Ministry of Social Development

Annual Report

2016/2017

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

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We help New Zealanders to help themselves to be safe, strong and independent.

MSD people:

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Snapshot of MSD 2016/2017

We work with over 1 million New Zealanders every year.

Through our services we work with almost every New Zealander at some point in their lives.

276,041
clients on benefit
(down 3,765 since 30 June 2016)

1.9 million
face-to-face interviews with clients

almost **22,000**
transactions per day

66.2%
of applications for financial assistance completed online
(June 2016: 55.9%)

17% fewer
children in benefit-dependent households than in 2013

30,000 2016 | **375,000** 2017

*my***MSD** registrations

287,733
Community Services Card holders over 65 years old

712,251
SuperGold Card holders
(up 3.4%)

8,583
SuperGold Card business partners

80%
of calls from clients were categorised and routed correctly by voice-enabled technology

7 million
calls answered by Service Delivery contact centre

542,639
applications for study assistance processed

27,000
Student Job Search placements

5,353
applications on the housing register
(plus 1,420 on the Transfer Register)

399
households left the social housing market as a result

2,772
social housing tenancy reviews

554
social housing grants for 371 clients

6,950
households placed in social housing

1,123
additional emergency housing places available

4,600
provided by 34 community housing providers

66,332
social houses available

Chief Executive's foreword

Looking back over the past year the Ministry of Social Development has achieved many things - not least, the successful transition of functions and services for vulnerable children and young people to the new Ministry for Vulnerable Children, Oranga Tamariki in April 2017.

Change was a constant throughout the year as we worked through the process of successfully completing the first major milestone in the reform of the care and support system for our youngest and most vulnerable New Zealanders.

In creating this change, we also took the opportunity to review our own operating model, streamlining our leadership structure and creating a more interdependent and joined-up way of working across the organisation and with other government and non-government organisations.

The driver for this change, and for our achievements and successes, remains our shared purpose to help New Zealanders to help themselves to be safe, strong and independent.

Whether by encouraging independence through helping people into jobs, supporting disabled New Zealanders to fully participate in society, enabling safe and secure housing, or supporting strong families and children through the establishment of further Children's Team's, in the last 12 months we have worked hard to ensure better outcomes for New Zealanders.

We have continued to work hard to reduce welfare dependence. The proportion of the working-age population dependent on welfare is the lowest since 2007 and the number of beneficiaries is at the lowest level it has been since December 2008.

Through the MyMSD mobile web service, we have provided opportunities for clients to do more for themselves online and when it suits them, with over 375,000 clients registered for this service.

We increased our focus on supporting clients with disabilities and health conditions, including mental health issues. Our specialised Work to Wellness programme in selected regions and the EmployAbility initiative have helped to support sustainable employment for these client groups.

We have also expanded the Youth Service to include 19-year-old teen parents, young partners and young parent partners of main beneficiaries, to deliver better outcomes.

We have placed a stronger focus on engagement with social housing providers and the housing sector. This has enabled us to ensure a more diverse range of housing supply, including transitional housing and emergency housing support for people with nowhere to live.

In the last year we have become better at using data and analytics to understand the root causes of problems and people's life course experiences, so that we can properly address barriers to independence.

In the last year, we integrated our welfare and social housing valuations to enable us to establish a lifetime cost of the overall system, as well as for specific groups and cohorts. This continues to support us in our social investment approach and takes a client-centric view to both welfare and housing needs.

Our successes have not been ours alone. The issues our clients face go beyond what they need from us and we have been working closely with our partners across government, as well as our partners in communities, to have a bigger and better impact.

Across the country, our staff have continued to work in often challenging circumstances. We have an unwavering commitment to their safety and security and continue to work to enhance our safety and security practices and processes. In early 2017 we completed the delivery of our Security Response Programme. The recommendations from the WorkSafe prosecution, which was concluded in late 2016, also shape the way we operate and our interactions with the public.

The past year has shown, once again, that we have a really strong foundation and the knowledge and experience to make a positive impact in people's lives.

It is also time to look forward. During the coming year we will work to develop a new organisational strategic direction and to build on the opportunities that lie ahead to make a bigger and better difference for New Zealanders.

Brendan Boyle
Chief Executive

Nature and scope of functions

We help New Zealanders to help themselves to be safe, strong and independent.

Ko ta mātou he whakamana tangata kia tū haumaru, kia tū kaha, kia tū motuhake.

The Ministry of Social Development (MSD) is present in almost every region of New Zealand and our people have connections to every community. Our work touches nearly all New Zealanders at some point in their lives.

Our role and functions

Our core role is to help build successful individuals and strong, healthy families and communities. In 2016/2017 we did this by providing the following services to New Zealanders:

- assessment and payment of welfare benefits and entitlements
- social housing assessments and services
- funding the delivery of emergency housing
- advice to the Government on social policy, employment support and training
- assessment and payment of New Zealand Superannuation and Veterans' Pensions
- access to concessions and discounts for seniors, families and those on low incomes
- student allowances and student loans
- campaigns that challenge antisocial attitudes and behaviour
- services to uphold the integrity of the welfare system
- statutory care and protection of children and young people
- youth justice services
- adoption services
- funding for community service providers and support for families and communities.

We do not work alone – we collaborate closely with other government agencies, non-government organisations (NGOs), advisory groups, communities and iwi to make a positive and lasting difference in the lives of New Zealanders.

In April 2016 the Government announced its intention to transform the system for the care and support of vulnerable children and young people. As part of this transformation a new department, the Ministry for Vulnerable Children, Oranga Tamariki, was created and from 1 April 2017 assumed MSD's functions and resources relating to supporting children and young people, including responsibility for statutory care and protection.

For at least the first two years of its operation, we will be providing some shared services to support the operation of the new agency.

Our scope

As the administering department for Vote Social Development, in 2016/2017 we oversaw the expenditure of over $24 billion of public money and provided services and assistance to more than a million New Zealanders. Our client base included children, youth, families, working-age people, students, disabled people, seniors and communities.

We provided services to the following Ministers:

- Minister for Social Development
- Minister for Social Housing
- Minister Responsible for Social Investment
- Minister of Finance
- Minister for Youth
- Minister of Revenue
- Minister for Seniors
- Minister for Disability Issues
- Minister of Veterans' Affairs
- Associate Minister for Social Development[1]
- Associate Minister for Social Housing[2].

1 Prior to 20 December 2016.
2 From 20 December 2016.

We monitored four Crown entities:

- Children's Commissioner
- Families Commission (Superu)
- New Zealand Artificial Limb Service
- Social Workers Registration Board.

We supported the following statutory tribunals and advisory committees:

- Social Security Appeal Authority
- Student Allowance Appeal Authority
- Social Workers Complaints and Disciplinary Tribunal[3]
- nine Child, Youth and Family Residence Grievance Panels[4].

We provided leadership across government by:

- chairing the Social Sector Board[5]
- providing cross-agency leadership for two of the Government's Better Public Services (BPS) results, and supporting a further six[6]
- hosting the Children's Action Plan Directorate[7], the Family Violence Unit, and the Place-Based Initiatives National Support Team
- supporting Community Response Forums[8]
- developing the Tairāwhiti place-based initiative.

We worked with Māori by:

- co-ordinating two Treaty Settlement Social Sector Accords (Te Hiku and Tūhoe)
- supporting the Waikato River Iwi Accord and the Taranaki Whānui Social Accord
- engaging in joint social development planning with the iwi of Wairoa and Ngāti Rangi
- progressing five formal Memoranda of Understanding (with Ngāpuhi, Tainui, Ngāti Porou, Ngāti Kahungunu and Ngāti Toa)
- supporting the E Tu Whānau programme to increase awareness of family violence issues
- establishing a Māori Investment Plan to improve sustainable employment outcomes for Māori, underpinned by our social investment approach.

Our legislation

There are many key pieces of legislation that provide the framework to support the decisions we make and to ensure a fair system for all New Zealanders. The most significant of these is the Social Security Act 1964[9].

A full list of the legislation we administer can be found at http://www.msd.govt.nz/about-msd-and-our-work/about-msd/legislation.

3 Until 31 March 2017.
4 Until 31 March 2017.
5 Until 30 June 2017.
6 Until 31 March 2017. From 1 April 2017 we have leadership of one of the Government's BPS results, and support two others.
7 Until 31 March 2017.
8 Until 31 March 2017.
9 The Minister for Social Development introduced a Bill in 2016 to repeal and replace the Social Security Act with an improved legislative structure.

Government priorities, MSD outcomes and priorities

Government's Better Public Services Priorities

- Reducing long-term welfare dependence
- Boosting skills and employment
- Improving interaction with government
- Supporting vulnerable children
- Reducing crime

We help New Zealanders to help themselves to be safe, strong and independent

Ministry Outcomes

- More people into sustainable work and out of welfare dependency
- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving
- Fewer children and young people commit crime
- Fewer people commit fraud and the system operates with fairness and integrity

Ministry Intermediate Outcomes

Fewer people are dependent on welfare

More young people are in education, training, or work-based learning

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Children and young people are involved in decision-making on issues that affect them, and contribute positively to their communities

Eligible students are supported to overcome financial barriers to access higher education

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Disabled people are able to participate in society

Seniors and veterans are able to maintain their independence and participate in society

Seniors, families, and low-income New Zealanders have access to goods and services through discounts and concessions

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More people who need housing support can access it

More social housing tenants achieve independence, as appropriate

Appropriate housing is available for those who need it

Vulnerable children are protected from abuse and neglect

Children and young people are in safe and permanent care in stable and loving homes

Children and young people we work with have access to adequate health services, housing and education

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More effective and efficient allocation of government resources to meet community needs

Families and communities have increased levels of awareness of how to respond to family and sexual violence

Children and young people experience good parenting

More young offenders are in education, training or employment

Fewer child offenders go on to become youth offenders

Fewer young people have a repeat youth justice referral

Families and victims are involved in addressing offending behaviour

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Fraud is detected sooner

Fraud overpayments are recovered more frequently and fewer overpayments are made

People's claims are dealt with appropriately

People's data and information are managed and used appropriately

Ministry Priorities

- Supporting the Investing in Children Programme and the establishment of the Ministry for Vulnerable Children, Oranga Tamariki
- Transforming the Ministry of Social Development
- Reducing welfare liability
- Enhancing the social housing system
- Contributing to the social sector and building a social investment approach for the sector
- Delivering a seamless and easy client experience
- Building a culture of health, safety and security for staff and clients

A client-centred approach | **Social investment and intelligent service delivery** | **Working with the social sector** | **An integrated organisation**

Demonstrating our progress

We used the following indicators in 2016/2017 to demonstrate progress towards achieving our outcomes.

Ministry outcome	Indicator	2014/15	2015/16	2016/17	Intended trend	Change since 2015/16
More people into sustainable work and out of welfare dependency	Reduce working-age client numbers by 25%, from 295,000 in June 2014 to 220,000 in June 2018	284,960	279,806	276,041	↓	↓
	Achieve an accumulated actuarial release[10] of $13 billion between June 2014 and June 2018	$2.5bn[11]	$3.8bn[12]	$5.2bn[13]	↑	↑
More people are able to participate in and contribute positively to their communities and society	The percentage of participants who report an improvement in their personal, social and decision-making skills through completion of a youth development opportunity[14]			97.2%	↔	
	The percentage of total youth development opportunities created in partnership with the business and philanthropic sector[15]			12.2%	↔	
	The number of participating SuperGold Card business partners	8,053	8,304	8,583	↑	↑
	The accurate assessment of Community Services Card and SuperGold Card applications	99%	96.9%	96.9%	↔	↔
	The number of contracted transitional housing places			1,123[16]	↑	
	The number of social housing places			66,332[17]	↑	

10 An 'actuarial release' is an estimate of the change in long-term liability of the benefit system resulting from changes in the number of beneficiaries and their likelihood of long-term benefit receipt.
11 Cumulative actuarial release from June 2014 to 30 June 2015. Source: Ministry of Social Development Quarterly Drivers of Valuation Report April to June 2015.
12 Cumulative actuarial release from June 2014 to 30 June 2016. Source: Ministry of Social Development Drivers of Long-Term Benefit Dependency April to June 2016 report (in the 2015/2016 Annual Report this source was incorrectly stated).
13 Cumulative actuarial release from June 2014 to 30 June 2017. Source: Ministry of Social Development Drivers of Long-Term Benefit Dependency April to June 2017 report.
14 This replaces the previous indicator "More young people are involved in decision-making activities".
15 This replaces the previous indicator "More young people are involved in community-based projects and activities".
16 At 30 June 2016 there were 687 contracted transitional housing places.
17 At 30 June 2016 there were 66,041 social housing places.

Ministry outcome	Indicator	2014/15	2015/16	2016/17	Intended trend	Change since 2015/16
Fewer children and people are vulnerable	The proportion of children and young people who have been abused/neglected within six months of a previous finding of abuse/neglect[18]	12%	11%	11%[19]	↓	↔
	The proportion of children aged under five years old (who are unable to return home), who are placed with their Home for Life caregiver within 12 months of coming into care	80%	77%	80%[20]	↔	↑
	The percentage of children and young people in care referred for a Gateway assessment	65%	80%	80%[21]	↔	↔
	The percentage of children participating in the Family Start programme receiving scheduled Well Child visits	81%	82%	90%[22]	↔	↑
	The percentage of children aged between 18 months and five years participating in the Family Start programme who are enrolled in early childhood education	71%	76%	72%[23]	↑	↓
More communities are strong and thriving	The percentage of families who report that the Strengthening Families process has helped them get access to the services they needed	93%	94%	97%[24]	↔	↑
	The proportion of surveyed community groups that say the It's not OK campaign has increased their ability to address or prevent family violence	96%	93%	90%*	↑	↓

* The downturn reflects the likelihood that the results for 2014/2015 and 2015/2016 are less representative of a surveyed community group response. The community groups surveyed change annually, and a truly representative response may not be obtained for some years yet.

18 Repeat findings of abuse/neglect may relate to an historical event prior to a child or young person coming to our attention.
19 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
20 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
21 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
22 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
23 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
24 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.

Ministry outcome	Indicator	2014/15	2015/16	2016/17	Intended trend	Change since 2015/16
Fewer children and young people commit crime	The proportion of young offenders who are in education, training or employment following our intervention	66%	67%	66%[25]	↑	↓
	The proportion of child offenders who have a subsequent youth justice referral	64%	71%	67%[26]	↓	↓
	The proportion of victims engaging in family group conferences	57%	55%	55%[27]	↔	↔
Fewer people commit fraud and the system operates with fairness and integrity	The percentage of successful prosecutions concluded	96.8%	96.6%	96.2%**	↔	↓
	The percentage of non-current debt paid in full, or under an arrangement to pay, within four months	72.3%	71.1%	70.3%***	↔	↓

** A lower number of prosecutions overall over the last two years means that every extra unsuccessful prosecution has had a greater impact on the overall percentage of prosecutions that are successful. This may account for the small percentage decrease over the last two years, as the approach taken to determining whether a prosecution will be undertaken has not changed over this period.

*** Collections work was restricted in 2016/2017 due to a number of debt collection staff being diverted to assist with the Government Emergency Relief Line from November 2016 to January 2017.

25 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
26 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.
27 Result as at 31 March 2017. On 1 April 2017 this responsibility was transferred to Oranga Tamariki.

Adapting to transformational change

Timeline: Transforming the system of support for vulnerable children and young people: 2011–2017

2011

July: The Government launches the Green Paper for Vulnerable Children, asking the public to consider questions around its ideas for fundamentally changing the way we care for children.

July – February 2012: Campervan tour to 34 towns and cities across New Zealand to allow the public to have their say on the Green Paper.

2012

February: Public submissions close on the Green Paper, with nearly 10,000 submissions received.

October: Government response to submissions released in a White Paper for Vulnerable Children, with a cross-agency Children's Action Plan including:

- new legislation to put in place a new child-centred approach and tough new laws to protect children
- Chief Executives of social sector agencies to be jointly responsible for achieving results for all vulnerable children
- local Children's Teams to be established to co-ordinate individualised responses
- new ways to find, assess and connect the most vulnerable children to services earlier and better
- a secure information system for vulnerable children supported by information sharing
- better results for children in care through homes for life and support for caregivers
- safety checking for all people working directly with children.

2013

July: Launch of the first Children's Team pilot in Rotorua.

September: Introduction of a Vulnerable Children Bill to protect and improve the wellbeing of vulnerable children and to give effect to the Government's decisions in the White Paper.

October: Launch of the second Children's Team pilot site in Whangarei.

November: Establishment of the Vulnerable Children's Board of chief executives and the independent cross-agency Children's Action Plan Directorate.

2014

May: Report of the Social Worker Caseload Review, with recommendations for improvements in the way MSD goes about its statutory responsibilities for caring for and protecting New Zealand's most vulnerable children and young people.

