationships with the schools has fostered an increase in the uptake in participation.

## Output Expense: Family and Community Services

### Description

Through this output expense the Ministry provides services to families and communities. This output expense contributes to the Ministry's high-level outcomes for Families and Whānau, and for Communities, Hapū and Iwi. Our services under this output expense contribute to these outcomes by building the knowledge and capability of families and communities, by supporting programmes that build family resilience and safety, and by promoting social cohesion and participation in communities.

Our Family and Community Services service line leads and co-ordinates services to families and communities across New Zealand.

### Scope

The scope of this output expense includes:

- delivering programmes and leading co-ordination processes for communities such as Heartland Services, local services mapping, community funding programmes, refugee and migrant service development, and the National Directory
- delivering programmes and leading co-ordination processes for families such as Strengthening Families, SKIP (Strategy with Kids: Information for Parents), Family and Community Helpline pilot, family violence prevention initiatives, and Family Start and other family support funding programmes.

The successful development and delivery of these programmes involves:

- establishing and maintaining partnerships with key stakeholders from central government, local government, non-government organisations and iwi/Māori
- planning for and aligning services at a regional and local level
- providing information for families and communities
- working with communities and providers to strengthen services for parents, and services to prevent violence within families and address the harm that it does
- building the capability of community-based providers
- administering funding programmes to support community-based services, including services planning, provider development, and the management of funding agreements and contracts.

## Key Establishment Milestones

Family and Community Services was established on 1 July 2004. Some of its services are still in an establishment phase, in particular those providing information services to families. From 1 July 2005, Family and Community Services took on new responsibilities, including the administration of Non-Departmental Output Expense funded programmes.

Key establishment milestones for these new responsibilities include:

- *Information for families:*
  - completing a pilot of the Family Helpline and, subject to a favourable evaluation, laying the foundation for a nationwide service as funding becomes available
  - establishing a families' knowledge base on the family services website.
- *Funding/contracting:*
  - ensuring the capability to manage Non-Departmental Output Expense funding is available
  - managing the transfer of responsibilities from the Department of Child, Youth and Family Services with minimal disruption to service providers and their clients.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
10,602	Crown	18,149	15,243	18,149
22	Department	82	75	90
<b>10,624</b>	<b>Total Revenue</b>	<b>18,231</b>	<b>15,318</b>	<b>18,239</b>
<b>10,481</b>	<b>Total Expense</b>	<b>17,943</b>	<b>15,318</b>	<b>18,239</b>
<b>143</b>	<b>Net Surplus/(Deficit)</b>	<b>288</b>	<b>-</b>	<b>-</b>

## Service Performance (Family and Community Services)

Actual 30 June 05	Performance Measures <sup>23</sup>	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
29	Conduct local services mapping exercises. <sup>24</sup>	28	25
	<b>Quality</b>		
100%	Local services mapping exercises will meet the quality characteristics described in the Family and Community Services Mapping Guidelines. <sup>25</sup>	100%	100%

## Service Performance (Heartland Services)

Actual 30 June 05	Performance Measures <sup>26</sup>	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
99.0%	Government departments operating out of Heartland Service Centres are satisfied with the facilities and co-ordination services provided by the Ministry of Social Development:	91.3%	90%
94.0%	Stakeholders are satisfied with the access to government services via Heartland Service Centres. <sup>27</sup>	86.1% <sup>28</sup>	80%

23 A number of functions are transferring to Family and Community Services (FACS) or are under establishment. For the Statement of Intent 2006/2007 and Output Plan FACS developed performance measures covering:

- funding administration and contracting
- provision of information to families and communities
- developments with communities and providers to strengthen services for families and communities.

24 The Local Services Mapping exercises consist of:

- a community profile and stocktake of existing services and programmes
- a consultation process with government funders and NGO/community organisations on the appropriateness and targeting of programmes and services, gaps and overlaps
- a report that outlines the local needs and priorities that will assist funders to make decisions on funding over future funding periods
- the development and implementation of an action plan to improve local services.

25 The quality characteristics in the Family and Community Services Mapping Guidelines are based on three key phases: developing the community report, developing a community action plan and implementation.

26 A number of functions are transferring to Family and Community Services (FACS) or are under establishment. For the Statement of Intent 2006/2007 and Output Plan FACS will be developing performance measures covering:

- funding administration and contracting
- provision of information to families and communities
- developments with communities and providers to strengthen services for families and communities.

27 Stakeholders include individual clients, local bodies and significant community organisations.

28 An advertising campaign through 27 community and regional newspapers around the country, which included co-ordinator profiles, reinforced a positive perception of government services that contributed to this positive result.

## Output Expense: Social Development Leadership

### Description

Through this output expense the Ministry provides social development leadership that contributes to the Ministry's strategic aim of leading social development. We do this through the provision of strategic social policy advice and through regional social development leadership.

### Scope

The scope of this output expense includes:

- monitoring and reporting on the social wellbeing of New Zealanders
- using a social development approach to support policy decision making from a whole-of-government perspective
- providing government with evidence-based advice on current strategies and initiatives
- developing medium and long-term policy proposals relating to significant and cross-sectoral social policy issues
- bringing together research and evaluation evidence on key social policy issues for Government
- jointly co-ordinating social research through the Social Policy Evaluation and Research (SPEaR) committee
- facilitating the development of regional social development strategies
- providing input to local authorities' Long Term Council Community Plans
- leading, facilitating and contributing to whole of government regional and local social development initiatives
- contributing to building community capacity and capability at a local level.

### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
4,531	<b>Revenue</b>	4,491	5,056	4,491
23	Crown	63	52	52
<b>4,554</b>	<b>Total Revenue</b>	<b>4,554</b>	<b>5,108</b>	<b>4,543</b>
<b>3,692</b>	<b>Total Expense</b>	<b>4,414</b>	<b>5,108</b>	<b>4,543</b>
<b>862</b>	<b>Net Surplus/(Deficit)</b>	<b>140</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Strategic Social Policy advice</b>		
	<b>Quantity</b>		
Standard met	Policy advice will be delivered in accordance with a key priorities annual plan agreed with the Minister for Social Development and Employment.	Standard met	Advice is delivered in accordance with the annual plan
	<b>Quality<sup>29</sup></b>		
Processes are complied with	<b>Process</b> An audit shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System have been followed. <sup>30</sup>	Processes are complied with	Processes are complied with
Standard met	<b>Technical robustness</b> An external independent review of the Ministry of Social Development's policy advice confirms that it meets pre-determined best practice criteria.	Standard met	Standard met <sup>31</sup>
Standard met	<b>Feedback<sup>32</sup></b> Feedback from stakeholders indicates the Ministry of Social Development is effectively leading policy thinking on social development issues which are in line with the Ministry's vision of an inclusive New Zealand.	Standard met	Standard met <sup>33</sup>
	<b>Timeliness</b>		
100%	Policy advice will be delivered to the Minister for Social Development and Employment within negotiated deadlines:	100%	100%
Standard met	Quarterly reports against the key priorities annual plan will be provided to the Minister for Social Development and Employment.	Standard met	No more than 7 weeks from the end of the quarter <sup>34</sup>
	<b>Regional Social Development And Employment Plans</b>		
Standard met	Regional Commissioners for Social Development will consult with their communities and staff to provide the Minister for Social Development and Employment with annual regional plans that state the strategic aims for each region for the following year.	Standard met	Consultation completed by 30 April 2006

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

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

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

32 Stakeholders include:  
 – the Minister for Social Development and Employment and the Minister's office  
 – other government agencies  
 – external stakeholders.

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

34 The standard for this measure coincides with the production of the quarterly reports against the Ministry's Output Plan to the Minister for Social Development and Employment.

## Output Expense: Policy and Purchase Advice

### Description

Through this output expense the Ministry provides social sector policy advice, research and evaluation, purchase and monitoring advice and Ministerial services. This output expense contributes to the Ministry's high-level outcomes for Children and Young People, Working Age People, Older People, Families and Whānau, and Communities, Hapū and Iwi.

### Social Services Policy Advice

Social sector policy advice supports and strengthens strong families and communities and improves outcomes for children and young people, working age people and older people. This advice informs decisions on:

- the care and protection of children and the successful transition of young people to adulthood
- social and employment assistance and incentives to encourage participation in sustainable employment and in society
- positive ageing and retirement income issues
- better social outcomes for people with disabilities
- programmes that encourage the development of well-functioning and supportive families
- strengthening community infrastructure and investing in the community and voluntary sector.

### Office for the Community and Voluntary Sector

The Office for the Community and Voluntary Sector ensures that government policy and service delivery effectively supports community, voluntary and tangata whenua organisations in achieving their objectives. The key functions of the Office are cross-sectoral policy development and advice and acting as a contact point for the community and voluntary sector on sector-wide issues. The Office provides support and reports to the Minister for the Community and Voluntary Sector, as agreed in a separate service agreement between that Minister and the Chief Executive of the Ministry of Social Development.

### Office for Disability Issues

The Office for Disability Issues provides policy advice and related services for the Minister for Disability Issues. It leads, monitors and promotes the *New Zealand Disability Strategy*, provides policy advice on disability issues and leads strategic and cross-sectoral disability policy across government. It also provides Ministerial servicing and support for the Minister for Disability Issues, as agreed in a separate service agreement between that Minister and the Chief Executive of the Ministry of Social Development.

## Social Research and Evaluation

We provide an ongoing programme of evaluation, social research, monitoring, forecasting, and data analysis. We actively promote research and evaluation findings, and promote social sector research and evaluation capability and capacity-building projects. This helps to ensure that:

- the Government's social investment strategies are based on sound evidence
- the New Zealand public and key stakeholders understand the key social issues and trends, along with their causes and consequences
- the wider social research and evaluation community develops its capability and capacity.

The scope of the social research and evaluation output includes:

- promoting and expanding the evidential base of information for social policy decision making
- identifying and assessing the implications of enduring and emerging social issues for policy advice
- assessing the effectiveness, impact and delivery of particular government policies and programmes, and assisting in their development
- building an understanding of the dynamics surrounding the delivery of social assistance and employment assistance
- developing and improving social assistance data/information
- undertaking operational research, performance monitoring and analysis of the Ministry's service delivery relationships, including with clients, employers, students and call centre users
- preparing fiscal forecasts for government expenditure on social assistance benefits.

## Purchase and Monitoring

We provide purchase advice and monitoring services to the Minister for Social Development and Employment and the Associate Minister for Social Development and Employment (CYF), to improve effectiveness, efficiency and value for money in social service delivery agencies, and to monitor the delivery of services against requirements set by government.

We are responsible for providing purchase advice and monitoring services relating to the:

- Department of Child, Youth and Family Services
- Retirement Commissioner
- Children's Commissioner
- New Zealand Artificial Limb Board

- Families Commission
- Social Worker Registration Board.

The scope of the purchase advice and monitoring services includes:

- strategic purchase advice on the extent to which services contribute to government outcomes and results
- advice on the efficiency and cost effectiveness of services
- advice on new programmes and spending, particularly Budget proposals
- advice about the development of the Minister's Output Plans (or Output Agreements)
- quarterly reporting to the Minister on the performance of delivery agencies against their Output Plans (or Output Agreements), and the assessment of any delivery risks
- special projects related to service delivery performance
- service reviews at Minister's request
- facilitating effective working relationships with relevant agencies.

### **Ministerial Servicing**

Through this output the Ministry provides Ministerial, advisory, support and administrative services to or on behalf of the Minister for Social Development and Employment and Ministerial advisory committees and groups.

The scope of the Ministerial servicing output includes:

- replies to Ministerial correspondence
- speeches, briefing notes, reports and other information as required
- replies to parliamentary questions
- replies required by legislation (includes Ombudsman, Official Information Act 1982, and Privacy Commissioner)
- advisory support and information for Ministers as required in Cabinet committees, select committees and Parliament.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
36,706	<b>Revenue</b>	40,800	36,678	40,800
1,164	Crown	1,403	1,088	1,388
	Department			
<b>37,870</b>	<b>Total Revenue</b>	<b>42,203</b>	<b>37,766</b>	<b>42,188</b>
<b>36,393</b>	<b>Total Expense</b>	<b>41,396</b>	<b>37,766</b>	<b>42,188</b>
<b>1,477</b>	<b>Net Surplus/(Deficit)</b>	<b>807</b>	<b>-</b>	<b>-</b>

## Service Performance (Policy, Research and Evaluation)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Key Priorities</b>		
Standard met	Policy, research and evaluation advice will be delivered in accordance with a key priorities annual plan agreed with the Minister for Social Development and Employment.	Standard met	Advice is delivered in accordance with the annual plan
Standard met	Policy advice from the Office for Disability Issues and the Office for the Community and Voluntary Sector will be delivered in accordance with a work programme that is agreed with their respective Ministers.	Standard met	Advice is delivered in accordance with the work programme
	<b>Quality<sup>35</sup></b>		
	<b>Process</b>		
Processes are complied with	An audit shows that the Ministry of Social Development's policy and research processes as outlined in the Quality Management System have been followed. <sup>36</sup>	Processes are complied with	Processes are complied with
	<b>Technical robustness</b>		
Standard met	An external independent review of the Ministry of Social Development's policy advice confirms that it meets predetermined best practice criteria.	Standard met	Standard met <sup>37</sup>
	<b>Social research and evaluation reports</b>		
Standard met	Internal and/or external reviewers critically appraise the quality and content of social research and evaluation reports that are intended for publication.	Standard met	Quality reviewed

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

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

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

## Service Performance (Policy, Research and Evaluation) cont'd

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
Standard met	<b>Feedback<sup>38</sup></b> Feedback from stakeholders indicates the Ministry of Social Development is effectively leading policy thinking on social development issues which are in line with the Ministry's vision of an inclusive New Zealand.	Standard met	Standard met <sup>39</sup>
	<b>Timeliness</b>		
100%	Policy and research and evaluation advice will be delivered to the Minister for Social Development and Employment, and the Ministers for Disability Issues and the Community and Voluntary Sector as appropriate, within negotiated deadlines:	100%	100%
Standard met	Quarterly reports against the key priorities annual plan will be provided to the Minister for Social Development and Employment.	Standard met	No more than 7 weeks from the end of the quarter <sup>40</sup>

## Service Performance (Purchase and Monitoring)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
5	Provide advice on agency Statements of Intent, Output Agreements or Output Plans. <sup>41</sup>	6	6
18	Provide monitoring reports on each agency's Quarterly Performance Report against their Statements of Intent, Output Agreements or Output Plans.	24	24 <sup>42</sup>
	<b>Quality</b>		
Standard met	Advice and reports will meet the quality characteristics described in the Ministry of Social Development's Quality Management System. <sup>43</sup>	Standard met	Quality characteristics met

38 Stakeholders include:

- the Minister for Social Development and Employment and the Minister's office
- the Associate Ministers for Social Development and Employment
- the Ministers for Disability Issues and for the Community and Voluntary Sector and their offices
- other government agencies
- external stakeholders.

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

40 The standard for this measure coincides with the production of the quarterly reports against the Ministry's Output Plan to the Minister for Social Development and Employment.

41 This measure has been expanded in 2005/2006 to include Statements of Intent and Output Agreements. This measure excludes the preparation of the Ministry's own Output Plan.

42 This measure has been expanded in 2005/2006 to include Statements of Intent and Output Agreements.

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

### Service Performance (Purchase and Monitoring) cont'd

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Timeliness</b>		
100%	Purchase advice will be delivered to Ministers within negotiated deadlines: <sup>44</sup>	100%	100%
Standard met	Draft Statements of Intent, Output Agreements or Output Plans are reviewed and commented on by. <sup>45</sup>	Standard met	May 2006
Standard met	Quarterly Reports are reviewed.	Standard not met for one report <sup>46</sup>	Within 20 working days of receipt of the final agency report

### Service Performance (Ministerial Servicing)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quality</b>		
95.0%	The percentage of ministerial drafts provided for the Minister's signature where error could have been avoided will be no less than:	96.4%	95%
100%	The percentage of parliamentary question drafts provided for the Minister's signature where error could have been avoided will be no less than:	100%	100%
	<b>Timeliness</b>		
95.0%	The percentage of draft Ministerial replies to be completed within 20 working days of receipt by the Ministry, unless otherwise agreed: <sup>47</sup>	93.6% <sup>48</sup>	95%
100%	The percentage of oral parliamentary questions will be answered by the time as specified by Minister's office: <sup>49</sup>	100%	100%
100%	The percentage of written parliamentary questions will be answered by the time as specified by Minister's office:	100%	100%

44 This measure has been expanded in 2005/2006 to include all Ministers that the Ministry provides purchase and monitoring advice to.

45 This measure has been expanded in 2005/2006 to include Statements of Intent.

46 Reports are reviewed prior to the Minister meeting with each entity. In most cases this requires completion in less than 20 working days. In the case of the Social Workers Registration Board (SWRB) the report was held back so that information could be included in the report for the Minister's meeting with the agency. Comments for the SWRB 1st quarterly report (November 2005) were sent to the Minister 22 days after receiving it.

47 This measure has been revised in 2005/2006 to encompass agreements that may be made between the Ministry and the Minister.

48 The time taken to establish a new government and subsequent allocation of ministerial portfolios, following the 2005 General Election, delayed completion of draft ministerial replies. There were also periods during the year where volumes of ministerials far exceeded expectations.

49 This measure has been revised in 2005/2006 to encompass agreements that may be made between the Ministry and the Minister.

## Output Expense: Information Technology Services to the Department of Child, Youth and Family Services

### Description

Through this output expense the Ministry provides basic information management and integration services to the Department of Child, Youth and Family Services (CYF). This output expense allows the Ministry to provide core IT infrastructure to CYF through the Social Sector Infrastructure (SSI) network. It also allows the Ministry to provide advice to CYF on IT trends and delivery impact assessments, to monitor performance, and to negotiate common contracts such as cellular and software contracts.

### Scope

The scope of this output expense involves providing IT services to the Department of Child, Youth and Family Services, as set out in the agreed Service Level Agreement.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
33	Crown	–	33	–
9,956	Department	8,056	12,500	12,500
<b>9,989</b>	<b>Total Revenue</b>	<b>8,056</b>	<b>12,533</b>	<b>12,500</b>
<b>9,984</b>	<b>Total Expense</b>	<b>8,019</b>	<b>12,533</b>	<b>12,500</b>
<b>5</b>	<b>Net Surplus/(Deficit)</b>	<b>37</b>	<b>–</b>	<b>–</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
100%	<b>Availability</b> Wide Area Network (WAN) Availability:	99.9%	99%
There was no scheduled down-time that exceeded the standard	<b>Access</b> <sup>50</sup> Scheduled downtime for A and B sites. <sup>51</sup>	There was no scheduled down-time that exceeded the standard	A sites – no more than 4 hours per site per month B sites – no more than 8 hours per site per month
Standard met	Unscheduled downtime – unplanned outage duration (minutes). <sup>52</sup>	Standard met	A sites – no more than 4 hours per site per month B sites – no more than 8 hours per site per month
100%	<b>Event &amp; Fault Management</b> Priority 'A' response to calls to IT helpdesks:	100%	99% within 30 minutes
99.3%	<b>Performance and Capacity Management</b> Central Processing Unit (CPU) utilisation does not exceed 60% capacity. <sup>53</sup>	99.2%	95% of the time
97.3%	<b>Network and Server Administration</b> Scheduled back-ups completed overnight:	97.9%	97%

50 Scheduled downtime refers to outages that are within the control of the Information Systems Co-ordination Unit (ISCU). They include events such as a site being taken down due to maintenance or hardware failure.

51 'A' sites are priority sites and include core processing centres (all metro areas and telecommunications). 'B' sites are satellite sites.

52 Unplanned outages are outside the control of the ISCU. They include events such as power cuts due to workmen cutting cables and natural disasters (storms and floods etc.)

53 This measure indicates that for 95% of the time the servers are running at no more than 60% CPU capacity.

## VOTE: SENIOR CITIZENS

### Output Expense: Senior Citizens Services

#### Description

Through this output expense the Ministry's Office for Senior Citizens provides policy advice and Ministerial services. This output expense contributes to the Ministry's high-level outcomes for Older People, Families and Whānau, and Communities, Hapū and Iwi. It contributes to these outcomes by ensuring that older people can live independently and contribute to and participate in their families and communities as long as possible. This is achieved by providing advice on legislative, policy and operational issues that affect senior citizens, and by providing advice on related issues from an older people's rights and interests perspective.

#### Scope

The scope of this output expense includes:

- supporting the Minister for Senior Citizens in representing the rights and interests of older people in the Government's policy making process
- monitoring the *New Zealand Positive Ageing Strategy*
- promoting positive ageing concepts to government departments and local communities
- maintaining a broad involvement across the wide range of programmes, policies and services that impact on the lives and wellbeing of older people
- keeping a watching brief on other changes that affect older people and acting in an advisory capacity to other departments on older peoples' issues.

#### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
1,017	<b>Revenue</b>	1,168	1,168	1,168
6	Crown	13	18	18
	Department			
<b>1,023</b>	<b>Total Revenue</b>	<b>1,181</b>	<b>1,186</b>	<b>1,186</b>
<b>897</b>	<b>Total Expense</b>	<b>955</b>	<b>1,186</b>	<b>1,186</b>
<b>126</b>	<b>Net Surplus/(Deficit)</b>	<b>226</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Work Programme</b>		
Sign-off received	Policy advice will be delivered in accordance with a work programme agreed at the commencement of each six month period with the Minister for Senior Citizens.	Standard met	Advice is delivered in accordance with the work programme
	<b>Quality<sup>54</sup></b>		
Processes are complied with	<b>Process</b> An audit shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System have been followed. <sup>55</sup>	Processes are complied with	Processes are complied with
Standard met	<b>Technical robustness</b> An external independent review of the Ministry of Social Development's policy advice confirms that it meets predetermined best practice criteria.	Standard met	Standard met <sup>56</sup>
Standard met	<b>Feedback<sup>57</sup></b> Feedback from stakeholders indicates the Ministry of Social Development is effectively leading policy thinking on social development issues which are in line with the Ministry's vision of an inclusive New Zealand.	Standard met	Standard met <sup>58</sup>
	<b>Timeliness</b>		
100%	Policy advice will be delivered to the Minister for Senior Citizens within negotiated deadlines:	100%	100%
Standard met	Two six monthly reports on the Work Programme will be provided.	Standard met	Within 20 working days from period end
100%	The percentage of draft Ministerial replies to be completed within 20 working days of receipt, unless specified urgent:	95.0%	95%

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

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

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

57 Stakeholders include:

- the Minister for Senior Citizens and the Minister's office
- other government agencies
- external stakeholders.