June: Start of Child, Youth and Family modernisation programme to support the changing landscape of services for vulnerable children.

Vulnerable Children Act passed to embed the changes signalled in the White Paper.

2015

April: The Government appoints an Independent Expert Panel to make recommendations for reforming the system of support for vulnerable children.

September: The Expert Panel's interim report to the Government shows that the existing system is not delivering effectively and that transformational change is required in Child, Youth and Family.

December: The Independent Expert Panel provides its final report to the Minister for Social Development, making recommendations for a bold and urgent overhaul of the care and protection and youth justice systems (report published March 2016).

2016

March: The Government announces decisions for the future of the care and protection and youth justice system, including:

- establishing a new child-centred operating model, including a new government department, to provide a single point of accountability for the long-term wellbeing of vulnerable children and young people
- adopting a social investment approach to identify the best way of targeting early interventions
- a stronger focus on reducing the over-representation of Māori in the system
- raising the upper age for state care to 18, with the ability to continue to provide transitional support up to age 25
- establishing an independent youth advocacy service.

MSD establishes a programme to lead the fundamental shift to a system that enables children to feel a sense of identity, belonging and connection. The entire change package will take five years to implement.

August: Gráinne Moss is announced as the Chief Executive-designate of the Ministry for Vulnerable Children, Oranga Tamariki.

December: The Government introduces a new bill to implement a wide range of legislative reforms to support the new operating model for Oranga Tamariki and the statutory framework for meeting the needs of vulnerable children and young people (the Bill passed into law in July 2017).

2017

1 April: The Ministry for Vulnerable Children, Oranga Tamariki, comes into being and assumes from MSD functions relating to support for vulnerable children and young people and their families.

April: Legislation comes into force to raise the upper age for care and protection to 18, to ensure that children and young people have their views taken into account in the development of service and policy, and to enable a broader range of professionals to perform a wider set of functions.

Contributing to Better Public Services

In 2012 the Government set ten challenging results for the public sector to achieve over a five-year period, and in May 2017 announced six new targets.

In 2017/2018, following the Better Public Services results refresh, we will be responsible for leading two Result programmes:

- Result 1: Reducing long-term welfare dependence
- Result 8: Better access to social housing.

In 2016/2017, we were responsible for leading two of the Results:

- Result 1: Reducing welfare dependence
- Result 4: Reduce assaults on children.[28]

We lead efforts to achieve targets for Result 1

Result 1: Reduce working-age client numbers (targets: achieve a 25 percent reduction in working-age client numbers from 295,000 in June 2014 to 220,000 in June 2018, and an accumulated actuarial release[29] of $13 billion by June 2018[30])

Currently the proportion of the working-age population dependent on welfare is the lowest since 2007, and the number of beneficiaries is the lowest it has been since December 2008. As at 30 June 2017 the number of working-age benefit recipients was 276,041, a reduction of 3,765 (1.3 percent) from 30 June 2016. A fall in the number of people receiving Sole Parent Support by 4,791 (7.3 percent) to 60,631 was the major contributor to the overall reduction. The accumulated actuarial release for the period from 30 June 2014 to 30 June 2017 is $5.2 billion. This is an increase of $1.1 billion since 31 March 2016.

We have invested in employment interventions known to be effective for high-liability clients. This includes providing more support and intervening earlier with people who have significant barriers to employment, to get them off benefit and into work.

MSD has:

- developed new interventions with support from a cross-agency working group, and tested these
- continued to improve business-as-usual activities, like transforming online services through initiatives such as the Simplification programme.

Since the implementation of the social investment approach, we have made considerable strides in reducing long-term benefit dependence. Most of the supports and services available to our clients enable them to achieve improved outcomes, ideally resulting in sustainable employment. However not all of the services we currently provide work for all of our clients: there is a growing number of clients who have high barriers to entering employment and who require different types of services to those we currently offer.

We are setting a new strategic direction, which will enable us to strengthen our understanding of return on investment, how to redirect resources to high-performing services, and how this is reflected in our Employment Outcomes Investment Strategy.

Liability release vs. liability reduction

The actuarial release target for BPS Result 1 (BPS1) was developed to encourage working with people who are at higher risk of long-term dependency, have barriers to employment, and need more support to achieve employment goals than some of our other clients who have less complex needs. The method used for this measurement was adopted because it:

- can be updated on a timely basis
- correlates to the other BPS1 target (number of beneficiaries)
- removes any impact of subjectivity.

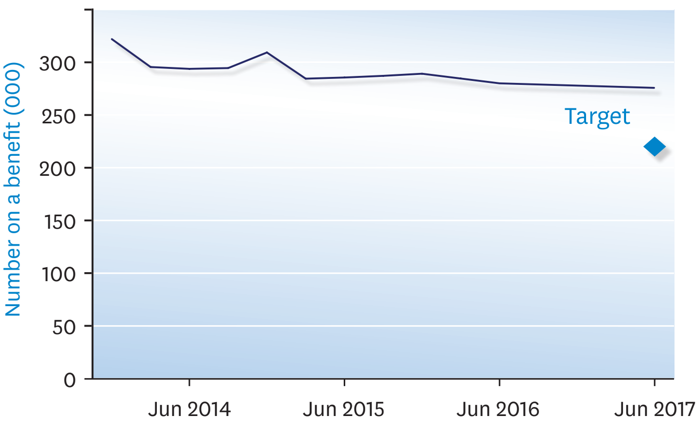
The release is made up of two parts: (a) the difference in benefit payments actually made up to the date we are calculating the release at and the benefit payments we would expect to be made if the number of people receiving benefits had stayed constant, and (b) the expected savings from future benefit payments due to the lower number of people receiving benefits at the calculation date using June 2014 valuation assumptions. Adjustments are made for seasonality and for changes to benefit rates arising from the Budget 2016 Child Material Hardship Package (CMHP), to be consistent with how the target was set. Removing these adjustments from the calculation would reduce the release by $0.3 billion (for seasonality) and $0.2 billion (for the CMHP).

Other suitable methods could have been used to calculate an actuarial release, including using the movements from the annual valuation updates. The full liability figure reported from year to year reflects the influence of many factors, including changes to economic forecasts for inflation and interest rates and numbers of clients. It also reflects changes to our estimates of how future benefit experience will evolve; these are subjective, are only calculated annually and some time after the year end, and can have a disproportionate effect on the liability either to increase or to decrease it.

28 Until 31 March 2017. On 1 April 2017 responsibility for this Result transferred to the Ministry for Vulnerable Children, Oranga Tamariki.
29 An 'actuarial release' is an estimate of the change in long-term liability of the benefit system resulting from changes in the number of beneficiaries and their likelihood of long-term benefit receipt.
30 These targets replaced the previous targets in February 2015.

On the other hand, the actuarial release measure has been designed to remove subjectivity and simplify the calculation. It also more clearly reflects the effect on the liability of policy development and management influence. The adopted methodology satisfies the criteria required by MSD and for that reason was selected for the BPS1 target.

Number of working-age people on a main benefit (excluding Jobseeker Support – Student Hardship)



In 2016/2017 we led efforts to achieve the target for Result 4

Result 4: Reduce the number of children experiencing physical abuse (target: halt the 10-year rise in children experiencing physical abuse and reduce 2011 numbers by 5 percent by 2017[31])

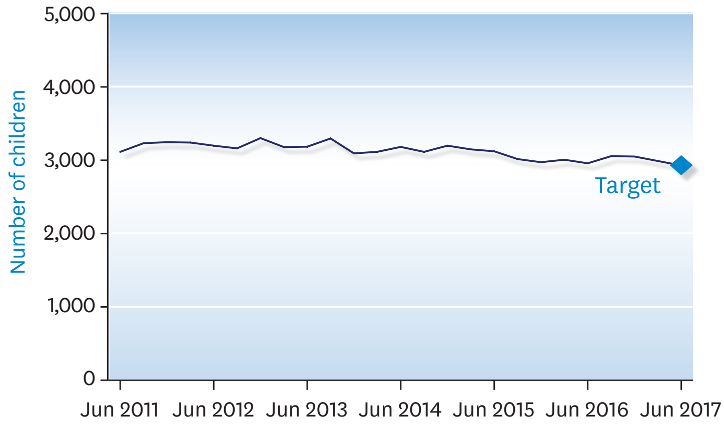
We were the lead agency for this Result to 31 March 2017. On 1 April 2017 responsibility for leading this Result passed from MSD to the Ministry for Vulnerable Children, Oranga Tamariki.

The number of children experiencing substantiated physical abuse is measured on a 12-monthly basis. In the year to December 2016 physical abuse was substantiated for 3,046 children, compared with 2,968 for the year to December 2015. Since the BPS results programme began in June 2011, the number of children experiencing substantiated physical abuse in a year is now 2.1 percent lower.

We have established ten Children's Teams, the latest being Counties Manukau. As of 31 March 2017, 4,184 children had been referred to the ten Children's Teams (3,405 were accepted) and 443 children had successfully exited with a transition plan.

Under the Community Investment Strategy, we continued to work on ensuring that funding is aligned with priority investment areas, is well targeted, and is based on evidence of effectiveness. Some funding has already been reprioritised to better support vulnerable children. In October 2016 funding was reprioritised to expand Family Start: this resulted in four new Family Start sites being established in Timaru/Ashburton, Taranaki, Tauranga and Manawatu.

Children with substantiated findings of physical abuse (12-month periods)



We supported other agencies to deliver on Results 2, 3, 5, 7, 8 and 10

Result 2: Increase participation in early childhood education (ECE) (target: by the end of 2016, 98 percent of children starting school will have participated in ECE[32])

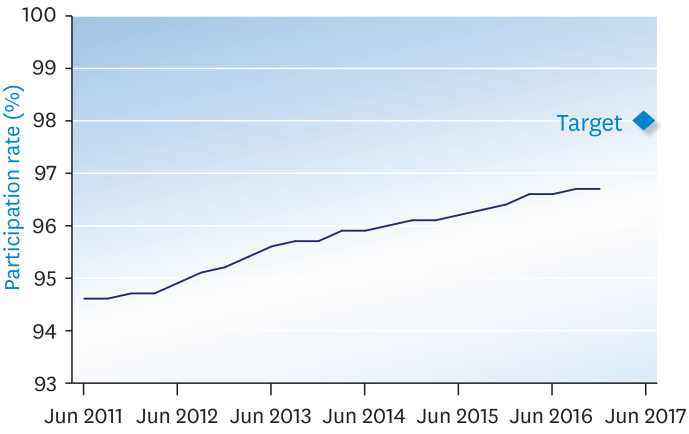
Until 31 March 2017 we supported the Ministry of Education as lead agency with responsibility for these Results. On 1 April 2017 this responsibility passed from MSD to Oranga Tamariki.

As at 30 September 2016 (latest published result[33]) the ECE participation rate was 96.6 percent.

Up to 31 March 2017 we subsidised the cost of ECE for children aged between 18 and 36 months in our care and for those who were enrolled in the Family Start programme. At 31 March 2017[34], 72.6 percent of children in our care aged between 18 months and five years were enrolled in ECE, while 72 percent of children in Family Start aged between 18 months and five years were enrolled in ECE.

31 This target was set in 2012.
32 This target was set in 2012.
33 Source: http://ssc.govt.nz/bps-supporting-vulnerable-children (extracted 23 August 2017).
34 On 1 April 2017 this responsibility passed to Oranga Tamariki.

Prior ECE participation rate



Result 3: Increase infant immunisation rates (target: achieve full immunisation of 95 percent of eight-month-olds by December 2014 and maintain this through to June 2017), and reduce the incidence of rheumatic fever by two-thirds (target: 1.4 cases per 100,000 people by June 2017[35])

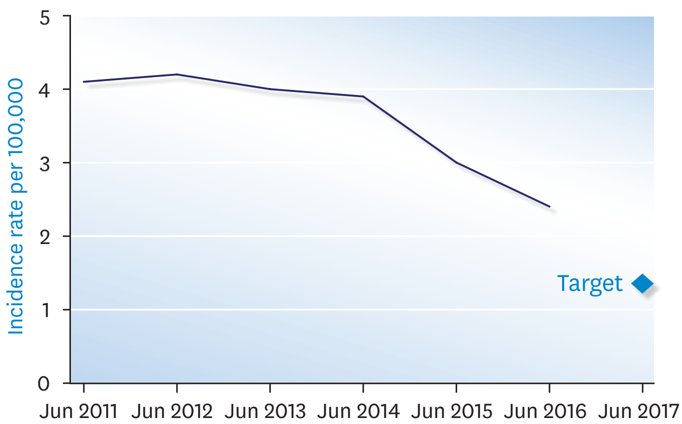
Until 31 March 2017 we supported the Ministry of Health as lead agency with responsibility for this Result. On 1 April 2017 this responsibility passed from MSD to Oranga Tamariki.

An immunisation rate of 93.3 percent was reached in December 2016 for babies turning eight months of age[36]. This represents an increase of 8 percent in infant immunisation coverage since the start of the target (June 2012).

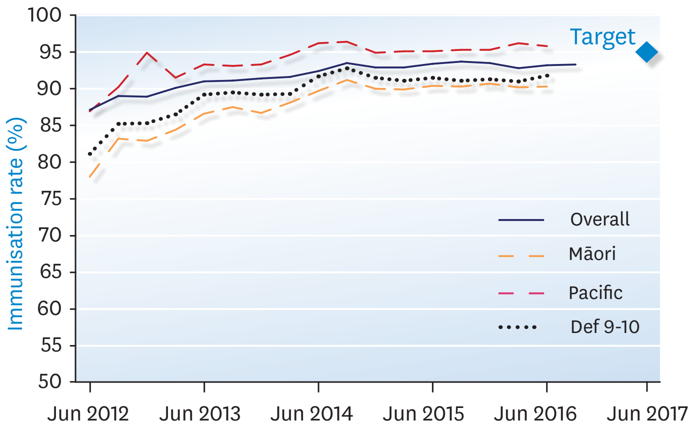
Through the Gateway assessment programme, we ensured that children in our care were fully immunised[37]. As at 31 March 2017, 78.3 percent of children in our care had been referred for individualised health and education assessments through the Gateway programme.

At 31 December 2016 the incidence of rheumatic fever was 3.0 cases per 100,000 people (137 cases), which is a 23 percent decrease from the baseline rate of 4.0 cases per 100,000 in the 2009/2010 to 2011/2012 period.

Rheumatic fever



Immunisation coverage for children at eight months



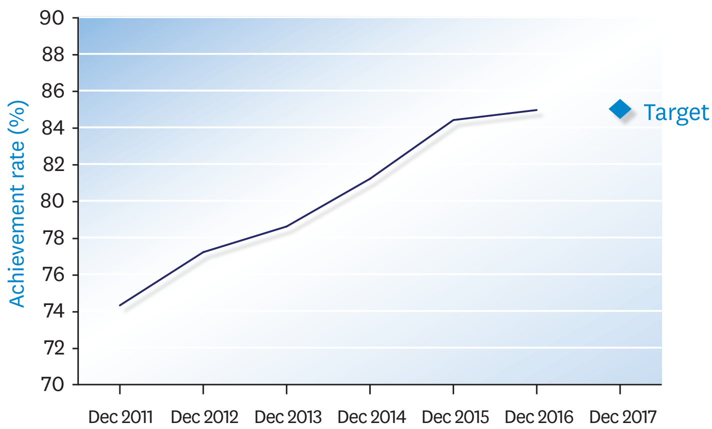
Result 5: Increase attainment of NCEA Level 2 or an equivalent qualification (target: increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification to 85 percent by 2017[38])

Until 31 March 2017 we supported the Ministry of Education as lead agency with responsibility for this Result. On 1 April 2017 this responsibility passed from MSD to Oranga Tamariki.

The result for the 2016 calendar year is projected to be around 85.2 percent[39], compared with 83.3 percent for 2015.

We contributed to this target through the Youth Service, which aims to assist disengaged young people back into training or education. As at 30 June 2017, 88.8 percent of the 10,166 participants in the Youth Service were engaged in education, training or work-based learning.

18-year-olds' achievement of NCEA Level 2



35 This target was set in 2012.
36 Source: http://ssc.govt.nz/bps-supporting-vulnerable-children (extracted 23 August 2017).
37 On 1 April 2017 this responsibility passed to Oranga Tamariki.
38 This target was set in 2012.
39 Source: http://ssc.govt.nz/bps-boosting-skills-employment (extracted 23 August 2017).