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

## **VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT**

### **Output Expense: Processing and Payment of Pensions**

#### **Description**

Through this output expense the Minister of Veterans' Affairs will purchase the processing and payment of War Disablement Pensions and related allowances, Veteran's pensions and related concessions and rehabilitation loan scheme payments, and for the collection, monitoring, evaluating and reporting of related data. This output expense contributes to the Ministry's high-level outcomes for Working Age People and Older People, by providing veterans with information about and access to entitlements. More than 12 percent of veterans receiving or entitled to assistance are under the age of 65.

#### **Scope**

The scope of this output expense includes:

- processing and paying War Disablement Pensions and related allowances
- processing and paying Veteran's Pension and concessions
- making payments under rehabilitation loan provisions
- collecting, monitoring and evaluating War Disablement and Veteran's Pensions data
- ensuring veterans receive their full and correct entitlements
- providing accurate and timely reporting of expenditure, and the forecasting of such expenditure, and the reporting of trends and risks to Crown expenditure.

#### **Processing and Payment of Pensions**

The number of new applications for War Disablement Pension and applications for review of disablement processed in 2005/2006 was forecast to be 6,050 and the actual number processed in 2005/2006 was 8,992.

The number of new Veteran's Pension applications in 2005/2006 was forecast to be 1,200 and the actual number of applications processed in 2005/2006 was 1,308.

## Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
4,133	<b>Revenue</b>	4,132	4,132	4,132
15	Crown Department	41	23	23
<b>4,148</b>	<b>Total Revenue</b>	<b>4,173</b>	<b>4,155</b>	<b>4,155</b>
<b>3,849</b>	<b>Total Expense</b>	<b>3,548</b>	<b>4,155</b>	<b>4,155</b>
<b>299</b>	<b>Net Surplus/(Deficit)</b>	<b>625</b>	<b>-</b>	<b>-</b>

## Service Performance

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
Standard met	Payments – War Disablement and Veteran’s Pensions payments made are.	Standard met	To be reported quarterly
	<b>Quality</b>		
97.9%	All actions processed by War Pension Services are accurate and will meet the accuracy standard of:	98.4%	95%
	<b>Timeliness</b>		
96.9%	The percentage of new disability applications and reviews of accepted disability that are administered and processed by the Ministry of Social Development (applications are acknowledged and the decisions of the claims panels relayed to veterans) will be completed within 14 working days: <sup>59</sup>	77.5% <sup>60</sup>	90%
97.3%	The percentage of National Review Officer decisions that are administered and processed by the Ministry will be completed within 14 working days:	90.5%	90%
99.8%	The percentage of ad-hoc payments, overseas treatment costs and rehabilitation reimbursements that will be made within 21 working days of receipt will be no less than:	97.2%	97%

59 This performance measure relates to the processing of the application to the stage of referral to the War Pensions Claims Panel and then the processing of the panel’s decision. It does not include the time taken for medical assessment and decision making by the panel.

60 Increased awareness of Veteran’s Pension entitlement, through the Royal New Zealand Returned and Associated Services’ campaign Operation Catch, combined with an increase in War Panel sittings and complexity of applications impacted negatively on performance. The increase in Panel sittings increased the number of decisions sent to War Pension Services and created an uneven work flow. Work is currently underway to review all processes and procedures to manage the work flow from the Panel.

### Service Performance (cont'd)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
92.6%	Response to incoming calls – the percentage of all calls answered within 20 seconds will be no less than:	90.6%	90%
97.8%	The percentage of new Veteran's Pension applications that are administered and processed by the Ministry will be completed within 14 days:	97.6% <sup>61</sup>	90%
	<b>Veterans' Satisfaction</b>		
Revised measure in 2005/06	The results of the veterans' satisfaction survey will be reported biennially to the Minister, where veterans' satisfaction will be not less than: <sup>62</sup>	89.0%	85%

61 As Veteran's Pensions are a main source of income applications are treated with urgency.

62 In 2005/2006 the Ministry changed the frequency of this survey from an annual to a biennial basis. This change will enable a more comprehensive survey to be undertaken. The first biennial survey was undertaken in 2005/2006.

## VOTE: YOUTH DEVELOPMENT<sup>63</sup>

### Output Expense: Youth Development Policy Advice

#### Description

This output expense provides advice on policies, programmes, services and good practice that promote the *Youth Development Strategy Aotearoa*. This output expense contributes to the Ministry's high-level outcome for Children and Young People by improving outcomes for young people at local, regional and national levels.

#### Scope

The scope of this output expense includes:

- leading the development and implementation of the *Youth Development Strategy Aotearoa*
- researching and analysing the factors that influence young people's access to opportunities to economic and social wellbeing
- promoting effective cross-sectoral responses
- promoting good practice in respect of the *Youth Development Strategy Aotearoa*.

<sup>63</sup> All of the performance measures in each Output Expense with Vote: Youth Development are new in 2005/2006.

#### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
2,808	<b>Revenue</b>	3,195	3,195	3,195
10	Crown	193	14	178
–	Department	145	–	145
<b>2,818</b>	<b>Total Revenue</b>	<b>3,533</b>	<b>3,209</b>	<b>3,518</b>
<b>2,637</b>	<b>Total Expense</b>	<b>3,339</b>	<b>3,209</b>	<b>3,518</b>
<b>181</b>	<b>Net Surplus/(Deficit)</b>	<b>194</b>	<b>–</b>	<b>–</b>

## Service Performance (Policy Advice)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
New measure in 2005/06	Policy, research and evaluation advice will be delivered in accordance with the annual plan agreed with the Minister of Youth Affairs.	Standard met	Advice is delivered in accordance with the annual plan
	<b>Quality<sup>64</sup></b>		
New measure in 2005/06	Ministerial servicing will be delivered to the satisfaction of the Minister of Youth Affairs.	Standard met	Standard met
	<b>Process</b>		
New measure in 2005/06	An audit shows that the Ministry's policy and research processes as outlined in the Ministry of Social Development's Quality Management System have been followed. <sup>65</sup>	Processes are complied with	Processes are complied with
	<b>Technical robustness</b>		
New measure in 2005/06	An external independent review of the Ministry of Youth Development's policy advice confirms that it meets predetermined best practice criteria.	Standard met	Standard met <sup>66</sup>
	<b>Research and evaluation reports</b>		
New measure in 2005/06	Internal and/or external reviewers critically appraise the quality and content of research and evaluation reports that are intended for publication.	Quality reviewed	Quality reviewed
	<b>Feedback<sup>67</sup></b>		
New measure in 2005/06	Feedback from stakeholders indicates that the Ministry is effectively leading policy thinking on social development issues which are in line with the <i>Youth Development Strategy Aotearoa</i> . <sup>68</sup>	Standard met	Standard met <sup>69</sup>

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

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

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

67 Stakeholders include:

- the Minister of Youth Affairs and the Minister's Office
- the Associate Minister of Youth Affairs
- other government agencies
- external stakeholders.

68 As above.

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

### Service Performance (Policy Advice) cont'd

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Timeliness</b>		
New measure in 2005/06	Policy and research advice will be delivered to the Minister of Youth Affairs as appropriate, within negotiated deadlines:	100%	100%
New measure in 2005/06	The percentage of draft responses to Ministerial correspondence and Official Information Act and Ombudsman Act requests are submitted to Ministers within 15 working days of receipt, with a nil error rate (where that error could have been avoided):	91.0% <sup>70</sup>	100%
New measure in 2005/06	The percentage of draft responses to parliamentary questions are to be submitted to Ministers within agreed timeliness, with a nil error rate (where the error could have been avoided):	100%	100%

70 The time taken to establish a new government and subsequent allocation of ministerial portfolios, following the 2005 General Election, delayed completion of draft replies.

## Output Expense: Facilitating Young People's Voices

### Description

This output expense provides advice that incorporates young people's input into policy, programme and service development in order to improve outcomes for young people at a local, regional and national level. This output expense contributes to the Ministry's high-level outcome for Children and Young People.

### Scope

The scope of this output expense includes:

- promoting and facilitating youth development and youth participation at a regional and local level, including delivering events and workshops that assist local government and youth and social development providers to implement the *Youth Development Strategy Aotearoa*
- providing information and managing international events and obligations that enable young people to participate in decision-making.

### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
868	Crown	677	678	677
4	Department	9	11	11
<b>872</b>	<b>Total Revenue</b>	<b>686</b>	<b>689</b>	<b>688</b>
<b>850</b>	<b>Total Expense</b>	<b>646</b>	<b>689</b>	<b>688</b>
<b>22</b>	<b>Net Surplus/(Deficit)</b>	<b>40</b>	<b>-</b>	<b>-</b>

## Service Performance (Facilitating Young People's Voices)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
	<b>Quantity</b>		
New measure in 2005/06	Communication and facilitation activity is delivered in accordance with the annual plan agreed with the Minister of Youth Affairs.	Standard met	Advice is delivered in accordance with annual plan
	<b>Quality</b>		
	<b>Resources</b>		
New measure in 2005/06	Within the distinct culture and identity and separate operating framework of the Ministry, communication and information resources will meet the quality characteristics outlined in the Ministry of Social Development's Quality Management System. <sup>71</sup>	Standards met	Quality standards are met
	<b>Feedback</b>		
New measure in 2005/06	Feedback from stakeholders indicates that the Ministry is effectively communicating with young people, their families and communities, as well as central and local government and the youth development sector, in line with the Government's youth development agenda. <sup>72</sup>	Standard met	Standard met <sup>73</sup>
New measure in 2005/06	Feedback from young people indicates that the Ministry is effectively facilitating opportunities for youth participation in decision making at a local, regional and national level.	Standard met	Standard met <sup>74</sup>
	<b>Timeliness</b>		
New measure in 2005/06	Services will be delivered to the Minister of Youth Affairs within negotiated deadlines:	100%	100%

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

72 Stakeholders include:  
 – the Minister of Youth Affairs and the Minister's office  
 – the Associate Minister of Youth Affairs  
 – other government agencies  
 – external stakeholders.

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

74 As above.

## Output Expense: Enabling Youth Development

### Description

This output expense provides advice that enables the implementation of the *Youth Development Strategy Aotearoa* through the design, delivery and management of youth development programmes and services at a local and regional level. This output expense contributes to the Ministry's high-level outcome for Children and Young People.

### Scope

The scope of this output expense ensures the delivery of programmes and services according to the agreed policy guidelines and criteria. Specifically, it includes:

- assessing, negotiating, monitoring, paying and reviewing, and where appropriate taking corrective action, in the purchase of programmes and services from third parties, consistent with the Services for Youth Development policy and criteria
- establishing four Youth Development Regional Hubs to provide, identify and support emerging and new youth development opportunities to improve outcomes for young people
- undertaking local services mapping for young people in each of the regional hubs
- providing services that administer the Youth Development Partnership Fund consistent with the Youth Development Partnership Fund policy and criteria
- providing services that administer the Commonwealth Youth Programme.

### Financial Performance

Actual 30 June 05 \$000	Financial Performance (Figures are GST exclusive)	Actual 30 June 06 \$000	Main Estimates 30 June 06 \$000	Supplementary Estimates 30 June 06 \$000
	<b>Revenue</b>			
1,453	Crown	2,542	1,122	2,542
5	Department	15	12	12
<b>1,458</b>	<b>Total Revenue</b>	<b>2,557</b>	<b>1,134</b>	<b>2,554</b>
<b>1,299</b>	<b>Total Expense</b>	<b>2,070</b>	<b>1,134</b>	<b>2,554</b>
<b>159</b>	<b>Net Surplus/(Deficit)</b>	<b>487</b>	<b>-</b>	<b>-</b>

## Service Performance (Enabling Youth Development)

Actual 30 June 05	Performance Measures	Actual 30 June 06	Standard 30 June 06
New measure in 2005/06	Purchase services for young people as per agreed policy and criteria:	100%	100%
New measure in 2005/06	Administer the Youth Development Partnership Fund as per agreed policy guidelines, criteria:	100%	100%
New measure in 2005/06	Establish and maintain regional hubs.	4	4
New measure in 2005/06	Initiate local services mapping exercises. <sup>75</sup>	4	4
	<b>Quality</b>		
New measure in 2005/06	<b>Feedback</b> Feedback from stakeholders indicates that the Ministry is effectively engaging with young people, their families and communities, as well as central and local government and the youth development sector, in line with the Government's youth development agenda. <sup>76</sup>	Standard met	Standard met <sup>77</sup>

75 The local services mapping exercise for young people involves government agencies, local government and community organisations working together to develop a shared vision of integrated funding and service to young people within the community; completing a stock-take of local service needs and current services and ensuring through practical agreements that funding and service provision contribute to the implementation of the *Youth Development Strategy Aotearoa*.

76 Stakeholders include:

- the Minister of Youth Affairs and the Minister's office
- the Associate Minister of Youth Affairs
- other government agencies
- external stakeholders.

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



# financial statements

## STATEMENT OF ACCOUNTING POLICIES: DEPARTMENTAL

For the year ended 30 June 2006

### Reporting Entity

The Ministry of Social Development is a government department as defined by section 2 of the Public Finance Act 1989.

These are the financial statements of the Ministry of Social Development prepared pursuant to the Public Finance Act 1989.

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

### Measurement System

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

### Accounting Policies

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

### Budget Figures

The budget figures are those presented in the Main Estimates tabled on Budget Day as amended by the Supplementary Estimates and any transfer made by the Order in Council under section 26A of the Public Finance Act 1989.

### Revenue

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

### Cost Allocation

The Ministry accumulates and allocates costs to Departmental Output Expenses using a three-staged costing system which is outlined below.

### *Cost Allocation Policy*

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 staff (FTE) and workload information obtained from surveys, which reflect an appropriate measure of resource consumption/use. The third stage accumulates and allocates overhead costs to output expenses based on resource consumption/use where possible, such as FTE staff ratio, or if an appropriate driver cannot be found then in proportion to the costs charged in the previous two stages.

**Criteria for direct and indirect costs**

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

For the year ended 30 June 2006, direct costs accounted for 79.9% of the Ministry's costs (2005: 80.7%).

**Receivables and Advances**

Receivables and advances are recorded at estimated realisable value after providing for doubtful and uncollectable debts.

**Operating Leases**

Leases where the lessor effectively retains substantially all the risk and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

**Fixed Assets**

Fixed assets are stated at historical cost or valuation, less accumulated depreciation.

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, to reflect the highest and best use of those assets. Land and buildings are revalued at least every three years. Additions between revaluations are recorded at cost.

The results of revaluing land and buildings are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance is expensed in the Statement of Financial Performance.

All other fixed assets with a cost price in excess of \$2,000 are capitalised and recorded at historical cost. Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance.

The initial cost of a fixed asset is the value of consideration given to acquire or create the asset and directly attributable costs of bringing the asset up to the working condition for its intended use.

**Depreciation**

Depreciation is provided on a straight line basis on all fixed assets, other than freehold land and work in progress, at rates which will write-off the cost or valuation of the assets to their estimated residual values, over their estimated useful lives.

Estimated useful lives for the main classes of assets are:

Type Of Assets	Estimated Life (Years)
Buildings (including components)	10 to 50
Leasehold improvements	3 to 10
Computer equipment	3 to 5
Software	3 to 8
Furniture, fittings and office equipment	3 to 5
Motor vehicles	4

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease, or the estimated useful life of the improvements, whichever is shorter.

Assets under construction, classified as work in progress, are not depreciated. The total cost of a capital project is transferred to the appropriate asset category on its completion and then depreciated.

### **Income Tax**

The Ministry is exempt from paying income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided.

### **Goods and Services Tax (GST)**

The Statement of Financial Position is exclusive of GST, except for Creditors and Payables and Debtors and Receivables which are GST inclusive. All other statements are GST exclusive.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors and Payables or Debtors and Receivables (as appropriate).

### **Commitments**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are quantifiable and there are equally unperformed obligations.

### **Contingent Assets and Liabilities**

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

## Foreign Currency

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities are translated to New Zealand dollars at the closing mid-point exchange rate. The resulting unrealised exchange gain or loss is recognised in the Statement of Financial Performance. Other exchange gains or losses, whether realised or unrealised, are recognised in the Statement of Financial Performance in the period to which they relate.

## Financial Instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, trade debtors, employee advances and accounts payable. All financial instruments are recognised in the Statement of Financial Position and revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are shown at their estimated fair value.

## Employee Entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date.

Employee benefits include annual leave, long service leave and retirement leave. Annual leave has been calculated on a nominal basis at current rates of pay while the other provisions are stated at the present value of the future cash outflows expected to be incurred.

## Statement of Cash Flows

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

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

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

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

### **Provisions**

Provisions are recognised when management has approved a business decision that results in a present obligation to transfer economic benefits. The amount and/or timing of the expenditure that will be undertaken is uncertain but still probable and measurable.

### **Other Liabilities**

All other liabilities are to be recorded at the estimated obligation to pay.

### **Taxpayers' Funds**

This is the Crown's net investment in the Ministry.

### **Changes in Accounting Policies**

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

All policies have been applied on a basis consistent with the previous year.

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2006

Actual 2005 \$000		Note	Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
	<b>Revenue</b>				
651,907	Crown		681,077	697,714	681,077
16,313	Other	1	17,124	28,230	29,439
–	Foreign Exchange gains		3,235	–	–
<b>668,220</b>	<b>Total revenue</b>		<b>701,436</b>	<b>725,944</b>	<b>710,516</b>
	<b>Expenditure</b>				
320,049	Personnel costs	2	358,860	342,518	362,295
295,393	Operating costs	3	298,240	334,039	307,470
32,388	Depreciation		31,730	45,888	37,252
2,457	Capital charge	4	3,403	3,499	3,499
<b>650,287</b>	<b>Total expenses</b>		<b>692,233</b>	<b>725,944</b>	<b>710,516</b>
<b>17,933</b>	<b>Net operating surplus</b>		<b>9,203</b>	<b>–</b>	<b>–</b>

## STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

For the year ended 30 June 2006

Actual 2005 \$000		Note	Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
17,933	Net surplus for the year		9,203	–	–
	<b>Other recognised revenues and expenses:</b>				
5,229	– Increase in revaluation reserves		–	–	–
<b>23,162</b>	<b>Total recognised revenues and expenses for the year</b>		<b>9,203</b>	<b>–</b>	<b>–</b>
(244)	Capital repayment to the Crown		–	–	–
(17,933)	Provision for repayment of surplus to the Crown		(9,203)	–	–
<b>4,985</b>	<b>Movements in Taxpayers' Funds for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>
107,574	Taxpayers' funds as at beginning of year		112,559	107,327	112,559
<b>112,559</b>	<b>Taxpayers' funds as at end of year</b>		<b>112,559</b>	<b>107,327</b>	<b>112,559</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2006

Actual 2005 \$000		Note	Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
	<b>Taxpayers' funds</b>				
104,870	General funds		104,870	104,867	104,870
7,689	Revaluation reserve		7,689	2,460	7,689
<b>112,559</b>	<b>Total taxpayers' funds</b>		<b>112,559</b>	<b>107,327</b>	<b>112,559</b>
	<i>Represented by:</i>				
	<b>Current assets</b>				
107,540	Cash and bank		121,120	79,845	90,233
3,422	Accounts receivable	5	2,302	1,889	3,422
3,299	Prepayments		2,496	1,859	3,299
<b>114,261</b>	<b>Total current assets</b>		<b>125,918</b>	<b>83,593</b>	<b>96,954</b>
	<b>Non-current assets</b>				
103,599	Fixed assets	6	91,879	95,065	102,974
<b>103,599</b>	<b>Total non-current assets</b>		<b>91,879</b>	<b>95,065</b>	<b>102,974</b>
<b>217,860</b>	<b>Total assets</b>		<b>217,797</b>	<b>178,658</b>	<b>199,928</b>
	<b>Less current liabilities</b>				
48,069	Accounts payable and accruals	7	53,010	36,132	48,070
17,933	Provision for repayment of surplus to the Crown		9,203	–	–
23,394	Provision for employee entitlements	8	26,742	18,561	23,394
4,310	Other provisions	9	3,607	6,111	4,310
<b>93,706</b>	<b>Total current liabilities</b>		<b>92,562</b>	<b>60,804</b>	<b>75,774</b>
	<b>Less non-current liabilities</b>				
11,595	Provision for employee entitlements	8	12,676	10,527	11,595
<b>11,595</b>	<b>Total non-current liabilities</b>		<b>12,676</b>	<b>10,527</b>	<b>11,595</b>
<b>105,301</b>	<b>Total liabilities</b>		<b>105,238</b>	<b>71,331</b>	<b>87,369</b>
<b>112,559</b>	<b>Net assets</b>		<b>112,559</b>	<b>107,327</b>	<b>112,559</b>