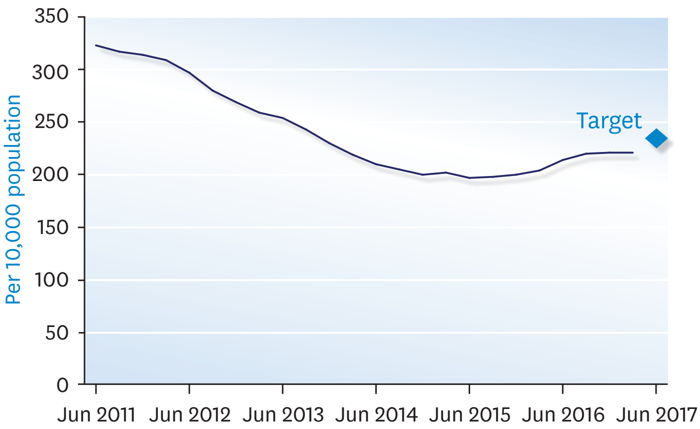
Result 7: Reduce crime rates (target: reduce crime by 20 percent by June 2017[40]) and Result 8: Reduce reoffending rates (target: reduce reoffending rates by 25 percent by 2017[41])

As a member of the Youth Crime Action Plan (YCAP) until 31 March 2017, we supported the Ministry of Justice as lead agency with responsibility for these Results. Our areas of focus were responding to youth crime and the prevention of youth reoffending. On 1 April 2017 our membership of YCAP passed to Oranga Tamariki.

As at 31 March 2017 the youth crime rate was 221 court appearances per 10,000[42]. The total recorded crime rate had reduced by 13 percent and the youth crime rate by 31 percent since June 2011.

The rate of reoffending rose from 28.3 cases per 10,000 population at 30 June 2016 to 28.6 at 31 December 2016[43]. The reoffending rate had reduced by 4.3 percent since June 2011.

Youth crime rate



Reoffending rate

Result 10: Enhance New Zealanders' ability to deal with government agencies in a digital environment (target: increase the percentage of New Zealanders who complete their transactions with government online to 70 percent by 2017[44])

We supported the Department of Internal Affairs as lead agency with responsibility for this Result. Our contributing indicator to the Result is the proportion of applications for financial assistance that are completed digitally.

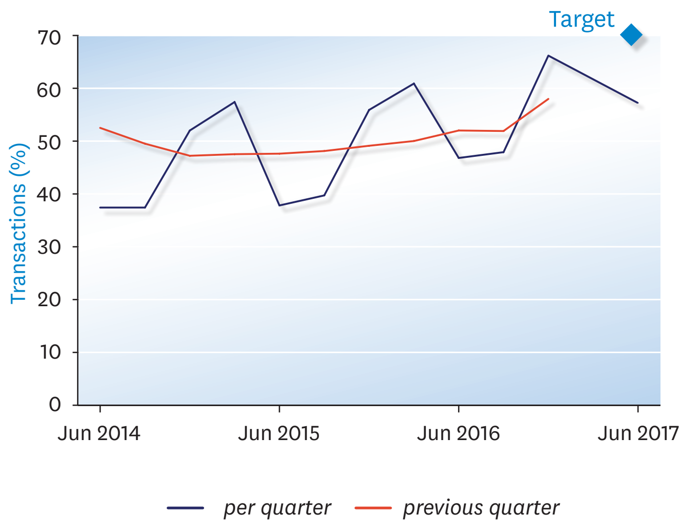
In the quarter ended 31 December 2016, 66.2 percent of applications for financial assistance were lodged online, up from 55.9 percent a year before[45].

In the same quarter 58 percent of New Zealanders' common transactions were completed digitally compared with 52.9 percent for the same period in the previous year.

We received 38,739 more online applications in the quarter ending 30 June 2017 than in the same quarter in 2016. The process for clients applying online is now more streamlined. When they come to a service centre for their appointment, they do not have to complete a paper-based application and then wait while a case manager manually processes the application (including re-keying information).

In 2016/2017 our greatest increase in online uptake was in the Sole Parent Support category (up 24.4 percentage points), followed by supplementary benefits (20.3 points) and Jobseeker Support (19.8 points).

Average rate of transactions completed in a digital environment



40 This target replaced the previous target in 2015.
41 This target replaced the previous target in 2015.
42 Source: http://ssc.govt.nz/bps-reducing-crime (extracted 23 August 2017).
43 *ibid*
44 This target was set in 2012. In the May 2017 BPS refresh, the Government set a new target of 80 percent of the most common transactions being completed in a digital environment by 2021.
45 Source: http://ssc.govt.nz/bps-interaction-with-govt (extracted 23 August 2017).

Delivering on our strategic intentions

This section describes how we have managed our functions and operations over the last year to achieve outcomes for New Zealanders.

In 2016/2017 we worked towards our strategic priorities of:

- supporting the transformation of the system for care and support of vulnerable children and young people[46]
- reducing the welfare liability
- increasing and diversifying social housing with responsive housing support
- contributing to the social sector and the social investment approach
- delivering a seamless and easy client experience
- building a culture of health, safety and security
- supporting strong, inclusive communities
- strengthening our organisational health, capability and culture.

46 Until 31 March 2017, after which this function was transferred to Oranga Tamariki.

Supporting the transformation of the system for care and support of vulnerable children and young people

The transformation of the system for care and support of vulnerable children and young people over the next four to five years involves comprehensive and systemic reform, beginning with the establishment of a new child-centred operating model and a new agency, the Ministry for Vulnerable Children, Oranga Tamariki.

Our functions relating to the care and support of vulnerable children and young people were taken over by Oranga Tamariki from its establishment on 1 April 2017. Children and young people in the care of the Chief Executive of MSD at that date were formally transferred to the care of the Chief Executive of Oranga Tamariki.

In the transition period up to 31 March 2017 the needs of young people and children in MSD's care remained paramount. During this time we stayed committed to providing high-quality, effective core services to all our clients.

Preparing for the commencement of Oranga Tamariki

A transformation programme was established in April 2016 to:

- support the formal establishment of Oranga Tamariki and the roles, responsibilities and functions it and MSD have from 1 April 2017, as well as the arrangements for the provision of shared corporate services
- ensure the smooth transition of staff and functions between the two agencies
- support the design and implementation of the new operating model and early enhancements to services for Oranga Tamariki through the Investing in Children Programme
- refocus MSD to reflect its revised role and functions, implement a new organisational structure and develop a new strategic direction.

Supporting the formal establishment of Oranga Tamariki

In July 2016 Cabinet agreed the role and responsibilities of Oranga Tamariki and the functions and services supporting vulnerable children and young people. Cabinet also agreed the role, responsibilities and functions that would remain with MSD. In October 2016 Gráinne Moss took up the role of Chief Executive-designate of the new agency.

A core component of our ongoing support for Oranga Tamariki will be the provision of shared corporate services for at least the first two years of its establishment phase. This will allow Oranga Tamariki to focus on embedding changes to its operational and frontline services in order to achieve the Government's objectives for the vulnerable children's sector.

In October 2016 the Chief Executives of both agencies agreed a model for the delivery of corporate services. Services that support the strategic direction, design and delivery of core functions, and those that manage significant operational risk, have been established within Oranga Tamariki. This includes strategy and governance functions, ministerial services, communications services, and strategic IT and finance capability. Transition support agreements were established to support Oranga Tamariki for the final quarter of the 2016/2017 year while the new teams were formed to ensure a smooth transition.

Arrangements for longer-term provision of corporate services have been established through service level agreements to support the delivery of transactional and routine services. This includes services relating to IT infrastructure, human resources and finance services, property and facilities management, and data management.

Supporting the smooth transition of functions and staff to Oranga Tamariki

A dedicated workstream within the transformation programme was established to oversee the transition of staff, functions and support services to Oranga Tamariki on 1 April 2017 and the effective provision of shared services.

The People Transition Project focused on the transfer of staff to Oranga Tamariki, including the security vetting process for staff required under the Vulnerable Children Act 2014 (VCA), and running and supporting the recruitment processes for the new Oranga Tamariki roles. We undertook VCA checking of 3,100 core children's workers to enable Oranga Tamariki to operate with an appropriate workforce from Day One.

The project also focused on supporting staff impacted by the changes, both within Oranga Tamariki and as a result of MSD's internal structural changes, ensuring staff were connected to the recruitment processes for new roles and were able to access employee assistance programmes.

The Corporate Services Programme focused on ensuring Oranga Tamariki was able to operate effectively from Day One, with the necessary changes made to support both agencies across policy, people, process and technology functions. This work included making changes to the ICT infrastructure across human resources, finance and business applications and systems, as well as supporting the development of internal and external communications channels for Oranga Tamariki. The Corporate Services Programme also led the development of the suite of documents (including Memoranda of Understanding and service level agreements) to support the establishment of shared corporate services.

Supporting the design and implementation of the new operating model for Oranga Tamariki

The service and practice model design workstreams have been progressing the end-to-end design of the five core services and associated practices that will be delivered by Oranga Tamariki. Full design and delivery of new services and practices will occur over a four- to five-year period.

The first stage focused on transitioning to Oranga Tamariki with minimal disruption to services and support. We have been working through the detailed design and delivery of a suite of 'early enhancements' that will help to achieve tangible improvements for children and young people and generate momentum for change. Stage 2 focuses on implementation of care support and transition support services. Youth justice and intensive intervention services follow in stage 3, and prevention services will be fully implemented in the final stage.

This work contributed to the following Ministry outcomes:

- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving
- Fewer children and young people commit crime

By 31 March 2017:

3,405

referrals had been accepted by Children's Teams

Between 1 July 2016 and 31 March 2017:

119,044

children and young people were the subject of notifications to Child, Youth and Family, including Police family violence referrals

Notifications needed further action in respect of 29,187 children and young people.

A key focus in the lead-up to the start of Oranga Tamariki was ensuring that the necessary changes were made to the legislative framework to make sure the change is supported and enduring. From 1 April 2017 the Children, Young Persons, and Their Families (Advocacy, Workforce and Age Settings) Amendment Act 2016 came into effect:

- extending the age of state care to a young person's 18th birthday
- ensuring children and young people's views are taken into account as part of decision-making at an individual level, and in the development of services and policy
- supporting the establishment of an independent youth advocacy service
- enabling a broader range of professionals with specialist skills to perform certain functions; social workers will still be the main professionals responsible for carrying out these functions.

Two other key pieces of work were the establishment of the independent advocacy service VOYCE – Whakarongo Mai and Child-Centric Feedback and Complaints Mechanism. Both were live from 1 April 2017.

VOYCE represents the need for children and young people to be heard and their voices kept at the centre of all decisions made about them. The intent of the service is to provide an independent voice *from* children and young people to the care system, rather than an adult voice *for* these children and young people. One of the core principles of the service is that it will actively build a care-experienced community and promote a youth leadership approach. This means that over time services will be increasingly led, governed and delivered directly by people with a care experience.

The Feedback and Complaints Mechanism was established to increase opportunities for children and young people to have their say. It is a crucial component of the safety net wrapped around our most vulnerable children to support them to thrive, and to support system improvements informed by their feedback.

Refocusing MSD to reflect its revised role and functions and to develop a new strategic direction

A further arm of the Transformation Programme was focused on the changes required within MSD to support its refreshed role and mandate as a result of the creation of Oranga Tamariki.

We have made good progress in thinking about our role, focus and capabilities over the next 10 to 15 years. Our purpose, to help New Zealanders to help themselves to be safe, strong and independent, will not change. We are committed to a social investment approach to deliver better outcomes.

Our clients have different and, for some people, complex needs around welfare, financial assistance, housing and employment. Making greater use of data and analytics to achieve government priorities in the most cost-effective manner is key to any future delivery model. This will also be supported by better use of technology to connect clients with the services they need and to help us know that we are making a difference.

We are also thinking about our role in the wider social system; working with trusted partners and acting collectively will improve outcomes for clients and help achieve greater efficiencies through cross-sector joined-up work to support common clients.

Embedding the Community Investment Strategy

We purchase community-based services to support vulnerable children, young people and adults each year. To ensure we are making the biggest difference with this investment, we developed a Community Investment Strategy to guide decision-making about where and with whom we invest this money.

Results Measurement Framework

We have completed the Results Measurement Framework intervention logic (which includes result measures) for ten of our programmes and services, which account for 28 percent of our funding. This means that more contracts now have clear, client-centred measures in place. Client result measures have been introduced in two additional programmes for 2017/2018. Further work in this area will be dependent in part on progress with the client-level data collection process as the collection and use of data is expected to occur at an individual level.

Acceleration for Results (results-based contracts)

Acceleration for Results is about looking at the overall design process and approach used for results-based contracts (RBCs) to deliver programmes and services based on the results we expect to be achieved.

To further understand RBCs we worked with the Ākina Foundation to test and develop readiness tools, which include how to effectively transition existing contractual relationships. Ākina will provide us with a report outlining the challenges in establishing and managing results-based contracts for both non-government organisations and MSD, and with prioritised recommendations to address these challenges. We will progress this work through 2017/2018.

Individual client-level data requirements

During Phase 1 of the rollout process, eight services were contractually required to collect a specified set of individual client-level data. This included the Building Financial Capability contracts that were re-let on 1 November 2016.

In early 2017 the Privacy Commissioner conducted a review of the policy and processes for the collection, analysis and use of client-level data. At the same time we identified an issue with the IT solution that was about to be used for the transfer of the client-level data. As a consequence of these events, the Minister for Social Development deferred the contractual requirement to collect client-level data until the purpose and policies for collection, storage and use were made clear to the sector, and a secure system for transferring, storing and accessing the data could be developed.

From 1 July 2017 the policy work is being led by the Social Investment Agency.

Approving and assessing social services providers

A significant number of community social services providers that we work with were assessed against Social Sector Accreditation Standards and accompanying Specialist Standards as required. We have strengthened our core business policies and procedures and are in the last stages of finalising service level agreements with the Department of Corrections and the Ministry of Justice, for whom we are providing accreditation services. We are investigating expanding our services to other social sector agencies.

We have made steady progress in the Inter-Agency Accreditation programme, which seeks ways of working together to reduce duplication and compliance. We are currently involved in the R9 Accelerator project, a team from which has identified a solution to the IT-related issue in relation to information sharing[47]. The solution is to develop a tool for providers to upload accreditation-related documents to avoid each agency having to ask for these documents separately. Each agency will have access to the documents to reduce duplication of effort for government and providers. The next stage of the process is to develop a proposal and negotiate the funding agreement with interested government agencies.

Progressing Memoranda of Understanding with iwi, Joint Service Delivery plans, and Va'aifetu

Working more effectively for Māori and Pacific children will help improve outcomes for all children. During the period up to 31 March 2017 we continued to progress five formal Memoranda of Understanding with iwi partners (Ngāpuhi, Tainui, Ngāti Porou, Ngāti Kahungunu and Ngāti Toa). In 2016 Ngāi Tūhoe and Ngāti Tūwharetoa also sought relationships with MSD with a view to establishing formal partnerships.

The pilot of Va'aifetu (Pacific Knowledge and Practice Guidelines) in 2016 supported a number of Pacific children to be settled with kin in safe, loving and stable homes, while strengthening identity and cultural connections for others.

47 The issue is that there is currently no common IT area/platform that would allow multiple agencies to access one set of common accreditation-related documents.

New automated processes at the Child, Youth and Family National Contact Centre

On 30 November 2016 we launched new email routing technology to automate processing for email notifications received by the Child, Youth and Family National Contact Centre. As a result of the upgrade, essential information goes into the system of record used by social workers as soon as practicable. This enables a faster response by giving social workers the most recent information to inform the decisions they make for children and young people.

The automation has reduced the risk of manual errors in entering information and freed up staff time previously spent on manual data entry processes, to spend on tasks like social work assessment.

The National Contact Centre was transferred to Oranga Tamariki from 1 April 2017.

Youth Crime Action Plan

Since its introduction in 2007 we have been part of a cross-agency team delivering the Youth Crime Action Plan (YCAP). YCAP aims to provide, by 2023, a more integrated approach to reduce the likelihood of reoffending by those who enter the youth justice system.

The Investing in Children team[48] in MSD joined the YCAP Steering and Governance Groups in September 2016.

In the period up to 31 March 2017 we worked with our YCAP partner agencies to ensure that the future direction of youth justice services aligns with that of Oranga Tamariki, with a particular focus on custodial remands, transitions and supporting communities.

We also worked with our YCAP partner agencies on:

- re-establishing youth offending teams as local co-ordination hubs
- holding four regional hui, in Auckland, Christchurch, Whangarei and Rotorua, to assess progress on local arrangements for developing local youth crime reduction plans
- developing a set of YCAP key indicator results, drawn from the creation of a cross-sector dataset, which will become publicly available in 2017/2018
- producing material that captures the voices of young people in youth justice on how better to support them to reduce the risks of reoffending
- establishing early case consultation processes between our local youth justice teams and their Police Youth Aid counterparts.