**Peter Hughes**  
Chief Executive  
29 September 2006



**Nick Gale**  
Chief Financial Officer  
29 September 2006

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2006

Actual 2005 \$000		Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
	<b>Cash flows from operating activities</b>			
	<i>Cash provided from:</i>			
	Supply of outputs to:			
651,907	– Crown	681,077	697,714	681,077
14,775	– Other	21,330	28,230	29,439
675	– Net GST received	(971)	–	–
<b>667,357</b>		<b>701,436</b>	<b>725,944</b>	<b>710,516</b>
	<i>Cash applied to:</i>			
	Production of outputs			
313,772	– Personnel	354,115	344,218	363,995
298,072	– Operating	292,294	334,039	307,470
2,457	– Capital charge	3,829	3,499	3,499
<b>614,301</b>		<b>650,238</b>	<b>681,756</b>	<b>674,964</b>
<b>53,056</b>	<b>Net cash inflow from operating activities</b>	<b>51,198</b>	<b>44,188</b>	<b>35,552</b>
	<b>Cash flows from investing activities</b>			
	<i>Cash provided from:</i>			
1,140	Sale of fixed assets	1,952	1,700	1,700
	<i>Cash applied to:</i>			
26,871	Purchase of fixed assets	21,637	36,627	36,627
<b>(25,731)</b>	<b>Net cash outflow from investing activities</b>	<b>(19,685)</b>	<b>(34,927)</b>	<b>(34,927)</b>
	<b>Cash flows from financing activities</b>			
	<i>Cash applied to:</i>			
20,973	Repayment of surplus to crown departments	17,933	–	17,932
<b>(20,973)</b>	<b>Net cash inflow/(outflow) from financing activities</b>	<b>(17,933)</b>	<b>–</b>	<b>(17,932)</b>
6,352	Net increase/(decrease) in cash held	13,580	9,261	(17,307)
101,188	Add opening cash and deposits	107,540	70,584	107,540
<b>107,540</b>	<b>Closing cash and deposits</b>	<b>121,120</b>	<b>79,845</b>	<b>90,233</b>
	<b>Cash and deposits comprises</b>			
107,540	Cash and bank balances	121,120	79,845	90,233
<b>107,540</b>		<b>121,120</b>	<b>79,845</b>	<b>90,233</b>

## RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 30 June 2006

Actual 2005 \$000		Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
<b>17,933</b>	<b>Net operating surplus</b>	<b>9,203</b>	–	–
	<i>Add/(less) non-cash items:</i>			
32,388	Depreciation	31,730	45,888	37,252
–	Bad debts	105	–	–
(11)	Doubtful debts	98	–	–
1,068	Non-current employee entitlements	1,081	–	–
–	Other non-cash items	–	(1,700)	(1,700)
<b>33,445</b>	<b>Total non-cash items</b>	<b>33,014</b>	<b>44,188</b>	<b>35,552</b>
	<i>Add/(less) working capital movements:</i>			
(1,522)	(Increase)/decrease in accounts receivable	917	–	–
(1,440)	(Increase)/decrease in prepayments	803	–	–
1,139	Increase/(decrease) in accounts payable	5,912	–	2
675	Increase/(decrease) in GST payable	(971)	–	–
4,833	Increase/(decrease) in provision for employee entitlements	3,348	–	–
(1,801)	Increase/(decrease) in other provisions	(703)	–	–
<b>1,884</b>	<b>Net working capital movements</b>	<b>9,306</b>	<b>–</b>	<b>2</b>
	<i>Add/(less) non-operating activity items:</i>			
(206)	Net gain on sale of fixed assets	(325)	–	(2)
<b>(206)</b>	<b>Net non-operating activity items</b>	<b>(325)</b>	<b>–</b>	<b>(2)</b>
<b>53,056</b>	<b>Net cash inflow from operating activities</b>	<b>51,198</b>	<b>44,188</b>	<b>35,552</b>

## STATEMENT OF COMMITMENTS

As at 30 June 2006

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

Operating leases include lease payments for premises, computer equipment and other office equipment.

Actual 2005 \$000		Actual 2006 \$000
	<b>Capital commitments</b>	
1,935	Less than one year	–
<b>1,935</b>	<b>Total capital commitments</b>	<b>–</b>
	<b>Operating commitments</b>	
	<i>Non-cancellable accommodation leases:</i>	
25,705	Less than one year	28,353
19,371	One to two years	24,331
31,397	Two to five years	42,333
8,091	More than five years	5,877
<b>84,564</b>	<b>Total non-cancellable accommodation leases</b>	<b>100,894</b>
	<i>Other non-cancellable contracts:</i>	
22,286	Less than one year	18,065
13,926	One to two years	2,672
25,905	Two to five years	959
–	More than five years	931
<b>62,117</b>	<b>Total other non-cancellable contracts</b>	<b>22,627</b>
<b>146,681</b>	<b>Total operating commitments</b>	<b>123,521</b>
<b>148,616</b>	<b>Total commitments</b>	<b>123,521</b>

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## STATEMENT OF CONTINGENT LIABILITIES

As at 30 June 2006

Actual 2005 \$000		Actual 2006 \$000
301	Personal grievances claims	195
<b>301</b>	<b>Total contingent liabilities</b>	<b>195</b>

The Ministry had not given any guarantees or indemnities under section 59 of the Public Finance Act 1989 as at balance date.

## STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

For the year ended 30 June 2006

Actual* 2005 \$000	Summary by Output Expenses (Figures for 2006 are GST exclusive)	Actual 2006 \$000	Appropriation Voted** 2006 \$000	Unappropriated Expenditure 2006 \$000
	<b>Appropriations for classes of outputs:</b>			
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
272,958	Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency	255,322	257,877	–
250,268	Services to Minimise the Duration of Unemployment and Move People into Work	227,611	231,405	–
31,898	Services to Seniors	34,824	36,210	–
37,588	Services to Protect the Integrity of the Benefit System	34,669	36,228	–
20,259	Debt Management – Former Beneficiaries	17,969	19,204	–
6,145	Community Services Card	5,453	5,833	–
35,447	Services to Students	34,055	34,188	–
11,809	Family and Community Services	17,943	18,239	–
4,261	Social Development Leadership	4,414	4,543	–
41,127	Policy and Purchase Advice	41,396	42,188	–
11,233	Information Technology Services to the Department of Child, Youth and Family Services	8,019	12,500	–
<b>722,993</b>	<b>Total Vote Social Development</b>	<b>681,675</b>	<b>698,415</b>	<b>–</b>
	<b>VOTE: SENIOR CITIZENS</b>			
1,025	Senior Citizens Services	955	1,186	–
<b>1,025</b>	<b>Total Vote Senior Citizens</b>	<b>955</b>	<b>1,186</b>	<b>–</b>
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>			
4,368	Processing and Payment of Pensions	3,548	4,155	–
<b>4,368</b>	<b>Total Vote Veterans' Affairs – Social Development</b>	<b>3,548</b>	<b>4,155</b>	<b>–</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>			
2,989	Youth Development Policy Advice	3,339	3,518	–
959	Facilitating Young People's Voices	646	688	–
1,481	Enabling Youth Development	2,070	2,554	–
<b>5,429</b>	<b>Total Vote Youth Development</b>	<b>6,055</b>	<b>6,760</b>	<b>–</b>
<b>733,815</b>	<b>Total Departmental Output Expenses</b>	<b>692,233</b>	<b>710,516</b>	<b>–</b>

\* The Actual 2005 expenditure is stated inclusive of GST.

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

## STATEMENT OF UNAPPROPRIATED DEPARTMENTAL APPROPRIATIONS

For the year ended 30 June 2006

The Ministry of Social Development had no instances of unappropriated expenditure for the year ending 30 June 2006 (2005: nil)

## TRANSFERS UNDER SECTION 26A OF THE PUBLIC FINANCE ACT 1989

	Supplementary Estimates 2006 \$000	Section 26A Transfers 2006 \$000	Final Voted* 2006 \$000
<b>VOTE: SOCIAL DEVELOPMENT</b>			
Services to Minimise the Duration of Unemployment and Move People into Work	233,405	(2,000)	231,405
Services to Students	32,188	2,000	34,188

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

### Note 1: Other Revenue

Actual 2005 \$000		Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
2,761	Sub-lease rental recoveries	2,040	9,349	9,494
9,956	Information technology recoveries from Department of Child, Youth and Family Services	8,056	12,500	12,500
3,596	Other recoveries	7,028	6,381	7,445
<b>16,313</b>	<b>Total other revenue</b>	<b>17,124</b>	<b>28,230</b>	<b>29,439</b>

Information technology recoveries from other departments represent the revenue received for the provision of an IT infrastructure for the Department of Child, Youth and Family Services.

### Note 2: Personnel Costs

Actual 2005 \$000		Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
302,890	Salaries and wages	336,842	327,358	346,585
6,903	Retirement and long service leave	5,434	1,750	1,750
178	Restructuring costs	216	190	190
10,078	Other personnel expenses	16,368	13,220	13,770
<b>320,049</b>	<b>Total personnel costs</b>	<b>358,860</b>	<b>342,518</b>	<b>362,295</b>

### Note 3: Operating Costs

Actual 2005 \$000		Actual 2006 \$000	Main Estimates 2006 \$000	Supplementary Estimates 2006 \$000
840	Audit fees	780	900	900
–	Other services provided by our Auditors	7	–	–
37,350	Rental, leasing and occupancy costs	40,624	55,629	43,215
–	Bad debts written-off	105	–	–
(11)	Movement in provision for doubtful debts	98	–	–
(206)	Net loss/(gain) on sale of fixed assets	(325)	–	–
93,183	Training opportunity programmes (TOPs)	88,947	93,667	93,667
164,237	Other operating expenses	168,004	183,843	169,688
<b>295,393</b>	<b>Total operating costs</b>	<b>298,240</b>	<b>334,039</b>	<b>307,470</b>

**Note 4: Capital Charge**

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 31 December and 30 June each financial year in arrears. The capital charge rate for the year ended 30 June 2006 was 8.0% (2005: 8.0%). The Ministry also earns notional interest based on the daily cash balances held, and this is used to offset against the capital charge. The notional interest rate is 4.8% per annum (2005: 4.8%).

**Note 5: Accounts Receivable**

Actual 2005 \$000		Actual 2006 \$000
3,856	Trade debtors	2,833
(528)	Less: Provision for doubtful debts	(626)
<b>3,328</b>	<b>Net trade debtors</b>	<b>2,207</b>
94	Employee advances	95
<b>3,422</b>	<b>Total accounts receivable</b>	<b>2,302</b>

**Note 6: Fixed Assets**

Cost/ Valuation 2005 \$000	Accumulated Depreciation 2005 \$000	Carrying Amount 2005 \$000		Cost/ Valuation 2006 \$000	Accumulated Depreciation 2006 \$000	Carrying Amount 2006 \$000
5,540	–	5,540	Land – at valuation	5,540	–	5,540
12,730	663	12,067	Buildings – at valuation	12,729	1,724	11,005
–	–	–	Buildings (improvements) – at cost	1,105	9	1,096
43,515	31,904	11,611	Leasehold improvements	46,634	35,871	10,763
126,310	86,963	39,347	Computer equipment and Software	146,617	108,642	37,972
4,892	4,837	55	Furniture and fittings	4,889	4,858	31
7,027	3,290	3,737	Office equipment	6,915	4,097	2,818
16,339	5,004	11,335	Motor vehicles	16,672	5,305	11,367
			<b>Work in progress:</b>			
2,287	–	2,287	– Leasehold improvements	1,506	–	1,506
17,620	–	17,620	– Computer equipment and software	9,781	–	9,781
<b>236,260</b>	<b>132,661</b>	<b>103,599</b>	<b>Total fixed assets</b>	<b>252,388</b>	<b>160,506</b>	<b>91,879</b>

Paul Butchers, a registered valuer with CB Richard Ellis Ltd, revalued the Ministry's land and buildings as at 31 December 2004. The Ministry revalues its Lands and Buildings every three years.