Developing alternatives to remand

Up to 31 March 2017, as part of the cross-sector Youth Justice Governance Group, we led work to reduce remands, with support from NZ Police. Three workstreams were identified:

- a trauma-informed tool for the justice sector to support informed decision-making that balances responsibilities to protect the public and restore victims, whilst changing the destructive life course of struggling young people
- short-term specialist foster care placements for children and young people who are in conflict with the law to the extent that they need a period of safe containment
- an operating model for small-group remand homes in three communities (Whangarei, Palmerston North and Dunedin) in addition to facilities for custodial remands.

By 31 March 2017 we had agreed a business case to make more beds available by re-opening ten beds in Te Puna Wai residential facility, and to create the three remand homes.

Prior to the establishment of Oranga Tamariki, we commenced research to inform new practice guidelines aimed at supporting the wider remand system and the decision-making that leads to a reduction in custodial remand placements. This research is continuing in 2017/2018.

48 The Investing in Children team was established in MSD in April 2016 to help develop key initiatives to support the operating model and framework for the care and support of vulnerable children and young people and preparation for the establishment of Oranga Tamariki. The IIC's membership of the YCAP Steering and Governance Groups transferred to Oranga Tamariki in April 2017.

Working with the Children's Action Plan

A key element of the Children's Action Plan is the implementation of the Children's Team approach – a way of working hand in hand with families and whānau to create safer lives for vulnerable children.

Children's Teams support at-risk children who do not need a statutory care and protection response but still need intensive cross-agency support. We work together with other agencies, non-government organisations and communities towards one plan, always putting the child first.

During 2016/2017 we embarked on an evaluation of Children's Teams. Initial results indicate positive outcomes for children who have completed their engagement with Children's Teams to date. A sample study of children who had exited Children's Teams found that, by the time they exited the team, almost all (92 percent) of the children's unmet needs were assessed as either fully or partially addressed, either by gaining access to services (eg better accommodation) or by achieving better outcomes (eg school attendance)[49].

In 2016/2017 six recently established Children's Teams were gaining momentum in their communities. The Children's Team approach was successfully expanded in Canterbury and Te Tai Tokerau communities.

We also introduced the Vulnerable Kids Information System (ViKI) and Vulnerable Children's Hub to the Te Tai Tokerau Children's Team to improve referral management and information sharing.

On 1 April 2017 the Children's Action Plan functions and appropriation were transferred to Oranga Tamariki.

49 Analysis of 300 children who completed their engagement with Children's Teams from late 2016. There may be some variability in team's interpretations as conclusions about needs being fully or partially met were based on the judgement of lead professionals and expert panels.

Reducing the welfare liability

In 2015 the Government set two challenging Better Public Services targets to be achieved by June 2018: to reduce the number of beneficiaries by 25 percent to 220,000 and to achieve an accumulated actuarial release of $13 billion.

Over the past year we have continued to use a social investment approach to ensure we improve employment and social outcomes by moving people closer to independence. We have managed this through a greater use of active case management, and trialling new approaches.

Using a social investment approach to prioritise our work with people with health conditions and disabilities and Māori clients

Our focus in 2016/2017 was on two groups who make up a significant part of the liability and were addressed as a priority area in the Investment Strategy: clients with health conditions and disabilities (HCDs), and Māori clients.

People with health conditions and disabilities

Recent valuations of the benefit system have shown us that while we are doing well in moving jobseekers who have been on benefit for less than a year and sole parents out of the benefit system, we are not having the same impact for clients with more complex barriers to employment. This may be due to underlying HCDs or limited educational levels or skills. This means that many of our clients face particular difficulties in getting into the labour market, and our current portfolio of services does not completely prepare these clients for work.

A proportion of those who receive welfare benefits have an HCD, with poor mental health being particularly prevalent.

Ensuring that individuals with HCD needs have sufficient income not just to support themselves but also to meet the additional cost of their health care, is an important function of the benefit system.

Helping HCD clients, including those with mental health conditions, to find and stay in work is also one of our key goals. HCD clients have the right to work on an equal basis with others, and the social, economic and health benefits of employment are significant. Most of our HCD clients can and want to work.

Through trials and innovation, identification of best practice in regions and international evidence, we are learning more about what works to help disabled people and people with health conditions to find and stay in employment.

In the past year we entered a cross-agency partnership with the University of Auckland and the Waikato, Northland, Waitemata and Canterbury District Health Boards (DHBs) to change the way we engage with the health sector and the wider social sector to deliver outcomes. Under this partnership, known as Oranga Mahi, we are trialling new types of service provision to get better outcomes for people currently at risk of long-term benefit, health and justice system dependency.

In 2016/2017 Oranga Mahi implemented three trials:

- REACH (Realising Employment through Active Coordinated Healthcare) – a trial with Waikato DHB using cognitive behavioural therapy techniques to remove or reduce barriers preventing sustainable employment
- Step-Up – an intervention to access the right service and focus on getting clients back to work
- Rakau Rangatira (the leader within) – a kaupapa Māori and Whānau Ora-based trial that aims to support clients to return to wellness, manage their wellness, and move towards and into employment.

Mental health

Clients with mental health conditions make up over 40 percent of all clients receiving health and disability benefits.

In 2016/2017 particular services for people with mental health conditions included:

- services aimed at improving employment outcomes for people with mental health conditions on benefit in South Auckland
- a specialised Wellness service in Auckland, Waikato, Canterbury and the Southern and Central Work and Income regions to help people prepare for and find suitable work, and to support them and their employer when they do start work.

EmployAbility

Implemented in late 2016, EmployAbility is an approach to assist disabled clients and clients with a health condition to achieve sustainable employment. The approach aims to increase employment and economic opportunities for disabled people and people with health conditions. We work with clients to help identify their strengths and the types of jobs that could be right for them. We also work with employers to understand their needs so we can match the right clients to jobs that suit their particular skills. When the person obtains a job we offer them and their employer support to ensure it is successful for all involved.

Disability Confident campaign

We designed and developed the Disability Confident campaign, which the Minister for Disability Issues launched in November 2016. The campaign aims to highlight the many benefits of employing disabled people and to make it easy for employers to get the information they need to become ‘disability confident’. This includes showcasing the wide range of practical information and free government-funded support and services available to support employers to recruit and retain disabled employees.

Māori clients

Māori make up a significant proportion of both the benefit system (31 percent) and the social housing register (36 percent), but only 15 percent of the working-age population.

The 2016 valuation shows that the average future lifetime cost for Māori clients is about 50 percent higher than for non-Māori clients, and that they are significantly over-represented in all the risk factors associated with higher benefit cost. Consequently Māori clients are more likely to be on benefit for a long time and to go on and off benefit more regularly than other ethnic groups.

Unemployment, low pay, insecure housing, and other adverse social outcomes disproportionately affect many Māori communities. The effectiveness of our services for Māori is a critical factor in achieving our goal of improving the social and economic outcomes of all New Zealanders.

A very young Māori population, projected population growth and other demographic factors compound issues, and their future impact, for Māori and for wider New Zealand society.

In 2016/2017 we developed a Māori Investment Plan with a focus on improving sustainable employment outcomes, as a means to address long-term benefit dependence for Māori. The Plan sets out our strategy for addressing welfare dependency amongst Māori clients over the short, medium and long terms, and for ensuring that employment opportunities for Māori are meaningful, fit for the future, and sustainable.

We also established a Māori Innovation Reference Group, Te Aka Whānau, which contributed to the development of the Māori Investment Plan. The group continues to meet regularly to provide a consultative lens across Ministry initiatives that better address the needs of Māori.

This work contributed to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- Fewer children and people are vulnerable
- More communities are strong and thriving

At 30 June 2017:

276,041

people were receiving working-age benefits

(the lowest number since December 2007)

60,631

people were receiving Sole Parent Support

7.3% less than the previous year – its lowest level since the category was introduced in 2013

Expanding the Youth Service

Supporting disengaged young people into education, training or work

In October 2016 the Youth Service, a contracted service in which community-based providers work with unemployed or disengaged 16- to 18-year-old youths, was expanded to include 19-year-old teen parents, young partners and young parent partners of main beneficiaries.

Youth Service providers deliver intensive wraparound support to vulnerable youth to improve their educational and social outcomes and to reduce their welfare dependency. All clients referred to the Service have a youth coach and budgeting obligations and are money-managed. Teen parents in the Service have an obligation to attend a parenting course, enrol their children with a Primary Health Organisation, complete Well Child checks, and ensure children attend early childhood education.

Providers seek to coach youth to pursue or plan for education or training (by achieving at least NCEA Level 2 or equivalent), and to remain off benefit for at least three months after exiting the Youth Service. In 2016/2017 approximately 27 percent of people who left the Youth Service (over 3,400) stayed off benefit for at least three months.

We have a formal agreement with the Ministry of Education to share information about school leavers and potential school leavers.

Supporting the Business Growth Agenda

In 2016/2017 we continued to actively support the Government's Business Growth Agenda and regional development priorities through collaborative approaches to training and employment pathways for New Zealanders.

Under the Sector Workforce Engagement Programme[50], we are supporting Ara (the Auckland Airport Skills and Jobs Hub) as it transitions into industry-led ownership. As at 30 June 2017 Ara had placed 251 people into employment since November 2015, of whom 110 had previously been receiving a benefit. A school work experience programme with five South Auckland high schools aims to support 64 students to undertake work experience through Ara in 2017 – as at 30 June 2017, 50 students had undertaken work experience through Ara.

We are working on a number of initiatives within the Regional Growth Programme to support beneficiaries into work, including Project 1000 in Hawke's Bay, which aims to support 1,000 local people into jobs by July 2019. As at 30 June 2017, 257 people had been placed into employment. Of these, 34 percent were female, 50 percent were youth (18- to 24-year-olds) and 56 percent were Māori.

Trialling new ways of working with clients

In 2016/2017 we continued to seek opportunities to develop and implement trials to better understand the needs of clients who have high barriers to employment, in order to help them achieve improved outcomes.

One such trial, which began in 2016, is the Supporting Offenders into Employment trial, a joint initiative between MSD and the Department of Corrections, which was funded for $15.3 million over three years in Budget 2016.

The trial aims to improve employment outcomes and to reduce reoffending by engaging with prisoners before their release and continuing to provide intensive support for up to a year after their release as they integrate back into the community. It comprises two services, each for up to 200 clients.

Improving financial literacy and avoiding debt

In 2016/2017 we undertook a comprehensive redesign of budgeting services to build the financial capability and resilience of people experiencing hardship.

Working with providers, we used leading-edge social investment analytics and insights to co-design a new service, Building Financial Capability (BFC), which came into effect on 1 November 2016.

The BFC and Community Finance[51] services help clients to avoid debt by:

- providing small loans to enable clients to avoid high-interest debt from third-tier lenders
- providing services such as MoneyMates and Financial Mentors who help clients by talking through their options to avoid debt
- providing further financially inclusive products, including trialling a savings scheme with the aim of enabling clients to build a savings habit and thus provide a buffer against crises that can lead to debt.

50 Working with the Ministry of Business, Innovation and Employment and other key stakeholders, the Sector Workforce Engagement Programme aims to improve employers' access to reliable and appropriately skilled staff and create more opportunities for New Zealanders, including beneficiaries, to enter the workforce and develop their skills.

51 Community Finance provides small loans to people who would not otherwise have access to safe, affordable credit. The service has now been expanded nationwide.

Up to 30 June 2017 we had contracted 113 providers to supply financial mentoring and to facilitate MoneyMates group programmes.

The first part of the impact evaluation of the Community Finance Initiative showed evidence of positive changes for participants, in terms of their financial capability (attitudes and behaviours), employability and wellbeing. If maintained, the changes participants described can be expected to improve their financial situations over time[52].

Integrating the welfare and housing valuations

One of the pillars of the social investment is the use of actuarial modelling in the welfare and social housing systems to establish the lifetime costs both of the overall system and of specific client groups. We achieve this through annual valuations of the two systems.

The annual valuations identify likely future trends in benefit receipt and social housing need. We analyse and use this information to shape our services and case management and our work to identify new ways of doing things. The forward liability valuation is now a key part of our monitoring and accountability arrangements.

We have now integrated the welfare and housing valuations and since 30 June 2016 these annual valuations have been calculated using an integrated model. Using this integrated model, we can take a person-centric approach to people's welfare and housing needs.

Addressing alignment issues

In 2016 we identified 36 confirmed or potential situations where legislation and practice were not aligned. All of these issues have now been investigated and resolved or a way forward determined.

The two most significant issues were the benefit payment commencement date issue and the Accommodation Supplement rate of payment:

- An error in a legislative amendment in 1998 inadvertently changed the wording in the Social Security Act 1964 about the day on which benefit payments commence following a stand down. The error was corrected by new legislation in 2015. The vast majority of people affected by the 1998 error have now been paid for an extra day of entitlement. The small number of people who have not yet received payment will be paid when they provide their bank details.
- Between 1993 and 2014, more than 113,000 people had discrepancies that affected the rate of their Accommodation Supplement. We have paid all amounts owing to current and non-current clients. Clients who were overpaid will not be required to repay any money.

Rewriting the Social Security Act

In 2016/2017 we continued progressing a rewrite of the Social Security Act 1964 to make it easier to navigate and understand, and to help us improve the delivery of frontline services. The focus is on improving the structure of the Act so those who use it can find information more easily and understand it better.

The Social Security Legislation Rewrite Bill has been considered by the Social Services Committee and is currently awaiting its second reading.

52 Good Shepherd Microfinance-NAB, Life Changing Chats: Impact of the financial conversation on StepUP applicants' financial literacy and capability, April 2015.

Increasing and diversifying social housing with responsive housing support

Social housing is a vital part of New Zealand's social support system, providing a stable base from which vulnerable New Zealanders can access the support they need to build greater independence in all parts of their lives.

Demand for and supply of social housing and emergency housing are affected by policy and regulatory settings and pressures elsewhere in the housing market. Demand for social housing from low-income households is increasing faster than supply, and pressures in the private rental market also make it more difficult for tenants to exit social housing, with a flow-on impact on the time people spend on the social housing register.

We work to ensure that all New Zealanders with serious housing needs have access to safe, secure and stable accommodation and the right support services. Acknowledging the housing affordability and availability issues currently confronting many New Zealand families, we are working to deliver the right mix of additional support across the housing continuum.

Increasingly, our approach to the delivery of social housing will be informed by the social housing valuation (SHV), which will give us a better understanding of what life factors and situations are affecting vulnerable New Zealanders, and help us to design evidence-based services in response. The SHV approach is different from the benefit system valuation in that we won't be looking to reduce overall liability each year – in fact if we do the right thing and house the people who are most in need, this liability will go up. Our Social Housing Purchasing Strategy reflects the need to deliver more social housing places for vulnerable New Zealanders, and confirms our intention to purchase over 6,400 more social housing places of the right size, and in the locations with the greatest need, by June 2020.

Our social housing role

We lead the Social Housing Reform Programme (SHRP)[53], working alongside the Treasury, the Ministry of Business, Innovation and Employment (MBIE), Housing New Zealand and Te Puni Kōkiri. In 2016/2017 we placed a strong focus on engaging with providers and the housing sector to:

- increase and diversify the supply of social housing, including transitional housing and emergency housing support for people with nowhere to live
- support people to access services and initiatives to help them stay safely housed, address the issues that put them at risk, and build more independent lives.

While we continue to assess people's housing needs, manage the social housing register and work with providers to match people to the right housing, we have also responded to increased demand for social housing and emergency housing.

At 30 June 2017 there were 6,773 applications on the Social Housing and Transfer Registers, an increase of 26 percent compared with the same time in 2016. We have moved fast to house and support people who urgently need a place to live. In July 2016 we introduced an Emergency Housing Special Needs Grant: during the year to 30 June 2017 we supported 8,196 households with $33.5 million in grants. The Grant supports people and families with the cost of short-term accommodation in times of urgent need. The aim is for tenants to spend no longer than seven days in such housing.

We have secured 1,123 additional emergency housing places, 436 of them after enlisting a panel of 39 community housing providers (CHPs). For people with nowhere safe to live, emergency housing provides warm, secure short-term accommodation for an average of 12 weeks along with tailored social support, including assistance towards longer-term sustainable accommodation.

During the year we launched a number of initiatives to help people who are homeless or at risk of homelessness to be housed, retain a tenancy and access the social support they need.

These initiatives will give us evidence about what works so that we can invest in support that makes a difference in the future, and include:

- the Sustaining Tenancies initiative, which was launched in early 2017 and in which providers work closely with up to 940 social housing tenants whose complex needs put them at risk of losing their tenancies
- Housing First, an internationally acclaimed programme to address chronic homelessness, which was launched with CHPs in Auckland in March 2017 and provides 472 homeless people with a stable place to live and wraparound support services.

Actively shaping the social housing market

We work alongside the Treasury, MBIE and Housing New Zealand, enlisting the housing sector and community providers to create diverse and responsive social housing and services.

In December 2016 we issued our latest Social Housing Purchasing Strategy. We intend to purchase over 6,400 additional social housing places by June 2020 (almost half of these will be one-bedroom properties).

53 Five government agencies, led by MSD, are working together with community providers and the housing sector to increase and diversify the supply of transitional (emergency) housing and social housing, and to support people with services to help them stay safely housed, address the issues that put them at risk, and build more independent lives.

The Purchasing Strategy is based on detailed data about social housing demand nationwide, and enables providers, developers, investors and others in the housing sector to plan investment in social housing.

To meet the high demand for social housing where it is most needed, and to encourage the provision of social housing by CHPs, we introduced more flexible funding arrangements. We have a Request for Proposals (RFP) open until November 2017 for 1,000 additional Income-Related Rent Subsidy (IRRS) places, with flexible funding arrangements including long-term agreements, development funding towards new builds, and ongoing operating supplements. We established a Social Housing Supply Team in Auckland to work with the market to develop proposals, and by 30 June 2017 we had delivered 151 out of the 427 new IRRS places that were contracted for delivery under this RFP.

During April and May 2017 we ran regional roadshows around New Zealand to engage with the housing sector and to inform, and gather information from, the local sector about local housing needs and homelessness, and to encourage the housing sector to work with us in developing housing solutions.

We are strengthening and diversifying the social housing market. We now have 43 registered CHPs, 34 of which have contracts to supply social housing places with us. Community housing providers now own or manage more than 4,600 social housing tenancies.

Enhancing the social housing system through valuations and the social investment approach

In June 2017 we released the baseline 2015 SHV, which captures the first full year for which we had some responsibility for social housing. The SHV is the foundation of our social investment approach to social housing. Over time it will provide us with increasingly sophisticated evidence to enable us to develop policy and target resources to make the most impact.

The SHV provides reassurance that current housing policies and initiatives are on the right path. From short-term emergency housing support to long-term housing development and social interventions, the initiatives we are driving through the SHRP are targeted to the same groups that the valuation has identified as benefiting the most from our help.

The SHV will increasingly inform our approach to the delivery of social housing, and will help us to:

- better understand what life factors and situations are affecting vulnerable New Zealanders
- design evidence-based services in response.

This work contributed to the following Ministry outcomes:

- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable

During 2016/2017:

2,772 tenancy reviews were completed

243 households left social housing for private housing

50 households entered into home ownership

Contributing to the social sector and the social investment approach

We work collaboratively and effectively with our social sector partners to achieve outcomes for New Zealanders.

As a provider of social services, we play a critical role in the social sector with other agencies by supporting initiatives to help those who need it the most, from children and young people to working-age adults and retirees.

Developing a social investment approach

Social investment is about improving the lives of New Zealanders through the application of rigorous evidence-based investments across the social sector.

Over the last year we have continued to develop our investment approaches for welfare and social housing, to build a better understanding of the types of interventions that work and where they will have the greatest impact. This enables us to be flexible about the services we purchase and to make decisions considering the future needs of our clients.

We have been working towards an integrated social investment approach to welfare and social housing, for example through using a valuation model that combines benefit and housing information. The first valuation report on the social housing system (as at 30 June 2015) was released on 28 June 2017 and provides a baseline to measure change against.

The social housing liability is expected to increase as social housing is better targeted to those with higher needs. Our social investment approach recognises that, to be effective in improving long-term outcomes, social housing provision needs to include well-targeted support services as well as the provision of properties.

Working with the Social Investment Unit

The Social Investment Unit (SIU)[54] was a cross-agency unit responsible for overseeing and co-ordinating the Government's social investment approach. The SIU reported to the Minister Responsible for Social Investment.

We partnered with the SIU and other agencies through work such as the Social Housing Test Case, which demonstrates the ability to calculate the fiscal return on the investment in social housing.

Supporting cross-sector collaboration and governance

Until 31 March 2017 we continued to provide secretariat support for key cross-sector groups such as the Vulnerable Children's Board prior to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki. We also continued to chair, support and advise the Social Sector Board[55] to ensure that, across the social system, our services are delivering the biggest impact to people's lives.

We contributed to work led by the State Services Commission in relation to the refresh of Better Public Services results and targets, which the Government announced in May 2017.

Our continuing work to support the place-based initiatives in 2016/2017 included clarification of the decision-making rights of agencies, provision of data and analytical support, and development of an overarching evaluation framework.

Addressing family violence and sexual violence

Family violence and sexual violence affects many people in New Zealand and can lead to intergenerational impacts on individuals and families. The cost of family violence and sexual violence to New Zealand each year is estimated at $5.8 billion.

Our work with the family violence and sexual violence sector over recent years has met with pockets of success, but the sector has not yet established a cohesive, systematic, integrated approach. Initiatives have tended to be ad-hoc, isolated and incident-based, and have not provided a collective, holistic response to family violence and sexual violence as ongoing patterns of behaviour.

Government agencies and the family violence and sexual violence sector are in general agreement that simply repeating the scatter-gun approaches of the past will not have a lasting impact. Qualitative evidence about what does work in the New Zealand context is still limited, but our collective understanding of family violence and sexual violence has matured considerably. Much more still needs to be done to develop and deploy proven evidenced-based programmes that will reduce the risk of family violence and sexual violence.

We continue to work on preventing family violence and sexual violence by intervening early and supporting families and whānau to live without violence. We are building our evidence base to better understand what works best when addressing family violence and sexual violence to ensure we make good investment decisions.

In 2016/2017 we worked with the Ministry of Justice, the Department of Corrections, NZ Police, ACC, Te Puni Kōkiri and other government agencies to achieve the outcomes

54 The Social Investment Agency (SIA) replaced the SIU from 1 July 2017 and provides all-of-government social investment advice to Ministers.
55 On 1 July 2017 a new Social Investment Board, made up of the chief executives of the Ministries of Education, Health, Justice and Social Development with an independent chair, came into being to replace the Social Sector Board. The new Board is responsible for providing investment advice to the Government through the Minister Responsible for Social Investment.

of the Ministerial Group on Family Violence and Sexual Violence work programme, including key projects such as the Integrated Safety Response Pilot, which was launched in Christchurch in July 2016 and Waikato in October 2016, and the Workforce Capability Framework, which was launched in June 2017.

We established the Family Violence Prevention Investment Board to provide independent and expert advice to assist the Government in making investment decisions and to ensure alignment of prevention efforts.

We also led the continuation of the It's not OK, E Tū Whānau and Pasefika Proud campaigns.

The Pacific work programme included implementation of the Nga Vaka o Kaiga training programmes to build the capability of Pacific NGO practitioners and community influencers to further address family violence. We also conducted two formative evaluations of Pacific faith-based family violence services and Pacific provider-based family violence services to build our evidence base of what works for Pacific peoples.

We also continue to explore options to address family, sexual and other violence as it relates to disabled people.

Sexual violence services

We are working with the sexual violence services sector to develop services that are more accessible, effective and sustainable, with increased reach to victims, survivors and perpetrators of sexual violence.

Budget 2016 provided funding of $46 million over four years for improving sexual violence services, as a direct response to the recommendations of the Social Services Committee and the Law Commission. We are making good progress in rolling out this funding.

Minimising harm from gangs

Gang-connected families continue to be over-represented in negative social outcomes. As part of a wider suite of Gang Action Plan initiatives, we funded four community pilots to work with gang-connected people and their communities. The aim of the pilots is to reduce the negative social harm associated with gang membership and to improve social outcomes for individuals, whānau and communities.

The pilots will be trialled for two years to June 2018. An evaluation has been commissioned and will be undertaken over the lifespan of the pilots. Early indications of short-term success have been identified and include evidence that gang members and their whānau are actively engaged, there are increased opportunities for and participation in education, employment and training, there is increased engagement with primary medical care, and there is improved interagency collaboration.

This work contributed to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving
- Fewer children and young people commit crime

Spotlight on:

Transitioning Social Sector Trials to Place-based Initiatives

We transitioned nine[56] of the 11 Social Sector Trials (SSTs) that were still in operation at 1 July 2016 from a centrally led programme of work to locally led programmes by 31 December 2016[57]. During this period, social sector agencies supported sites to develop new models fit for each community's purpose and to develop supporting structures and processes. By January 2017 we had successfully established all locally led models or place-based initiatives to replace SSTs.

56 In Gisborne and Kaikohe, transition to locally led models to follow the Trials was not required as place-based initiatives had begun earlier in 2016.

57 Five SSTs ended on 30 June 2016. The 11 sites still operating on 1 July were in Kaikohe, Gisborne, Porirua, South Dunedin, Gore, Horowhenua, South Waikato, Taumarunui and Waitomo.

Delivering a seamless and easy client experience

Our clients have told us they want to do more for themselves in terms of accessing services at times and places that suit them. We provide services to over a million New Zealanders every year, so it is important clients can easily access our services in user-friendly and modern ways.

Simplification programme

Simplification is about redesigning our transactional services. It provides a simpler service that makes far greater use of digital channels including mobile, web, voice, and other electronic transmission services. Simplification's successful delivery of technology and business change means clients are now doing more for themselves at times and places that suit them and without always needing to travel to a site or call us.

MyMSD

During 2016/2017 we continued to expand client services on MyMSD. MyMSD is an easy-to-use mobile web service that gives clients trust and confidence in our services, empowers clients by giving them ability to update their personal information, and saves significant time and effort. It was co-designed with clients to make sure it uses language clients are familiar with, is easy to navigate, and provides the information and features clients said they most wanted.

Use of MyMSD has gone from strength to strength, with more than 7 million logins up to 30 June 2017. Clients can now view and update many of their details (including letting us know what they have earned each week), manage their own appointments, and apply for help with food, school uniform and school start-up costs without needing to travel to one of our service centres.

We have seen good progress in the month-on-month uptake of MyMSD digital services, with 60 percent of clients who work part-time now using the platform to let us know about their income each week. This equates to over 10,000 transactions every week that clients complete without calling or visiting a service centre.

In a public sector first, we have negotiated a reduced-cost data arrangement (Cheap As) with the four main telecommunications networks. This means that it costs clients nothing or very little to access and use MyMSD.

Voice-enabled technology

About 80 percent of all client calls are now categorised and routed by voice-enabled technology. This means more clients are directed through to the right service promptly and first time.

Electronic medical certificates

Our e-lodgement service was further extended with GPs. Now 87 percent of work capacity medical certificates are lodged electronically, saving time for busy medical practices. This also means that over 1,200 clients a day do not have to go into one of our offices to drop off medical certificates and are assured the certificate has been lodged securely.

Process automation

We are working hard to make it easier for our clients to access the financial services and support they need. Automating processes will allow our staff to increase their focus on the activities that make a real difference to our clients' lives and lead to better outcomes for families and communities.

During 2016/2017 we:

- introduced a generic online application form that is easier for working-age and senior applicants to complete
- introduced an appointments 'window' for some application types, so clients have more flexibility, rather than having to attend an appointment at a specific time
- moved most payments letters online into MyMSD, so that now we only post letters if a client specifically asks us to do so
- streamlined business processes by eliminating unnecessary steps and centralising processing, so some appointments can be shorter
- enabled some online contact detail changes, wage declarations, and medical certificates to be processed automatically.

Client Debt Management Strategy

In 2016/2017 we launched a Client Debt Management Strategy to focus our efforts on reducing the overall level of debt created and to optimise the amount of debt collected. We want to make it easier for clients to tell us about changes in their circumstances so they can avoid debt.

The Strategy aims to minimise client debt, as excessive levels of debt can form a barrier to clients moving towards independence.

It has four strategic themes:

- making it easy for clients to understand and comply with their obligations, for example by using behavioural insights when communicating with clients
- working smarter – having the right systems and processes and using the right information to minimise debt, for example by developing predictive analytic models to better target fraud and debt activities
- working together – having effective interagency relationships and processes in place to minimise debt, for example through enhancing data matching and information sharing
- reviewing policy and legislation to ensure our policy frameworks effectively support the minimisation of debt.

Optimising debt recovery

In 2016/2017 we realigned our debt collection systems to ensure that our efforts are focused on higher-value work and are committed to optimising debt collection rates and encourage the use of online channels to make it easier for clients to view and understand their debt. In 2016/2017 there was a significant increase in the number of people viewing their debt balances and repayments in MyMSD.

Information sharing with Inland Revenue

Our information-sharing programme with Inland Revenue has improved so that:

- more clients who have been identified as being overpaid have their payments corrected
- overpayments are identified earlier and more efficiently
- clients are encouraged to change their behaviour by complying voluntarily with income declaration requirements.

Benefit Review Committees[58]

Benefit Review Committees (BRCs) carry out independent reviews of any decision we make that has a bearing on a client's income support or pension. A BRC is made up of two people from MSD who were not involved in the original decision, and one other person appointed by the Minister of Social Development.

In 2016/2017 we received 4,736 applications for review of a decision. Of these, 3,151 were resolved before going to the BRC. The remaining 1,202 applications were resolved by a BRC: 912 (76 percent) confirmed the original decision, 129 (11 percent) varied the original decision, 157 (13 percent) were revoked, and four were outside the jurisdiction of the BRC. The number of review outcomes pending as at 30 June 2017 was 383.

This work contributed to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- More people are able to participate in and contribute positively to their communities and society
- Fewer people commit fraud and the system operates with fairness and integrity

During 2016/2017:

30,296 main benefit applications were made online
including 55% of JobSeeker Support applications

80% of calls are categorised and routed by voice-enabled technology
meaning more clients are directed to the right service first time

5,992 cases of suspected benefit fraud were investigated

58 The figures below do not include any decisions on Student Allowances made under the Education Act 1989, which are subject to a separate review process and do not go to a BRC.

Building a culture of health, safety and security

Our clients provide us with a huge amount of personal information, to establish their identity and to determine their entitlement to assistance. They trust us to handle it securely and sensitively and to share it only as necessary and in accordance with established information security principles.

Embedding the way health, safety and security operates

In 2016/2017 we implemented an operating model which will support us to embed and mature our approach to health, safety and security (HSS). We have developed core frameworks and carried out a comprehensive critical risk assessment process. We have also set up a detailed work programme to prioritise where we place our focus in line with our Health, Safety and Security Strategic Plan.

We have clarified health, safety and security accountabilities for all our roles, with a focus on increasing our staff's and the public's level of trust and confidence in their safety on our sites, increasing the capability of staff to prevent incidents, and responding effectively when an incident does occur. We have improved our collection and use of health, safety and security data and intelligence to inform processes for delivery of services and environmental design. This has been supported by a robust training and awareness programme.

In addition, we have commenced consultation with staff on the development of a Wellbeing Strategy, and have aligned the delivery of our services to meet the unique requirements of both MSD and the Ministry for Vulnerable Children, Oranga Tamariki as separate entities. All of these initiatives will help us to continue shaping our health, safety and security culture over time.

Security Response Programme

In early 2017 we completed delivery of the Security Response Programme (SRP)[59] that we had initiated in response to the Phase 2 report of the Independent Review of the Security Environment for the Ministry of Social Development that followed the tragic incident in Ashburton in September 2014.

Ernst & Young (EY) completed a review of the SRP to assess whether it had met the intent of the recommendations of the Phase 2 report. The findings of the EY review confirmed that the SRP has met, and in some cases exceeded, the intent of the Independent Review recommendations, and that the progress we have made in improving our health, safety and security is evident.

EY described the work of the SRP as "transformational". It has changed the way we look at health, safety and security risk as an organisation, and it has changed attitudes to health, safety and security amongst staff at all levels.

Impacts of the WorkSafe prosecution

Following the tragic incident in Ashburton in September 2014, WorkSafe brought a charge against MSD. While the judgement deemed that we could not have prevented a determined lone gunman, it did indicate some practical steps that we could have taken to ensure the safety of our employees and clients.

The judgement validated the work and progress we have made in raising our security maturity levels since the Ashburton incident, and will continue to influence our thinking in the future as we prepare for introducing and refining physical security elements in our frontline sites.

Developing our capability to share information to support better outcomes

We use the information we collect from our clients in a number of operational areas to help provide clients with the right services so that we can support them into housing and employment. It is important that the personal information we have about our clients is shared and reused ethically, safely and legally, and that we handle it securely, sensitively and in accordance with established privacy principles.

In the past year we continued to build a centralised information-sharing capability, designing new mechanisms and tools to support better decision-making on when and how we can share information. We are modernising and consolidating existing approaches to improve the use of information we already hold.

59 The SRP was put in place to implement the recommendations of the Independent Review of the Ministry's security following the tragic events in Ashburton on 1 September 2014.

We collaborated with Inland Revenue to design and consult on a Benefits and Subsidies Approved Information Sharing Agreement, which is due to come into force in late 2017. This agreement will allow both agencies to reuse information more effectively to support client entitlements and obligations.