**Note 7: Accounts Payable and Accruals**

Actual 2005 \$000		Actual 2006 \$000
6,452	Trade creditors	7,574
1,989	GST payable	1,018
39,628	Accrued expenses	44,418
<b>48,069</b>	<b>Total accounts payable and accruals</b>	<b>53,010</b>

**Note 8: Provision for Employee Entitlements**

Actual 2005 \$000		Actual 2006 \$000
	<b>Current Liabilities</b>	
8,397	Retirement and long service leave	10,402
14,997	Provision for annual leave	16,340
<b>23,394</b>	<b>Total current portion</b>	<b>26,742</b>
	<b>Non-current Liabilities</b>	
11,595	Retirement and long service leave	12,676
<b>11,595</b>	<b>Total non-current portion</b>	<b>12,676</b>
<b>34,989</b>	<b>Total employment entitlements</b>	<b>39,418</b>

**Note 9: Other Provisions**

	Opening balance \$000	Additions \$000	(Incurred) / (Charged) \$000	Reversals \$000	Closing balance \$000
Provision for ACC	2,856	–	317	–	3,173
Provision for onerous leases	1,454	–	(1,020)	–	434
<b>Total other provisions</b>	<b>4,310</b>	<b>–</b>	<b>(703)</b>	<b>–</b>	<b>3,607</b>

**Note 10: Financial Instruments**

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, trade debtors, employee advances and accounts payable.

**Credit Risk**

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Ministry does not require any collateral or security to support financial instruments with financial institutions that the Ministry deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The maximum exposures to credit risk at balance date were:

Actual 2005 \$000		Actual 2006 \$000
107,540	Cash and bank	121,120
6,721	Debtors, receivables and prepayments	4,798

**Fair value**

The fair value of all financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position.

**Interest rate risk**

Interest rate risk is the risk that the Ministry's return on the funds it has invested will fluctuate due to changes in market interest rates. All interest received is paid to the Crown directly. The Ministry has no significant exposure to interest rate risk on its financial instruments. Under section 46 of the Public Finance Act 1989 the Ministry cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

**Foreign Currency**

At balance date, the Ministry has no forward exchange contracts (2005: \$21.505million).

**Note 11: Related Party Information**

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

The Ministry enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Ministry, related party disclosures have not been made for transactions of this nature.

Apart from those transactions described above, the Ministry has not entered into any related party transactions.

**Note 12: Major Budget Variations**

Figures are GST exclusive	Main Estimates \$000	Supplementary Estimates \$000	Variance \$000	Explanation
Personnel Costs	342,518	362,295	19,777	The increase in personnel costs is due to the reprioritisation of funds to help pay for salary increments and meet other obligations under collective contract settlements.
Operating Costs	334,039	307,470	(26,569)	The decrease in operating costs is due to the re-prioritisation of funds to help meet increased personnel costs and transfer of funds to future years for the replacement of the Ministry's key business systems.

**Changes in appropriations**

The table below summarises the material changes in appropriation between the Main Estimates and the final Supplementary Estimates for the 2005/2006 financial year.

Figures are GST exclusive	Main Estimates \$000	Supplementary <sup>78</sup> Estimates \$000	Variance \$000	Explanation
<b>VOTE: SOCIAL DEVELOPMENT</b>				
Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to promote Self Sufficiency	244,529	257,877	13,348	The increase is mainly due to a transfer of funding from Services to Minimise the Duration of Unemployment and Move People into Work and Services to reflect a greater percentage of time frontline staff spent working on benefit issues than was expected at the start of 2005/2006.

**Changes in appropriations (cont'd)**

Figures are GST exclusive	Main Estimates \$000	Supplementary <sup>78</sup> Estimates \$000	Variance \$000	Explanation
Services to Minimise the Duration of Unemployment and Move People into Work	267,290	231,405	(35,885)	The reasons for the decrease include: <ul style="list-style-type: none"> <li>• a transfer of funding to Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency to reflect a greater percentage of time frontline staff spent on benefit issues than was expected at the start of 2005/2006</li> <li>• an expense transfer to 2007/2008 towards funding the replacement of the Ministry's key business systems</li> <li>• a section 26A transfer of funds to Services to Students appropriation.</li> </ul>
Services to Protect the Integrity of the Benefit System	31,151	36,228	5,077	The increase is largely due to a fiscally neutral adjustment to recognise the uneven impact of absorbing wage increases for the last 3 years. The Ministry has experienced on average a 4% wage increase over the last 3 years. Capability funding was last received in 2003/2004.
Services to Students	40,679	34,188	(6,491)	The reasons for the change includes: <ul style="list-style-type: none"> <li>• an expense transfer to fund the replacement of the Ministry's key business systems</li> <li>• reprioritise funding to other appropriations for the uneven wage impacts</li> <li>• section 26A funding transfer received for increased demand following changes to Student Loan policies from 1 April 06.</li> </ul>
Family and Community Services	15,318	18,239	2,921	The increase is due to: <ul style="list-style-type: none"> <li>• transfer of reprioritised funding to meet the costs of managing the Family Start contract responsibility from Department of Child, Youth and Family Services</li> <li>• capability funding for uneven wage impacts.</li> </ul>
Policy and Purchase Advice	37,766	42,188	4,422	The increase is mainly due to additional funding reprioritised within existing Vote Social Development baselines to fund the impact of uneven wage increases.
<b>VOTE: YOUTH DEVELOPMENT</b>				
Enabling Youth Development	1,134	2,554	1,420	A fiscally neutral transfer from Vote Social Development was approved to fund the Regional Youth Development programme.

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

### **Note 13: New Zealand International Financial Reporting Standards**

This note outlines the Ministry's progress towards adopting the New Zealand equivalents of the International Financial Reporting Standards (NZ IFRS) to prepare the Financial Statements of the Government effective from 1 July 2007.

The Government announced in 2003 that the Crown will first adopt NZ IFRS for its financial year beginning 1 July 2007. This means that the Ministry of Social Development's Statement of Intent for 2007/2008 will need to recognise IFRS requirements in its Forecast Financial Statements.

The Ministry has already conducted a preliminary assessment of the impacts of adopting the NZ IFRS. It is currently in the process of developing policies consistent with NZ IFRS requirements. The potential areas of impact from adoption of NZ IFRS may change as implementation unfolds or standards are revised.

The 2007/2008 financial statements will require the restatement of 2006/2007 comparative figures and the 1 July 2006 opening balance sheet to ensure all information presented in those accounts are prepared on a consistent basis. Treasury has advised that it will be gathering comparative information throughout the 2006/2007 financial year in parallel with current reporting requirements under Generally Accepted Accounting Practice (GAAP).

### **Note 14: Post Balance Date Events**

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

The Department of Child, Youth and Family Services merged with the Ministry of Social Development effective from 1 July 2006.

## NON-DEPARTMENTAL FINANCIAL STATEMENTS AND SCHEDULES

For the year ended 30 June 2006

Actual 2005 \$000		Actual 2006 \$000
	<b>Summary:</b>	
13,702,004	Expenditure and Appropriations	14,580,695
70,582	Revenue	50,617
463,070	Capital Receipts	481,740
5,726,303	Assets	1,117,499
243,329	Liabilities	265,979
380	Trust Monies	310

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the Ministry manages on behalf of the Crown. The Ministry administered \$14.581 billion of non-departmental payments, \$532.3 million of non-departmental revenues and receipts, \$1.117 billion of assets and \$266.0 million of liabilities on behalf of the Crown for the year ended 30 June 2006. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Statement of Service Performance section of this report.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2005/2006.

## STATEMENT OF ACCOUNTING POLICIES: NON-DEPARTMENTAL

For the year ended 30 June 2006

### Measurement System

Measurement and recognition rules applied in the preparation of the non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

The 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 2005/2006.

### Accounting Policies

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

### Budget Figures

The budget figures are those presented in the Main Estimates tabled on Budget Day as amended by the Supplementary Estimates and any transfer made by the Order in Council under section 26A of the Public Finance Act 1989.

### Expenses

Expenses are recognised in the period to which they relate.

### *Welfare benefits*

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

### *Grants and subsidies*

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.

### Revenues and Receipts

The Ministry administers revenue on behalf of the Crown. These revenues include programme recoveries, administration fees and interest charges on Student Loans advanced. Revenue is recognised when it is earned, except for programme recoveries (relating to ceased welfare benefits) which are recognised when the periodic application review date occurs and the original eligibility criteria are no longer met.

The Ministry also collects monies on behalf of the Crown relating to the benefit recoveries and repayments of Student Loans. These receipts are recognised when received.

**Receivables and Advances**

Receivables and advances, except for Student Loans advances, are stated at estimated realisable value, after providing for doubtful and uncollectable debts.

Student Loans are stated at the fair values as at 31 October 2005 as determined under the New Zealand International Financial Reporting Standards – NZIFRS IAS 39 and was measured at amortised cost as at 30 June 2006.

**Commitments**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are quantifiable and there are equally unperformed obligations.

**Contingent Assets and Liabilities**

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

**Foreign Currency**

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities are translated to New Zealand dollars at the closing mid-point exchange rate. The resulting unrealised exchange gain or loss is recognised in the Schedule of Non-Departmental Expenses. Other exchange gains or losses, whether realised or unrealised, are recognised in the Schedule of Non-Departmental Expenses in the period to which they relate.

At balance date, the Ministry has NZ\$199.336 million worth of forward exchange contracts (2005: NZ\$231.192 million). The value of these forward exchange contracts at spot rate of 30 June 2006 is NZ\$212.777 million.

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

For the year ended 30 June 2006

The Schedule of Non-Departmental Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Appropriations on pages 125 to 129.

Actual 2005 \$000	(Figures are GST inclusive where applicable)	Actual 2006 \$000	Budget 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>		
91,377	Classes of Outputs to be Supplied by Other Parties	118,221	124,997
12,068,375	Benefits and Other Unrequited Expenses	12,401,311	12,427,894
110,629	Other Expenses to be Incurred by the Crown	450,695	815,286
1,080,266	Capital Contributions to Other Persons or Organisations	1,158,611	1,147,887
43	Loss/(gain) on foreign exchange	(6)	–
102,938	Change in debt provisions and debt write-off	165,135	175,645
–	Other operating expenses	22,773	22,146
<b>13,453,628</b>	<b>Total Vote Social Development</b>	<b>14,316,740</b>	<b>14,713,855</b>
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>		
238,311	Benefits and Other Unrequited Expenses	256,471	255,729
<b>238,311</b>	<b>Total Vote Veterans' Affairs – Social Development</b>	<b>256,471</b>	<b>255,729</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>		
9,968	Classes of Outputs to be Supplied by Other Parties	7,389	7,465
97	Other Expenses to be Incurred by the Crown	95	95
<b>10,065</b>	<b>Total Vote Youth Development</b>	<b>7,484</b>	<b>7,560</b>
<b>13,702,004</b>	<b>Total Non-Departmental Expenses</b>	<b>14,580,695</b>	<b>14,977,144</b>

## STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

For the year ended 30 June 2006

The Statement of Non-Departmental Expenditure and Appropriations details expenditure and capital payments incurred against appropriations. The Ministry administers these appropriations on behalf of the Crown.