We have led or supported many other initiatives, where shared information has been pivotal to designing new services or policies, identifying risks, and improving the delivery of client-centric services. This includes partnering with Oranga Tamariki to ensure that our information continues to be available to support its work with vulnerable children.

Information Management Strategic Framework

We developed an Information Management Strategic Framework (IMSF) in 2016 to support decisions about how we maximise the value from, and demonstrate that we are responsible custodians of, client information. A key focus in the implementation of the IMSF in 2016/2017 has been on raising awareness of and educating our staff in the areas of information security and privacy.

Supporting strong, inclusive communities

Through StudyLink, the Ministry of Youth Development, the Office for Seniors and the Office for Disability Issues, we provide support to students, young adults, seniors and disabled people respectively to enable them to be part of their community.

Assisting students to overcome barriers to higher education

Education leads to more people contributing to their communities and society. Through our StudyLink service line we connect people who are thinking about tertiary study with the information and support they need to make considered decisions and overcome the social and financial barriers to accessing higher education. We provide this support through student allowances and loans and by funding the Student Job Search service.

The Student Job Search scheme helps tertiary students find employment while studying and during study breaks. In 2016/2017 students were placed in nearly 27,000 jobs (0.3 percent above target), generating minimum potential earnings of nearly $83 million (10.6 percent above target). This income helps students to reduce their reliance on other forms of financial assistance.

Supporting young New Zealanders to contribute to communities

Through the Ministry of Youth Development (MYD) we provide opportunities for young people to acquire the skills and confidence they need to participate in and contribute to the social and economic growth of New Zealand.

We purchased services from nearly 200 local and national youth development providers in 2016/2017, supporting approximately 500 varied and distinct programmes and services. These included the 2016 Youth Parliament, the Young Enterprise Scheme, the Duke of Edinburgh's Hillary Award, the Prime Minister's Youth Programme, and the Youth in Emergency Services and Youth in Civil Defence programmes.

These programmes and services delivered youth development opportunities to achieve positive wellbeing outcomes for young people, including improving their capability and resilience. They enhanced protective factors in young people's lives by providing opportunities for leadership, mentoring and/or volunteering activities to develop decision-making, team-working and communication competencies. The initiatives also helped to build confidence and self-esteem, and supported youth participants to contribute positively to their communities.

Youth Investment Strategy

In 2016/2017 MYD developed a Youth Investment Strategy with the aim of improving young people's long-term outcomes through better funding opportunities, programmes and initiatives that build the capability and resilience of young people. The Strategy outlines a focus on working with young people and providers to achieve outcomes through providing leadership, volunteering and mentoring opportunities.

Partnership Fund Board

In mid-2016 the Government committed funding to seed a Partnership Fund overseen by an independent board, to attract investment from business, philanthropic, iwi and other partners to grow youth development opportunities. Since then the Board has approved investment of over $1.2 million of government funding, alongside partner contributions of over $3 million.

Youth Awards

In 2016/2017 we administered and managed the process for the New Zealand Youth Awards and the Minister for Youth's International Leadership Award.

The New Zealand Youth Awards recognise and celebrate the passion, success and commitment of young people who are leading change, innovating and creating solutions throughout New Zealand. For the 2017 awards the Minister for Youth presented trophies and certificates at Parliament to 50 young people and groups.

Ten young leaders from New Zealand received the Minister for Youth's International Leadership Award. They visited China as part of a ministerial delegation to increase and deepen their knowledge about innovation, technology and entrepreneurship in a country with a burgeoning start-up scene.

Youth Parliament

We administered the two-day Youth Parliament event in July 2016, in which 121 Youth MPs and 16 Youth Press Gallery members participated in a realistic Parliamentary simulation experience that exposed them to the Parliamentary process. The event was the pinnacle of the Youth MPs' six-month tenure.

Prime Minister's Youth Programme

In January 2017 MYD contracted a number of providers to deliver the Prime Minister's Youth Programme (PMYP), which is targeted at young people who have faced and are managing significant challenges in their lives. A total of 99 young people from Central, South and West Auckland completed the programme, which included meeting the Prime Minister and the Minister for Youth and participating in a programme of activities designed to support social and community connections. The programme culminated in a celebration dinner and certificate presentation ceremony attended by both the Prime Minister and the Minister for Youth.

Supporting seniors to maintain independence and participate in society

Older people are key contributors to our economy and our communities. We provide services to support the wellbeing of seniors and encourage their participation in their communities.

In the past year we continued to promote the World Health Organization's age-friendly programme. We have been working with three pilot communities (Kāpiti, New Plymouth and Hamilton) and other communities have also expressed an interest in the approach, as a greater awareness grows of the changing demographics in New Zealand.

In 2016/2017 we continued to administer nine contracts covering 27 specialist elder abuse and neglect prevention services throughout New Zealand. These services helped prevent or reduce the incidence of abuse or neglect by providing education for aged-care workers and raising public awareness about the existence and prevalence of elder abuse, how to identify elder abuse, and how to respond when it is suspected.

Elder Abuse Response Service

We established a new Elder Abuse Response Service (EARS) from 1 July 2017 to address the immediate needs of older people experiencing abuse and neglect.

EARS prioritises interventions for older people experiencing or at risk of abuse. A free and confidential 24/7 helpline enables 18 organisations (including a number of consortia) to provide services that focus on intervention. Callers to the helpline will be triaged and referred to appropriate services in their area.

Service providers will need to provide consistent data, both qualitative and quantitative, to help to address gaps in our knowledge, improve our understanding of the issues, and monitor for outcomes.

This work contributed to the following Ministry outcomes:

- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving

During 2016/2017 there were:

220,374 Student Loan applications

19,425 Jobseeker Support Student Hardship applications

712,251 SuperGold Card holders (at 30 June 2017)

Supporting disabled New Zealanders to participate in society

Through our Office for Disability Issues we lead government work to promote better life outcomes for disabled people. We work with government agencies and disability sector organisations to promote the removal of barriers that limit or prevent disabled people from participating in society.

Revision of the New Zealand Disability Strategy

In 2016 the Office for Disability Issues led the revision of the New Zealand Disability Strategy (NZDS). The Minister for Disability Issues launched the revised NZDS, which will guide the work of government agencies on disability issues from 2016 to 2026.

We began work on developing an outcomes framework for the NZDS. The framework will provide the mechanism to measure whether progress is being made on implementing the revised Strategy.

New Zealand Sign Language (NZSL)

Through the Office for Disability Issues, and as part of our responsibility for administering the New Zealand Sign Language Act 2006, we provide secretariat support and advice for the NZSL Board and the associated NZSL Fund.

Funding from the NZSL Fund supported 27 initiatives in 2016/2017 that promote and maintain the use of NZSL, including community-led activities, one-off projects, and some longer-term initiatives.

Transformation of the disability support system

Enabling Good Lives (EGL) is a joint initiative between the Ministries of Health and Education and MSD to improve the disability support system. The two demonstrations of the EGL approach – in Christchurch and Waikato – have both now concluded and been evaluated. The evaluations found that participants in the demonstrations, and their families and whānau, reported having greater choice, control and flexibility over their disability supports. We have contributed through managing the EGL demonstration in the Waikato, and providing advice to Ministers on the design and development of the EGL initiative.

In March 2017 the Government announced a co-design process with the disability sector to begin a nationwide transformation of the disability support system. The new system will be based on the EGL vision and principles. The co-design process is being informed by lessons from the two EGL demonstrations and by evidence of what works. We will provide support for the system transformation work, which is being led by the Ministry of Health.

Emergency management responses

We responded to a number of emergency events throughout the year, including the Kaikōura earthquake and tropical cyclones Cook and Debbie.

On 14 November 2016 a magnitude 7.8 earthquake in Kaikōura caused significant damage in the South Island and the lower North Island, significantly impacting our clients and operations, as well as staff.

We quickly mobilised our incident management arrangements and established an Emergency Operations Centre in Wellington to co-ordinate our response to the event.

Demand for our services increased through the need to provide extra emergency funding, including over 1,250 Civil Defence payments to affected people and more than $17 million in the Employment Subsidy Scheme to affected employers. Fortunately payments to clients were not significantly impacted by the earthquake, despite substantial staff interruptions through building closures, and temporary loss of IT in the initial hours following the earthquake. Where we were impacted, we implemented business continuity arrangements to ensure critical services continued to be delivered.

Regionally, our staff were on the ground in Kaikōura to support the local welfare response and to provide services to affected people. Over subsequent weeks we continued to bring in additional staff from across the country on rotation to provide support services to those most affected.

Nationally, we contributed to the all-of-government response that was led by the Ministry of Civil Defence and Emergency Management (MCDEM). This included running the 0800 Government Helpline (3,832 calls received), leading our welfare responsibilities, and contributing staff to support the work of the Officials Committee for Domestic and External Security Co-ordination in the Department of the Prime Minister and Cabinet.

In April 2017 tropical cyclones Debbie and Cook caused significant damage to parts of the North Island. Edgecumbe in the Bay of Plenty was worst impacted; our staff were quickly on the ground supporting the community, helping ensure that affected people could access the full range of services available to them.

We again activated our Emergency Operations Centre in Wellington to co-ordinate our response. Demand for services increased: to date we have assessed nearly 1,900 applications for Civil Defence payments totalling over $885,000, and taken more than 2,400 calls to the 0800 Government Helpline. The Minister for Social Development approved funding of $1 million for recovery activities via the Enhanced Taskforce Green package, which is still active.

We contributed to collective government response efforts, and our staff were seconded to lead recovery co-ordination in MCDEM's National Recovery Office.

Strengthening our organisational health, capability and culture to allow us to operate as a cohesive, integrated agency

Strengthening our people, capability and culture

The establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017 had implications for our workforce in terms of our size and the way we work. We invested considerable effort in the development of a shared services model for the delivery of 'backbone' functions that help agencies run smoothly and efficiently.

We remain committed to enhancing the capability of our people and to fostering a constructive organisational culture to drive performance. Our People Strategy, which we launched in 2016, articulates four broad themes: supporting our people to perform at their best, moving towards a more planned approach for an increasingly responsive workforce, building our leadership capability, and orienting our organisation and workforce around our clients. These themes are underpinned by our principle of embedding a constructive, collaborative and innovative corporate culture.

In 2016/2017 we maintained the momentum of our Building Blue leadership initiatives. We coached 63 senior and middle managers around the Life Styles Inventory (LSI™) 360 degree feedback tool, which supports the organisational culture and leadership programme.

Enhancing our change capability

We continue to invest in growing our change management capability to support our delivery in a dynamic environment. This has involved maintaining a change champion network and including a change management module in our new manager induction programme.

Equal employment opportunities

Our equal employment opportunities (EEO) policy promotes equality and diversity within a culture that is based on respect, fairness, and valuing of individual differences.

In 2016/2017 we worked collaboratively with the State Services Commission to support the Lead Toolkit for employing disabled people in the state sector and with other agencies to identify and share best EEO practices.

Supporting a diverse and inclusive workplace

In 2017 we began the development of an organisation-wide Diversity and Inclusion Strategy to identify future opportunities that will enable a diverse and inclusive working environment across all organisational levels.

We are committed to supporting the State Services Better Public Services 2.0 Diversity and Inclusion approach, which includes addressing the gender pay gap, participating in the systems profile stocktake, and effectively reporting on diversity and inclusion initiatives and outcomes.

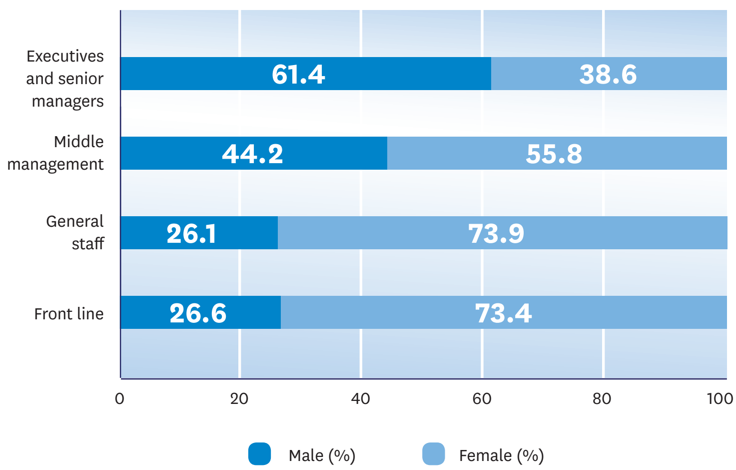
Our workforce is predominantly female, more so than across the Public Service as a whole (71 percent compared with 61 percent). However at senior manager/executive level, females occupy less than 39 percent of the roles.

Our gender pay gap (the difference between the average salaries of male and female employees) is also higher than the overall Public Service figure, at 14.7 percent in favour of males compared with 13.5 percent. For the majority of our staff there is little or no gender pay gap: in fact, in the largest occupational group (social, education and health workers) the gap is 0.42 percent in favour of females. However the salary difference is most evident in the managerial occupational group, which has the lowest representation of females of all our occupational groups.

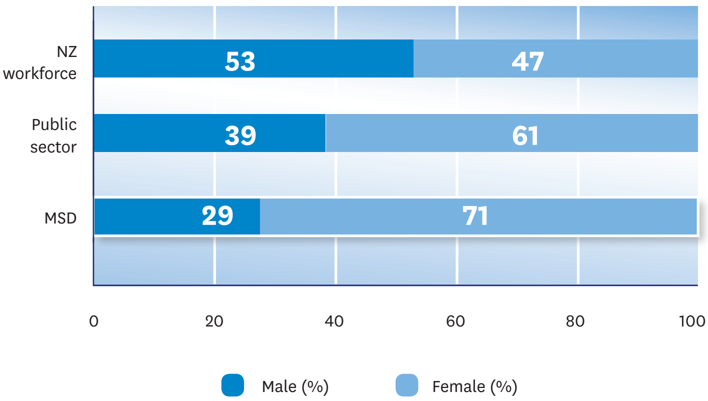
We are committed to supporting the Government's objectives for the Public Service of addressing the gender pay gap, participating in the systems profile stocktake, and effectively reporting on diversity and inclusion initiatives and outcomes.

The graphs below provide our demographic breakdown.

Gender distribution by level

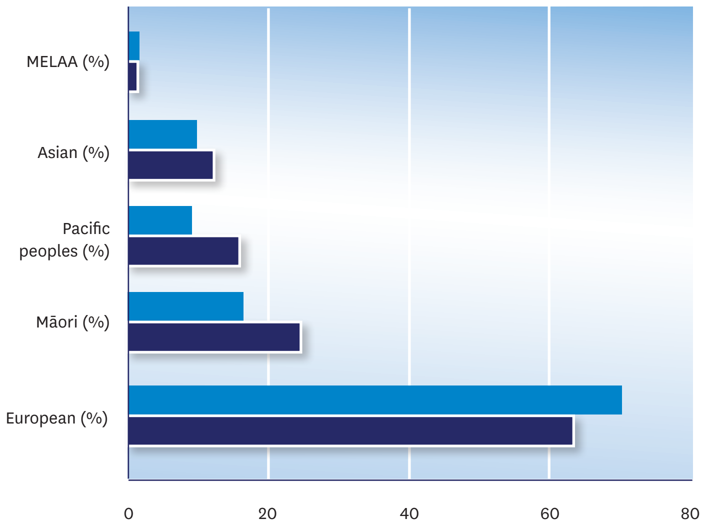


Diversity statistics by gender



Source: State Services Commission, Human Resource Capability in the New Zealand State Services, 2016 (www.ssc.govt.nz/sites/all/files/HRCReport-2016_0.pdf) and Ministry of Social Development Statistics

Diversity statistics by ethnicity



%	MELAA	Asian	Pacific peoples	Māori	European
Public sector	1.3	9.4	8.7	16	69.1
MSD	1.2	11.9	15.5	24.1	62.4

Note: MELAA refers to Middle Eastern, Latin American, African ethnicities

Source: State Services Commission, Human Resources Capability in the New Zealand State Services – 2016 (www.ssc.govt.nz/sites/all/files/HRCReport-2016_0.pdf) and Ministry of Social Development statistics

Leadership development

Developing effective leaders who back their people to succeed across all levels remains a priority for creating an effective culture. Over the past year we have engaged with our leaders to identify what is working well, barriers to leadership development and performance, and opportunities for improvement. We have developed an overarching leadership development strategy and a talent and succession framework to attract, develop and engage our present and future leaders across MSD.

We have more leadership development opportunities, and graduates, than ever before:

- Emerging Leaders supports high-performing people who have the potential and aspiration to move into their first management role – 215 people have graduated since its launch, 16 over the past year
- Te Aratiatia supports high-performing Māori and Pacific people to move into their first management role – 14 people have graduated over the past year
- Te Aka Matua supports Māori and Pacific leaders to complete their Master's degree in Public Management – seven people commenced their studies this year
- MSD Study Awards provide an opportunity for staff to pursue a significant programme of their choice that will benefit themselves and the Ministry – ten awards were made last year
- Our New Manager Programme involves a suite of workshops for first-time leaders with core management and leadership skills – 32 people have graduated over the past year.

Leadership and governance

Leadership is the single most critical driver of successful change. Given the scale of change we have faced in the last year and will continue to face, it is essential we have strong leadership in place.

Our governance arrangements support whole-of-Ministry leadership and decision-making.

Our Leadership Team is made up of our Chief Executive, five Deputy Chief Executives and the Director of the Office of the Chief Executive. These leaders have collective responsibility for ensuring our organisational health, capability and capacity to deliver services and achieve outcomes.

In 2016/2017 five governance sub-committees of the Leadership Team supported strategic decision-making across the organisation:

- Information Management Governance Committee
- Finance and Portfolio Governance Committee
- Corporate Capability Governance Committee
- Policy and Cross-Social Sector Committee
- Health, Safety and Security Governance Committee.

We reviewed this governance framework in the first half of 2017 to ensure it remained fit for purpose, and introduced a new framework in July 2017.

Independent Risk and Audit Committee

The Risk and Audit Committee provides critical support to the Chief Executive through independent advice and challenge on risk, internal control and assurance matters. The Committee's advisory role provides an alternative perspective on risk management and internal control, internal assurance, external audit, financial and performance matters, and governance frameworks and processes. The perspective provided by the Committee is of critical importance in a time of change for the Ministry.

The Committee met four times during 2016/2017 and comprised four independent external members:

- Graeme Mitchell (Chair)
- Kristy McDonald
- Linda Robertson
- Sir Maarten Wevers.

The Committee provided advice and assurance on the following key areas of our programme of work:

- the strategic change programme, including the Transformation programme
- health, safety and security
- emergency housing
- simplification
- cybersecurity
- historical claims
- shared corporate services
- holiday pay compliance.

Maintaining stable industrial relations

In 2016/2017 we successfully concluded negotiations in relation to our four main collective agreements (Service Delivery, National Office/MYD, and Child, Youth and Family[60]).

We have sought to maintain constructive union relationships through engagement, particularly in relation to significant change such as in the area of health, safety and security and the establishment of Oranga Tamariki. In addition, we have agreed a work programme arising out of collective bargaining, to encourage progress towards joint commitments. Through our collective bargaining, we have also agreed with the Public Service Association (PSA) to identify appropriate ways to support staff who make key contributions through their knowledge and skills of te reo and tikanga Māori.

MSD union membership is 57 percent. Of those union members, 98 percent belong to the PSA.

Human Resources Management System

Getting accurate data and a single source of employee information is an important step in enabling better decision-making and allocation of resources. As well as improving the visibility and capability of our workforce, it increases organisational consistency and compliance.

In November 2016 we introduced the first modules of a new Human Resources Management System (SAP SuccessFactors). This cloud-based system, part of an all-of-government procurement, is a significant investment in our corporate infrastructure.

In the first wave of implementation we introduced core employee data, organisation structures, leave management, recruitment and onboarding. This implementation was a significant organisational change and coincided with higher than normal recruitment volumes and increased support needs because of the establishment of Oranga Tamariki. The changes are taking more time to embed than expected and work is continuing to make sure the system and business processes are well aligned.

Shared corporate services with Oranga Tamariki

As part of system reform, the Government agreed in 2016 that MSD would provide a range of shared corporate services to Oranga Tamariki for at least the first two years of its operation.

We agreed with Oranga Tamariki a series of service level agreements, and we have provided services in accordance with these agreements since 1 April 2017. We have actively managed any issues that have arisen in partnership with Oranga Tamariki.

60 There were two collective agreements for Child, Youth and Family before 1 April 2017.

New Zealand Business Number

We have established a steering group to oversee the implementation of the New Zealand Business Number (NZBN) within MSD. The steering group will ensure compliance with Government directives and will implement the NZBN where it provides an advantage to us and our clients.

Our Client Management System (CMS) uses the NZBN in the provider database to identify businesses and community organisations that interact with MSD (ie where a NZBN has been adopted) and has begun adding the NZBN to records in preparation for using it as a unique identifier. It is now mandatory for CMS users to enter the NZBN when creating new records for providers registered with the Companies Office.

Resolving complaints and grievances

Chief Executive's Advisory Panel on Child, Youth and Family complaints

The Chief Executive's Advisory Panel was the second stage of the Child, Youth and Family formal complaints process up to 31 March 2017. Complainants who were unhappy with Child, Youth and Family's response to their complaint were able to request a review by the Chief Executive. The Panel assisted the Chief Executive's review of the complaint by providing a 'fresh pair of eyes' independent from MSD, and was made up of independent members who are appointed on the basis of their credibility, community standing and professional respect.

Between 1 July 2016 and 31 March 2017 the Panel received 63 requests for a review, and 60 requests were closed. Twelve of the 60 closed complaints were found to be outside the Panel's jurisdiction, and four were withdrawn. A further 27 requests were referred back to Child, Youth and Family as they had not been through an internal review.

The Panel heard 19 complaints during this period.

The Chief Executive made decisions on 15 complaints during the period; of these eight were upheld in full and five in part.

On 1 April 2017 Oranga Tamariki took over the functions of Child, Youth and Family, including the formal complaints process. All requests for a Panel review on hand with the Review Secretariat at 31 March 2017 continued to progress through the Panel review process.

Departmental asset services and asset management

Asset services

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

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

Technology

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

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

Property

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

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

Motor vehicles

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

We work with the Ministry of Business, Innovation and Employment and participate in an all-of-government vehicles contract to optimise our procurement opportunities.

Asset management

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

Statement of Responsibility

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

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

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2017 and its operations for the year ended on that date;
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2018 and its operations for the year ending on that date.

Brendan Boyle
Chief Executive

29 September 2017

Independent Auditor's Report

To the readers of the Ministry of Social Development's Annual Report for the year ended 30 June 2017

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

- the financial statements of the Ministry on pages 104 to 135, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2017 on pages 9 to 11 and 57 to 101;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2017 on pages 152 to 158; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 136 to 150 that comprise:
    - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
    - the schedules of expenses; and revenue for the year ended 30 June 2017;
    - the statement of trust monies for the year ended 30 June 2017; and
    - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 104 to 135:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2017; and
        - its financial performance and cash flows for the year ended on that date; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity accounting standards.
- the performance information of the Ministry on pages 9 to 11 and 57 to 101:
    - presents fairly, in all material respects, for the year ended 30 June 2017:
        - what has been achieved with the appropriation; and
        - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
    - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry on pages 152 to 158 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 136 to 150 present fairly, in all material respects, in accordance with the Treasury Instructions:
    - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
    - expenses; and revenue for the year ended 30 June 2017; and
    - the statement of trust monies for the year ended 30 June 2017.

Our audit was completed on 29 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Chief Executive for the information to be audited

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

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

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

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

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

Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's Estimates of Appropriations administered by the Ministry.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 8, 12 to 47 and 159, but does not include the information we audited, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit we have carried out assignments in the area of Probity Assurance (investing in children), which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.

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

Assessing our Performance

Linking it together: Links between the Ministry's outputs and outcomes

We help New Zealanders to help themselves to be safe, strong and independent

Ministry Outcomes	More people into sustainable work and out of welfare dependency	More people are able to participate in and contribute positively to their communities and society	Fewer children and people are vulnerable	More communities are strong and thriving	Fewer children and young people commit crime	Fewer people commit fraud and the system operates with fairness and integrity

Ministry Intermediate Outcomes	Fewer people are dependent on welfare More young people are in education, training, or work-based learning	Children and young people are involved in decision-making on issues that affect them and contribute positively to their communities Eligible students are supported to overcome financial barriers to access higher education	Disabled people are able to participate in society Seniors and veterans are able to maintain their independence and participate in society Seniors, families, and low-income New Zealanders have access to goods and services through discounts and concessions	More people who need housing support can access it More social housing tenants achieve independence, as appropriate Appropriate housing is available for those who need it	Vulnerable children are protected from abuse and neglect Children and young people are in safe and permanent care Children and young people we work with have access to adequate health services, housing and education	More effective and efficient allocation of government resources to meet community needs Families and communities have increased levels of awareness of how to respond to family violence Children and young people experience good parenting	More young offenders are in education, training or employment Fewer child offenders go on to become youth offenders Fewer young people have a repeat youth justice referral Families and victims are involved in addressing offending behaviour	Fraud is detected sooner Fraud overpayments are recovered more frequently and fewer overpayments are made People's claims are dealt with appropriately People's data and information are managed and used appropriately
Departmental Output Expenses	Administering Support for the Mental Health and Employment Social Bond Pilot (p.57) Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Improved Employment and Social Outcomes Support MCA (p.90) Social Sector Trials MCA (p.100)	Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Management of Student Loans (p.71) Management of Student Support (p.72) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Partnering for Youth Development MCA (p.93)	Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Income Support and Assistance to Seniors (p.66) Management of Service Cards (p.70) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Processing and Payment of Veterans' Pensions (p.79) Promoting Positive Outcomes for Disabled People (p.80) Promoting Positive Outcomes for Seniors (p.82)	Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Emergency Housing MCA (p.88) Social Housing Outcomes Support MCA (p.95) Social Housing Purchasing MCA (p.98)	Adoption Services (p.58) Care and Protection Services (p.59) Children's Action Plan (p.61) Claims Resolution (p.62) Corporate Support Services (p.63) Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Investing in Communities (p.68) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Transformation Programme: Investing in New Zealand Children and their Families (p.85) Social Sector Trials MCA (p.100)	Administering Support for the Mental Health and Employment Social Bond Pilot (p.57) Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Investing in Communities (p.68) Place-based Initiatives – National Support (p.73) Place-based Initiatives – Tairāwhiti Local Leadership (p.74) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Social Sector Trials MCA (p.100)	Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77) Youth Justice Services (p.83) Transformation Programme: Investing in New Zealand Children and Their Families (p.85) Social Sector Trials MCA (p.100)	Data, Analytics and Evidence Services (p.64) Designing and Implementing Social Investment (p.65) Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments (p.67) Planning, Correspondence and Monitoring (p.75) Policy Advice (p.77)

Vote Social Development

Output Expense (Multi-year Appropriation[61]): Administering Support for the Mental Health and Employment Social Bond Pilot

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

This appropriation was introduced in February 2017. As the first payment to be administered is not due until August 2017, no result is available for 2016/2017.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure 2016/2017	All payments are administered according to social bond standards/agreements	Achieved	No result available*

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

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000[62]**	**Revised $000[63]**	**Actual $000**
	Revenue			
-	Crown	-	40	40
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**40**	**40**
-	**Total Expense**	**-**	**40**	**-**
-	**Net Surplus/(Deficit)**	**-**	**-**	**40**

61 The appropriation commenced from 1 February 2017 and expires on 30 June 2021.
62 As set out in the 2016/2017 Estimates of Appropriations for Vote Social Development.
63 Revised budget figures include any changes made in the 2016/2017 Supplementary Estimates of Appropriations for Vote Social Development.

Output Expense: Adoption Services

This summary covers the period 1 July 2016 to 31 March 2017. From 1 April 2017 the Ministry of Social Development's functions relating to the support of vulnerable children and young people were transferred to the Ministry for Vulnerable Children, Oranga Tamariki, and the Adoption Services appropriation was transferred to Vote Vulnerable Children, Oranga Tamariki.

Performance information for April to June 2017 will be reported in the Ministry for Vulnerable Children, Oranga Tamariki: Report on Appropriations for the period 1 April 2017 to 30 June 2017.

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the legal adoption of children by approved parents and to provide access to information on adoptions.

Summary of performance

Non-financial performance

Between 1 July 2016 and 31 March 2017 we undertook 189 applicant assessments for domestic and intercountry adoptions, provided 110 statutory reports to the Family Court on the progress of adoption placements, and worked with 79 birth parents regarding adoption.

Our work ensured that:

- adoptive applicants and birth parents are fully informed and prepared before making their decision about adoption
- quality adoption reports are provided to courts in New Zealand, and overseas requests for information by adult adopted persons and birth parents relating to past adoptions are responded to.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
221	The number of requests[64] from adults seeking identifying information on birth parents will be between	150-200	182

Financial Performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
7,177	Crown	7,183	3,998	3,998
-	Department	-	-	-
-	Other	-	-	-
7,177	**Total Revenue**	**7,183**	**3,998**	**3,998**
7,029	**Total Expense**	**7,183**	**3,998**	**3,998**
148	**Net Surplus/(Deficit)**	**-**	**-**	**-**

64 Under section 9(4)(c) of the Adult Adoption Information Act 1985. Statistics on adoptions within New Zealand are provided by the Ministry of Justice on request. The Department of Internal Affairs can provide information on inter-country adoptions finalised overseas and recognised by New Zealand.

Output Expense: Care and Protection Services

This summary covers the period 1 July 2016 to 31 March 2017. From 1 April 2017 the Ministry of Social Development's functions relating to the support of vulnerable children and young people were transferred to the Ministry for Vulnerable Children, Oranga Tamariki.

On 1 April 2017 this appropriation ceased and some funding[65] was transferred to the new Investing in Children and Young People Multi-category Appropriation in Vote Vulnerable Children, Oranga Tamariki. Performance information for April to June 2017 will be reported in the Ministry for Vulnerable Children, Oranga Tamariki: Report on Appropriations for the period 1 April 2017 to 30 June 2017.

Scope

This appropriation is limited to the provision of social work and support services, both statutory and informal, to promote the wellbeing of children, young people and their families who are or have been in contact with the care system, including care and protection services; services for the development of the potential of such children and young people; and the provision of education and advice to help prevent child abuse and neglect.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve increased safety, security and wellbeing for vulnerable children who have been or are at risk of harm.

Summary of performance

Non-financial performance

Between 1 July 2016 and 31 March 2017 we received notifications, including Police family violence referrals, in respect of 119,044 children and young people. For 29,187 children and young people these notifications required further action. We responded within timeliness standards to over 95 percent of children and young people who were experiencing immediate safety risks.

Children and young people we worked with during the year received comprehensive and ongoing assessment through the Tuituia assessment framework, and 78 percent were referred for individualised health and educational assessments through the Gateway programme.

We continued to meet all safety, security and stability standards for care and protection services including:

- responding within the timeframes appropriate to the safety and needs of children and young people who are reported
- completing investigations
- placement of children and young people in stable, safe and loving environments
- planning for children's reintegration into society.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Engagement and Assessment		
	The percentage of notifications where there are immediate concerns[66] about the safety of the child or young person, that have an initial assessment commenced within the timeframe appropriate to the safety of the child or young person will be between:		
97%	Critical (less than 24 hours)	95-100%	96%
98%	Very urgent (up to 48 hours)	95-100%	95%

65 On 1 April 2017 funding was also transferred to the newly established departmental output expense *Claims Resolution MYA* in Vote Social Development.
66 When a report has been made that there may be imminent danger in relation to a child's welfare and therefore a response is needed quickly.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	The percentage of notifications requiring further action, but where there are no immediate concerns about the safety of the child or young person, that have an initial assessment commenced within the timeframe appropriate to the needs of the child or young person will be between:		
94%	Urgent (within seven working days)	85-95%	90%
95%	Low urgent (within 20 working days)	85-95%	90%
93%	The percentage of investigations/child and family assessments completed within 43 working days for those aged five and over will be between	80-90%	89%
92%	The percentage of investigations/child and family assessments completed within 36 working days for under five year olds will be between	85-95%	85%
11%	The percentage of children and young people who have been abused/neglected within six months of a previous finding of abuse/neglect will be no more than[67]	15%	11%
	Seeking Safety and Security		
99%	The percentage of care and protection family group conference plans reviewed by the agreed due date will be between	95-100%	94%*
	Securing Stability and Wellbeing		
80%	The percentage of children and young people in care referred for a Gateway assessment[68] will be between	70-80%	80%
77%	The percentage of children aged under five years old (who are unable to return home), who are placed with their Home for Life[69] caregiver within 12 months of coming into care will be between	75-85%	80%
95%	The percentage of children and young people discharged from a care and protection residence with an individual plan to help them transition back to the community will be between	95-100%	96%
7%	The percentage of children and young people in out-of-home care for more than 12 months, who have had more than three caregivers within the previous 12 months, will be no more than[70]	16%[71]	7%
New measure for 2016/2017	The percentage of children and young people with siblings in out-of-home care who are placed with at least one of their siblings will be no less than	80%	83%

* This reflects an unexpected reduction in the total number of family group conferences (FGCs) held.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
394,393	Crown	404,552	315,495	315,495
-	Department	-	-	-
3,013	Other	1,812	1,462	2,791
397,406	**Total Revenue**	**406,364**	**316,957**	**318,286**
382,924	**Total Expense**	**406,364**	**316,957**	**316,957**
14,482	**Net Surplus/(Deficit)**	**-**	**-**	**1,329**

67 Repeat findings may relate to historical events before the child or young person came to the Ministry's attention.
68 Individualised and comprehensive health and education assessment to identify and address unmet physical, mental, health and education needs.
69 Up to 31 March 2017 a 'Home for Life' placement occurred when a child was placed by Child, Youth and Family with a caregiver who had been approved to offer a permanent home. Achieving a Home for Life occurred when the Chief Executive's custody was discharged in favour of a permanent caregiver.
70 Many children will appropriately have more than one placement if they have an emergency placement followed by a longer-term placement, such as in their first year of care.
71 Based on the United Kingdom national standard for a 12-month period.