Actual 2005 \$000	Type of Appropriation (Figures are GST inclusive where applicable)	Actual 2006 \$000	Appropriation Voted* 2006 \$000	Unappropriated Expenditure 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
	<b>Classes of Outputs to be Supplied by Other Parties:</b>			
2,501	Capacity Building Initiatives	903	1,745	–
1,902	Children's Commissioner	1,762	1,762	–
–	Connected Communities	2,415	2,446	–
7,891	Families Commission	7,459	7,459	–
3,883	Retirement Commissioner	5,043	5,044	–
450	Social Workers Registration Board	467	467	–
–	Strong Families	16,985	21,692	–
4,112	Student Placement Services	3,511	3,512	–
70,027	Vocational Services for People with Disabilities	79,186	80,327	–
611	Youth Academy Services	490	543	–
<b>91,377</b>	<b>Total Non-Departmental Output Expenses</b>	<b>118,221</b>	<b>124,997</b>	<b>–</b>
	<b>Benefits and Other Unrequited Expenses:</b>			
749,652	Accommodation Supplement	843,169	843,269	–
5,106	Assistance for People Requiring Care	6,081	6,184	–
90,584	Benefits Paid in Australia	79,638	79,638	–
63,172	Child Disability Allowance	69,872	69,754	118
79,334	Childcare Assistance	109,615	109,543	72
9,850	Defence Force Allowance	10,153	10,020	133
266,992	Disability Allowance	260,791	262,544	–
7,753	Disability Allowance Telephone Support	6,735	6,722	13
1,547,087	Domestic Purposes Benefit	1,492,593	1,492,651	–
–	Family Start/NGO Awards	223	284	–
20,922	Independent Youth Benefit	18,408	19,116	–
1,025,617	Invalid's Benefit	1,073,209	1,073,731	–
–	Merit Scholarships	1,485	1,500	–
6,083,189	New Zealand Superannuation	6,413,619	6,415,033	–
55,555	Orphan's/Unsupported Child's Benefit	64,383	64,194	189
74	Relocation Assistance	127	124	3
1,330	Residential Social Rehabilitation Assistance	1,501	1,496	5
683	Scholarship and NQF/NCEA Awards	2,159	3,402	–

## STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS (cont'd)

Actual 2005 \$000	Type of Appropriation (Figures are GST inclusive where applicable)	Actual 2006 \$000	Appropriation Voted* 2006 \$000	Unappropriated Expenditure 2006 \$000
509,644	Sickness Benefit	541,143	540,164	979
80	Special Annuities	61	61	–
175,177	Special Benefit	160,290	162,231	–
53,718	Special Needs Grant	51,788	52,939	–
227	Special Transfer Allowance	199	202	–
2,232	Step Up Scholarships	3,864	4,080	–
359,176	Student Allowances	354,132	350,654	3,478
2,442	TeachNZ Scholarships	5,127	11,971	–
–	Temporary Additional Support	1,335	4,054	–
36,153	Training Incentive Allowance	32,191	42,911	–
2,993	Transition to Work	3,039	2,835	204
19	Transitional Working for Families Supplement	27	30	–
831,136	Unemployment Benefit	711,812	713,904	–
88,478	Widow's Benefit	82,542	82,653	–
<b>12,068,375</b>	<b>Total Benefit and Other Unrequited Expenses</b>	<b>12,401,311</b>	<b>12,427,894</b>	<b>5,194</b>
	<b>Other Expenses to be Incurred by the Crown:</b>			
–	Bad Debt Provision	350,849	692,000	–
777	Community Labour Market Development Assistance	3,692	10,222	–
102,091	Employment Assistance	83,883	100,243	–
7,758	Out of School Care Programmes	10,563	11,108	–
–	Stronger Communities Action Fund	1,703	1,703	–
3	Suspensory Loan Abatement	5	10	–
<b>110,629</b>	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>450,695</b>	<b>815,286</b>	<b>–</b>
	<b>Capital Contributions to Other Persons or Organisations:</b>			
227	Community Services Card Reimbursements	217	216	1
110,803	Recoverable Assistance	112,851	113,268	–
969,236	Student Loans	1,045,543	1,034,403	11,140
<b>1,080,266</b>	<b>Total Capital Contributions to Other Persons or Organisations</b>	<b>1,158,611</b>	<b>1,147,887</b>	<b>11,141</b>
<b>13,350,647</b>	<b>Total Vote Social Development</b>	<b>14,128,838</b>	<b>14,516,064</b>	<b>16,335</b>

## STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS (cont'd)

Actual 2005 \$000	Type of Appropriation (Figures are GST inclusive where applicable)	Actual 2006 \$000	Appropriation Voted* 2006 \$000	Unappropriated Expenditure 2006 \$000
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
119	Interest Concession Land and Buildings	102	102	–
12,924	Medical Treatment	14,848	14,757	91
118,697	Veteran's Pension	128,168	128,079	89
106,571	War Disability Pensions	113,353	112,791	562
<b>238,311</b>	<b>Total Vote Veterans' Affairs – Social Development</b>	<b>256,471</b>	<b>255,729</b>	<b>742</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>			
	<b>Classes of Outputs to be Supplied by Other Parties:</b>			
–	Services for Young People	6,708	6,783	–
–	Youth Development Partnership Fund	681	682	–
6,082	Conservation Corps	–	–	–
1,242	Specialist Youth Service Corps	–	–	–
250	Young New Zealanders' Challenge	–	–	–
1,045	Youth Service Corps	–	–	–
1,349	Youth Suicide Prevention Information Service	–	–	–
<b>9,968</b>	<b>Total Non-Departmental Output Expenses</b>	<b>7,389</b>	<b>7,465</b>	<b>–</b>
	<b>Other Expenses to be Incurred by the Crown:</b>			
95	Commonwealth Youth Programme	95	95	–
2	Crisis Support Fund	–	–	–
<b>97</b>	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>95</b>	<b>95</b>	<b>–</b>
<b>10,065</b>	<b>Total Vote Youth Development</b>	<b>7,484</b>	<b>7,560</b>	<b>–</b>
<b>13,599,023</b>	<b>Total Non-Departmental Expenses</b>	<b>14,392,793</b>	<b>14,779,353</b>	<b>17,077</b>

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

## STATEMENT OF UNAPPROPRIATED NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

For the year ended 30 June 2006

Unappropriated Expenditure 2005 \$000	Type of Appropriation (Figures are GST inclusive where applicable)	Unappropriated Expenditure 2006 \$000	Approval under Section 26B Public Finance Act* 2006 \$000	Unappropriated Expenses after Section 26B approval 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
1,639	Accommodation Supplement	–	–	–
–	Child Disability Allowance	118	200	–
1,541	Childcare Assistance	72	100	–
–	Defence Force Allowance	133	852	–
5	Disability Allowance Telephone Support	13	50	–
1,166	New Zealand Superannuation	–	–	–
201	Orphan's/Unsupported Child's Benefit	189	200	–
–	Relocation Assistance	3	8	–
–	Residential Social Rehabilitation Assistance	5	10	–
–	Sickness Benefit	979	3,000	–
–	Student Allowances	3,478	5,500	–
–	Transition to Work	204	500	–
565	Unemployment Benefit	–	–	–
62	Widow's Benefit	–	–	–
<b>5,179</b>	<b>Sub-total</b>	<b>5,194</b>	<b>10,420</b>	<b>–</b>
	<b>Capital Contribution to Other Persons or Organisations:</b>			
2	Community Services Card Reimbursements	1	5	–
–	Student Loans	11,140	12,000	–
<b>2</b>	<b>Sub-total</b>	<b>11,141</b>	<b>12,005</b>	<b>–</b>
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
–	Medical Treatment	91	275	–
46	Veteran's Pension	89	500	–
470	War Disability Pensions	562	1,000	–
<b>516</b>	<b>Sub-total</b>	<b>742</b>	<b>1,775</b>	<b>–</b>
<b>5,697</b>	<b>TOTAL</b>	<b>17,077</b>	<b>24,200</b>	<b>–</b>

The Minister of Finance approved the additional expenditure relating to the demand driven Benefits and Other Unrequited Expenses (BOUE) under section 26B of the Public Finance Act, prior to 30 June 2006. Authority to additional expenditure was also approved for the Defence Force Allowance to help pay for the extra New Zealand Defence Force staff deployed to East Timor.

The expenditure relating to Benefits and Other Unrequited Expenses (BOUE) appropriations is forecast on a mid-point average basis. This method of forecasting expects a mixture of over and under-expenditure of appropriations. Therefore, some of the BOUE appropriations are expected to be exceeded each year. In the 2005/2006 year, 10 out of 37 specific BOUE appropriations that the Ministry administered exceeded the budgets prepared for the 2005/2006 Supplementary Estimates.

The other unappropriated expenditure incurred in the Community Services Card Reimbursements and the Student Loans appropriations. Community Services Card Reimbursements appropriation provides reimbursements for low-income earners who are eligible for, but yet to receive, a Community Services Card. Higher than expected demand for reimbursement of general medical expenses resulted in the 2005/2006 Supplementary Estimates appropriation of \$216,000 to be exceeded by \$1,000.

Student Loans appropriation expenditure exceeded by \$12 million due to higher than expected demand for Student loans following the change to interest free student loan policy from 1 April 2006. The actual expenditure resulted in the 2005/2006 Supplementary Estimates appropriation of \$1.034 billion to be exceeded by \$11.140 million.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2006

Actual 2005 \$000	(Figures are GST inclusive where applicable)	Actual 2006 \$000	Budget 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>		
45	Interest Revenue	43,281	12
(571)	Maintenance Capitalisation	(690)	(600)
–	Programme Recoveries	27	–
7,529	Student Loan – Administration Fee	7,999	7,924
63,579	Student Loan – Interest Charge	–	50,746
<b>70,582</b>	<b>Total Non-Departmental Revenue</b>	<b>50,617</b>	<b>58,082</b>

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS

For the year ended 30 June 2006

Actual 2005 \$000	(Figures are GST inclusive where applicable)	Actual 2006 \$000	Budget 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>		
192,701	Benefit Recoveries – Current Debt	194,353	193,158
3,489	Benefit Recoveries – Liable Parent Contributions	2,930	2,913
73,336	Benefit Recoveries – Non-Current Debt	74,140	75,379
227	Community Services Card Recoveries	217	216
131,708	Recoveries from United Kingdom Pensions	145,525	144,396
61,609	Student Loans – Repayment of Principal	64,575	64,429
<b>463,070</b>	<b>Total Non-Departmental Capital Receipts</b>	<b>481,740</b>	<b>480,491</b>

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2006

The Schedule of Non-Departmental Assets summarises the assets that the Ministry administers on behalf of the Crown.

Actual 2005 \$000	(Figures are GST inclusive where applicable)	Note	Actual 2006 \$000	Budget 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
	<b>Current assets:</b>			
73,209	Cash and bank balances		105,688	73,209
824,472	Student loans advanced*	1	896,765	891,558
(126,364)	Provision for doubtful debts – student loans		(305,240)	(356,397)
183,555	Accounts receivable – benefits and allowances	2	190,795	186,047
8,539	Prepayments – benefits and allowances		6,807	8,539
	<b>Non-current assets:</b>			
4,550,633	Student loans transferred to IRD*		102	4,550,633
607,297	Accounts receivable – benefits and allowances	2	630,411	607,297
(395,428)	Provision for doubtful debts – benefits and allowances		(408,147)	(422,531)
390	Advances – benefits and allowances		318	311
<b>5,726,303</b>	<b>Total Non-Departmental Assets</b>		<b>1,117,499</b>	<b>5,538,666</b>

\* The Student Loan Scheme is administered by the Ministry of Social Development in conjunction with the Ministry of Education and Inland Revenue Department. Our role is to assess and make payments to students undertaking tertiary education. The Student Loans advanced, including any early repayments, interest and administration fees charged, are transferred to Inland Revenue Department in March and April each year.

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2006

The Schedule of Non-Departmental Liabilities summarises the liabilities that the Ministry administers on behalf of the Crown.

Actual 2005 \$000	(Figures are GST inclusive where applicable)	Actual 2006 \$000	Budget 2006 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>		
	<b>Current Liabilities:</b>		
49,422	Accruals – government departments	–	49,422
155,816	Accruals – other than government departments	186,724	210,482
37,390	Tax payable	78,240	37,390
701	Other current liabilities	1,015	701
<b>243,329</b>	<b>Total Non-Departmental Liabilities</b>	<b>265,979</b>	<b>297,995</b>

## STATEMENT OF TRUST MONIES

For the year ended 30 June 2006

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances at 30 June 2006 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2006 were as follows:

Account	As at 30/06/2005 \$000	Contribution \$000	Distribution \$000	Revenue \$000	Expenses \$000	As at 30/06/2006 \$000
Australian Debt Recoveries	5	54	(55)	–	–	4
Australian Embargoed Arrears	290	2,314	(2,421)	–	–	183
Maintenance	85	1,276	(1,238)	–	–	123
Netherlands Debt	–	26	(26)	–	–	–
UK Reciprocal Pension	–	–	–	–	–	–
<b>Total</b>	<b>380</b>	<b>3,670</b>	<b>(3,740)</b>	<b>–</b>	<b>–</b>	<b>310</b>

### 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 the 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 that is payable.

## 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 to 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.

## SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

As at 30 June 2006

Actual 2005 \$000		Actual 2006 \$000
	<b>Operating Commitments</b>	
27,118	Less than one year	74,960
896	One to two years	–
91	Two to five years	–
–	More than five years	–
<b>28,105</b>	<b>Total operating commitments</b>	<b>74,960</b>

## SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

As at 30 June 2006

Actual 2005 \$000		Actual 2006 \$000
55,525	Quantifiable contingent liabilities	67,340
<b>55,525</b>	<b>Total contingent liabilities</b>	<b>67,340</b>

A total of six quantifiable claims (2005: eleven cases) lodged against the Ministry remain unresolved as at 30 June 2006. This represents the potential amount that will be paid if the claims are successful.

## NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

### Note 1: Student Loan Advances

Student Loans are stated at the fair values as at 31 October 2005 as determined under the New Zealand International Financial Reporting Standards – NZIFRS IAS39 and was measured at amortised cost as at 30 June 2006.

Independent advice was sought to assist with the determination of the fair values of the Student Loan Portfolio under NZIFRS requirements.

CARRYING VALUE OF STUDENT LOANS as at 30 June 2006	Actual 2006 \$000
<b>VOTE: SOCIAL DEVELOPMENT</b>	
Student Loans opening balance as at 1 July 2005 under GAAP	698,498
Fair Value Adoption under IFRS – IAS 39 at 1 July 05 @ 76.5%	(68,098)
Impairment as a result of Oct 2005 policy changes (nil interest rate on new borrowings)	(97,037)
Student Loans transferred to IRD for collection	(645,601)
Student Loans new lending for 1 July 2005 to 30 June 2006	1,045,543
Fair value write down on new lending	(328,459)
Student Loan administration fees	8,000
Effective Interest Unwind at 6.63%	43,254
Student Loan Debt Repayments	(64,575)
<b>Carrying Value Student Loans as at 30 June 2006</b>	<b>591,525</b>

### Note 2: Accounts Receivables – Benefits and Allowances

The accounts receivables – benefits and allowances represent benefit overpayments, advances on benefits and recoverable special needs grant. The net book value as at 30 June 2006 was \$413 million.

## APPENDIX: FEES AND EXPENSES PAID TO MEMBERS OF STATUTORY AND OTHER BODIES SERVICED BY THE MINISTRY OF SOCIAL DEVELOPMENT

### Benefits Review Committee

#### Number of members:

Benefits Review Committee (BRC) hearings are a chance for a review panel to take a fresh look at decisions made by the Ministry of Social Development delivery units (Work and Income, and Specialist Services). Each panel has three members, consisting of a Community Representative appointed by the Minister and two Ministry of Social Development staff members who have not been involved in the decision being reviewed. There were 86 community representatives spread throughout the 11 Work and Income regions.

#### Nature of work:

Benefit Review Committees are 'quasi-judicial' bodies established under section 10A of the Social Security Act 1964, to take an impartial second look to ensure correct and fair decisions with regard to procedure and law.

The benefit review process is an important part of ensuring that correct decisions are made by the Ministry of Social Development on a case by case basis. The benefit review hearing is an opportunity for the applicant to explain why they disagree with the decision and for the Committee to review the Ministry of Social Development's decision.

#### Committee fees and expenses paid (GST exclusive):

Total amount of committee fees and expenses paid to 30 June 2006: \$184,056.

#### Number of reviews for the period 1 July 2005 to 30 June 2006:

There was 5,348 Review of Decisions lodged for the year ending 30 June 2006. Of these 1,940 were scheduled to go onto a Benefit Review Committee. 1,088 Benefit Review Committee hearings were held in this period.

## Ministerial Advisory Council for Senior Citizens

**Number of members:**

Five members.

**Nature of work:**

The Advisory Council act in an advisory capacity to the Minister for Senior Citizens on matters concerning the wellbeing of senior citizens.

**Council fees and expenses paid (GST exclusive):**

Total amount of advisory council fees and expenses paid to 30 June 2006:  
\$12,277.

**Number of meetings held for the period 1 July 2005 to 30 June 2006:**

Five meetings.

## Disability Advisory Council

**Number of members:**

Thirteen members.

**Nature of work:**

To provide the Office with advice on its work programme and to raise issues.

**Council fees and expenses paid (GST exclusive):**

Total amount of advisory council fees and expenses paid to 30 June 2006:  
\$80,000.

**Number of meetings held for the period 1 July 2005 to 30 June 2006:**

Four meetings.

## Family Services National Advisory Committee (FSNAC)

### Number of members:

Nine Government Organisations, 10 Non-Government Organisations (NGOs), four Māori, three Pacific and Ministry of Social Development secretariat.

### Nature of work:

To provide a forum where stakeholders in the provision of services that support families will work together in developing and overseeing the implementation of a vision and strategies that improve outcomes for families.

### Committee fees and expenses paid (GST exclusive):

Three thousand, three hundred and ninety dollars.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Six meetings.

## Pacific Advisory Group to family and community services

### Number of members:

Thirteen full members, two co-opted members, facilitator and the Family and Community Services (FACS) secretariat.

### Nature of work:

To provide strategic advice on the implementation of FACS policies, services and initiatives that impact on Pacific peoples in New Zealand and to support the Taskforce for action on violence within families Pacific representative.

### Advisory Group fees and expenses paid (GST exclusive):

NGOs paid at \$240 + GST per day or \$270 per day less withholding tax for individuals.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Three full day meetings.

## Medical Appeals Board

### Number of members:

Medical Appeal Boards are independent bodies established to ensure that correct and fair decisions are made within the legislation (Section 53A of the Social Security Act 1964). Each board is made up of three members appointed by the chief executive for the particular purpose, being medical practitioners, rehabilitation professionals, or other persons having appropriate expertise in the fields of vocational training or vocational support for persons with sickness, injury or disability. There are 102 Designated Doctors available to be called up for Medical Appeal Work.

### Nature of work:

Medical Appeal Boards review an appellant's eligibility for a benefit on medical grounds including the capacity to undertake work independently. Medical Appeal Boards are a chance to take a fresh look at decisions on all the information about an appellant's medical circumstances or incapacity on a case by case basis. Section 53A of the Social Security Act 1964 gives a client of the Ministry the right of appeal on medical grounds.

### Board fees and expenses paid (GST exclusive):

Total fees and expenses paid for the year ending 30 June 2006:  
\$129,568.78.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

One hundred and ninety two hearings held for the year ending 30 June 2006.

## Strategic Policy Evaluation and Research Committee (SPEaR)

### Number of members:

Nineteen member agencies and an independent chair.

### Nature of work:

The group is made up of 19 agency representatives who oversee the Government's investment in social policy, research and evaluation. In accordance with the terms of reference and particular projects approved by Cabinet in November 2001.

### Committee fees and expenses paid (GST exclusive):

Total amount of Chairperson fees and expenses paid to 30 June 2006:  
\$20,666.50.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Six full committee meetings and associated subcommittees.

## Committee for the study of the New Zealand Non-Profit Sector

### Number of members:

Eight members.

### Nature of work:

Oversight of New Zealand input to the Johns Hopkins University International comparative study of the non-profit sector, and advice to Statistics New Zealand on development of the non-profit sector satellite account.

### Committee fees and expenses paid (GST exclusive):

Total amount of committee fees and expenses paid to 30 June 2006: \$34,647.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Seven meetings.

## Strategic Policy Reference Group

### Number of members:

Twelve members.

### Nature of work:

To provide advice to the Ministry of Social Development and Government on middle to long-term policy issues.

### Reference Group fees and expenses paid (GST exclusive):

Total amount of reference group fees and expenses paid to 30 June 2006: \$11,994.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Six meetings.

## Taskforce for action on violence within families

### Number of members:

Thirteen government organisations and five NGOs.

### Nature of work:

The Taskforce for Action on Violence within Families was established in June 2005 to advise the Family Violence Ministerial Team on how to make improvements to the way family violence is addressed, and how to eliminate family violence in New Zealand.

### Taskforce fees and expenses paid (GST exclusive):

Total amount of Advisory group fees and expenses paid to 30 June 2006: \$77,820.07.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Twelve meetings and related workshops.

## Advisory Group to the Taskforce for action on violence within families

### Number of members:

Four government organisations, The National NGO Family Violence Prevention Alliance (made up of 11 NGOs) and two additional NGOs.

### Nature of work:

The Advisory Group supports the work of the Taskforce by providing it with information, analysis and advice on specific issues impacting upon violence within families. It also assists the Taskforce's Secretariat to manage and co-ordinate inter-agency work to identify policy, legislative, and service opportunities for preventing violence within families.

### Advisory Group fees and expenses paid (GST exclusive):

Total amount of Advisory group fees and expenses paid to 30 June 2006: \$10,002.90.

### Number of meetings held for the period 1 July 2005 to 30 June 2006:

Twelve meetings and related workshops.





MINISTRY OF SOCIAL DEVELOPMENT  
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