Output Expense: Children's Action Plan

The summary and results cover the period 1 July 2016 to 31 March 2017. From 1 April 2017 the Ministry of Social Development's functions relating to the support of vulnerable children and young people were transferred to the Ministry for Vulnerable Children, Oranga Tamariki.

On 1 April 2017 this appropriation ceased and the remaining funding was transferred to the new Investing in Children and Young People Multi-category Appropriation in Vote Vulnerable Children, Oranga Tamariki. Performance information for April to June 2017 will be reported in the Ministry for Vulnerable Children, Oranga Tamariki: Report on Appropriations for the period 1 April 2017 to 30 June 2017.

Scope

This appropriation is limited to the activities necessary to implement the Children's Action Plan.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a reduction in the vulnerability of children in New Zealand by identifying, protecting and supporting children who are at risk of abuse and neglect who require intensive, cross-agency support but do not quite meet the threshold for a statutory response.

Summary of performance

Non-financial performance

Between 1 July 2016 and 31 March 2017 the Children's Teams enhanced the ability of the system to identify, protect and support children at risk of abuse by increasing the number of children, families and whānau they supported by 75 percent. At 31 March 2017 the ten Children's Teams had accepted 3,405 referrals, and 925 children had completed their engagement with Children's Teams, either by exiting with a transition plan (443), no longer requiring intervention from the team (152), or being transferred to care and protection (330).

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
Achieved	The total number of children accepted into Children's Teams is increased by at least	100%	75%*
New measure for 2016/2017	Two operational Children's Teams will extend their boundaries by 30 June 2017	Achieved	Not measured*
New measure for 2016/2017	All operational Children's Teams have workforce development plans approved by their Local Governance Group and have established processes to track progress	Achieved	Not measured*

* On 1 April 2017 the function was transferred to the Ministry for Vulnerable Children, Oranga Tamariki.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
12,894	Crown	12,020	8,780	8,780
-	Department	-	-	-
-	Other	-	-	-
12,894	**Total Revenue**	**12,020**	**8,780**	**8,780**
12,505	**Total Expense**	**12,020**	**8,780**	**8,780**
389	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Output Expense (Multi-year Appropriation[72]): Claims Resolution

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

Up to 30 June 2017 we resolved 1,555 of the 2,433 claims received, and made payments totalling over $24 million to 1,256 people.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard[73]	2016/2017 Actual Standard
New measure for 2016/2017	The number of claims assessed by 30 June 2020 will be no less than	1,000	40*
New measure for 2016/2017	The percentage of claims assessed by 30 June 2020 that will have an offer made by 30 June 2021 will be	100%	100%**

* Achieving the interim target for 30 June 2017 was contingent on implementation of a revised resolution process. The new process had not been confirmed at that date.

** The proportion of offers made between 1 April 2017 and 30 June 2017 that were within 12 months of the claim being assessed.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	2,000	2,000
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**2,000**	**2,000**
-	**Total Expense**	**-**	**2,000**	**1,837**
-	**Net Surplus/(Deficit)**	**-**	**-**	**163**

72 The appropriation commenced on 1 April 2017 and expires on 30 June 2021. Claims resolution was funded from the Care and Protection Services appropriation prior to 1 April 2017. As the rest of the Care and Protection Services funding transferred to Vote Vulnerable Children, Oranga Tamariki, and the Claims Resolution function remained in the Ministry of Social Development, a new appropriation was established in Vote Social Development.

73 The budgeted standards shown are for the life of the multi-year appropriation and are to be achieved by 30 June 2021.

Output Expense: Corporate Support Services[74]

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

Between the establishment of the Ministry for Vulnerable Children, Oranga Tamariki on 1 April 2017 and the end of the 2016/2017 financial year, we completed three full months of achieving quality and efficient corporate services across a number of shared and transitional service agreements. We achieved most of the agreed service level standards, levels and volumes in this period. We have actively managed any issues that have arisen in partnership with Oranga Tamariki.

We agreed with Oranga Tamariki that a number of transitional services would cease on 30 June 2017 as planned, and that some transitional services would continue for a further period of time to allow Oranga Tamariki to build its own capability in these areas.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	Services meet the standards and timeframes agreed between the Ministry of Social Development and the Ministry for Vulnerable Children, Oranga Tamariki	Achieved	Achieved

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	-	-
-	Department	-	25,000	25,000
-	Other	-	-	-
-	**Total Revenue**	**-**	**25,000**	**25,000**
-	**Total Expense**	**-**	**25,000**	**25,000**
-	**Net Surplus/(Deficit)**	**-**	**-**	**-**

74 This new appropriation was established from 1 April 2017, in order to fund the corporate support services provided by the Ministry of Social Development to Oranga Tamariki.

Output Expense: Data, Analytics and Evidence Service[75]

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an increase in the use and thereby the value of the data and information assets of the Ministry and other government agencies to improve outcomes for New Zealanders.

Summary of performance

Non-financial performance

In 2016/2017 we developed foundational data assets to increase flexibility and reliability and to support a range of self-service tools and reports, through building to a set architecture and a more rigorous production and control process. We also enhanced our reporting suite and expanded the range of information published.

We produced three predictive models: one to predict the lifetime benefit costs of every client supported by a benefit in the last five years, one to predict the change in future benefit costs depending on which work-focused case management service a client is assigned to, and one that predicts the risk of 15- to 17-year-old school leavers being on benefit for at least three months in the three years after leaving school.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
Achieved	Data, analytics and evidence services will be delivered in accordance with a work programme agreed with Ministers	Achieved	Achieved
New measure for 2016/2017	The number of data assets developed that support analytic models, self-service tools and research, evaluation and data reports will be no less than	10	14
New measure for 2016/2017	The number of new analytics models in use to guide front line decision-making and improve client outcomes will be no less than	2	3
4	The number of research, evaluation and data reports published externally will be no less than	15	36[76]
New measure for 2016/2017	The proportion of products and services produced that meet or exceed the quality standards (as assessed against the Insights Quality Framework) will be no less than	80%	100%
New measure for 2016/2017	Total Aggregate Social Development BORE spend accuracy on current year mid-point estimates will be within the range of	+/-2%	0.05%[77]

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
11,380	Crown	11,420	12,510	12,510
-	Department	-	-	-
-	Other	-	-	-
11,380	**Total Revenue**	**11,420**	**12,510**	**12,510**
11,187	**Total Expense**	**11,420**	**12,510**	**11,706**
193	**Net Surplus/(Deficit)**	**-**	**-**	**804**

75 On 1 April 2017 some funding from this appropriation was transferred to the new Data, Analytics and Evidence Services appropriation in Vote Vulnerable Children, Oranga Tamariki.
76 Thirty of these were data (monitoring) reports and six were research and evaluation reports. At 30 June 2017 three further research and evaluation reports were awaiting approval for publication.
77 This measure used the Estimated Actual figures from Budget 2017 as the forecast and excluded any adjustments made in the Supplementary Estimates of Appropriations.

Output Expense: Designing and Implementing Social Investment

Scope

This appropriation is limited to expenses incurred in designing and implementing a cross-agency social investment system.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the provision of initial tools and infrastructure by the Social Investment Unit required to enable a collective social investment approach allowing investment in what works to improve the lives of New Zealanders, creating lasting change.

Summary of performance

Non-financial performance

The cross-agency Social Investment Unit (SIU) was responsible for overseeing and co-ordinating the Government's social investment approach. It reported to the Minister Responsible for Social Investment. On 1 July 2017 it was replaced by the Social Investment Agency.

In 2016/2017 the SIU partnered with agencies through work such as the Social Housing Test Case, which demonstrates the ability to calculate the fiscal return to the investment in social housing.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	The percentage of tools and infrastructure required to enable a social investment approach that are delivered in accordance with a work programme agreed with Ministers will be no less than	100%	100%
New measure for 2016/2017	The satisfaction rating[78] given by Ministers for the quality and timeliness of advice, as per the Common Satisfaction Survey, will be at least	7.0	8.5
New measure for 2016/2017	The percentage of all social investment initiatives for Budget 2017 that meet agreed social investment principles for evidence and analysis will be no less than	80%	100%

Financial performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
2,000	Crown	1,500	9,018	9,018
-	Department	-	-	-
-	Other	-	-	-
2,000	**Total Revenue**	**1,500**	**9,018**	**9,018**
1,518	**Total Expense**	**1,500**	**9,018**	**8,309**
482	**Net Surplus/(Deficit)**	**-**	**-**	**709**

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

Output Expense: Income Support and Assistance to Seniors

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

In 2016/2017 the number of people on New Zealand Superannuation increased to 729,445, compared with 704,607 at the end of 2015/2016, an increase of 24,838 or 3.5 percent.

We provided accurate and timely entitlement assessments and payments to 61,665 new applicants for New Zealand Superannuation to help them maintain independence.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
93.3%	The percentage of entitlement assessments for payment of New Zealand Superannuation (in New Zealand and overseas), Emergency Benefit for people over 65, other New Zealand entitlements paid overseas and residential subsidies completed accurately will be no less than	90%	94.6%
72.6%	The percentage of entitlement assessments for payment of New Zealand Superannuation (in New Zealand and overseas), Emergency Benefit for people over 65, other New Zealand entitlements paid overseas and residential subsidies finalised within timeframes[79] will be no less than	90%	86.1%*

* A sharp increase in work volumes towards the end of the year impacted the final result. Extra resources have been committed to improve the result in 2017/2018.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
36,902	Crown	36,866	43,781	43,781
-	Department	-	-	-
-	Other	-	-	-
36,902	**Total Revenue**	**36,866**	**43,781**	**43,781**
36,981	**Total Expense**	**36,866**	**43,781**	**43,212**
(79)	**Net Surplus/(Deficit)**	**-**	**-**	**569**

79 This combines timeliness measures for all activities in this output expense. Standard timeframes for each component are as follows:
- six working days for New Zealand Superannuation and Emergency Benefit (for people over 65 years of age) entitlement assessments completed for payment in New Zealand
- 20 working days for New Zealand Superannuation entitlement assessments completed for payments overseas and other New Zealand entitlements paid overseas
- 20 working days for Residential Subsidy entitlement assessments.

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

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

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

In order to protect the integrity of the benefit system and Income-Related Rent Subsidy payments, we investigated 5,992 cases and established 2,307 overpayments in 2016/2017.

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

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

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
58.4%	The percentage of investigations that result in an entitlement change[80] or identification of an overpayment will be no less than	50%	59%
96.6%	The percentage of successful prosecutions concluded will be no less than	95%	96.2%
71.1%	The percentage of non-current debt paid in full, or under arrangement to pay, within four months will be no less than	70%	70.3%

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
49,350	Crown	49,390	49,209	49,209
-	Department	-	-	-
-	Other	-	-	-
49,350	**Total Revenue**	**49,390**	**49,209**	**49,209**
49,518	**Total Expense**	**49,390**	**49,209**	**48,122**
(168)	**Net Surplus/(Deficit)**	**-**	**-**	**1,087**

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

Output Expense: Investing in Communities[81]

Scope

This appropriation is limited to approving community-based social services; managing the relationship with service providers, including funding and monitoring; and the co-ordination of social support services to strengthen families and whānau.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an improvement in outcomes for vulnerable children, youth and their families through the provision of community-based social services.

Summary of performance

Non-financial performance

We continued to implement the Community Investment Strategy to target funding more effectively and to develop a new way of working with the community sector.

In 2016/2017 the Social Services Accreditation (SSA) team completed 146 accreditation assessments for Level 1 care providers across the country, an increase of 59 from 2015/2016. The increase was due to some new providers brought on as part of the Interagency Accreditation Project.

As part of the Inter-Agency Accreditation project to reduce accreditation compliance for providers, we now accredit providers for the Ministry of Justice and the Department of Corrections.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
100%	The percentage of Level 1[82] and Level 2[83] Ministry of Social Development-contracted providers who will be assessed at least once every two years against Ministry of Social Development approval standards will be no less than	100%	97%*
New measure for 2016/2017	The percentage of Level 3[84] Ministry of Social Development-contracted providers who will be assessed within the review frequency[85] against Ministry of Social Development approval standards will be no less than	90-100%	92%
New measure for 2016/2017	The percentage of contracted providers assessed on behalf of the Ministry of Justice and the Department of Corrections within the review frequency against Ministry of Social Development approval standards will be no less than	100%	94%**

* Level 1 assessments achieved 100%, while Level 2 assessments only reached 96.2%. The 100% target for Level 2 assessments was not met this year because the focus was on the top-priority Level 1 assessments. We are reviewing our resourcing requirements to focus on achieving these targets in 2017/2018.

** Although we set a target of 100 percent for this new measure, we used the first year to determine the amount of resource that would be required for, and the extra workload generated by, this work. We have determined that additional support is needed to carry out assessments; we are working with other agencies to secure additional resource for 2017/2018.

81 On 1 April 2017 some funding from this appropriation was transferred to the new Investing in Children and Young People Multi-category Appropriation in Vote Vulnerable Children, Oranga Tamariki.
82 These are providers who deliver care-based services.
83 These are providers delivering services to high-risk/vulnerable clients who require intensive support.
84 These are providers delivering services to low-risk client groups or the general population.
85 Review frequency means: for Level 3 community service providers – every two years; for Level 3 OSCAR providers – every two to five years depending on risk.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	**Implementing the Community Investment Strategy** The percentage of services funded by Community Investment that have results-based measures and are aligned to the Results Measurement Framework (RMF) by July 2018	Baseline to be established	27%
93%	**Social Support Services Co-ordination** The percentage of surveyed clients that agree that they are better off as a result of accessing Heartland Services will be no less than	80%	93%
72%	The percentage of surveyed agencies agreeing that they are 'satisfied' or 'very satisfied' with Heartland Service Centres' accessibility, range of services and facilities will be no less than	90%	83%***
New measure for 2016/2017	**Supporting Communities[86]** The proportion of communities funded by SKIP[87] that show evidence of reducing risk factors for vulnerable families	Baseline to be established	90%

*** Although this result has not met the performance standard for 2016/2017, it shows an improvement from 2015/2016. There was an increase in satisfaction with the range of services and facilities but a drop in satisfaction with location.

Financial performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
45,786	Crown	43,938	39,163	39,163
-	Department	-	-	-
-	Other	-	-	-
45,786	**Total Revenue**	**43,938**	**39,163**	**39,163**
45,054	**Total Expense**	**43,938**	**39,163**	**37,290**
732	**Net Surplus/(Deficit)**	**-**	**-**	**1,873**

86 This relates to the period 1 July 2016 to 31 March 2017. On 1 April 2017 this function was transferred to the Ministry for Vulnerable Children, Oranga Tamariki.

87 The proportion of communities is measured via surveys conducted by SKIP (Strategies for Kids, Information for Parents) funded providers as part of their contractual arrangements.

Output Expense: Management of Service Cards

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the accurate and timely assessment and issuing of discount service cards to low-income New Zealanders and seniors.

Summary of performance

Non-financial performance

In 2016/2017:

- the number of Community Services Card recipients fell from 867,383 to 842,711, reflecting decreases in all client categories
- the total number of SuperGold Card holders increased from 688,810 to 712,251
- the number of SuperGold Card business partners providing discounts to cardholders increased from 8,304 to 8,583, with a total of 301 new partners joining the programme.

The number of SuperGold Cards and Veteran SuperGold Cards issued is determined by the number of new card applicants and card renewals. In 2016/2017 the number of cards issued was 248,413, compared with 258,558 in 2015/2016.

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

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
96.9%	The percentage of card entitlement assessments completed accurately will be no less than	90%	96.9%
88.1%	The percentage of card entitlement assessments completed within five working days will be no less than	90%	93.8%
297	The number of new business partners engaged will be no less than	250	301

Financial performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
6,279	Crown	6,629	4,879	4,879
-	Department	-	-	-
-	Other	-	-	-
6,279	**Total Revenue**	**6,629**	**4,879**	**4,879**
6,227	**Total Expense**	**6,629**	**4,879**	**4,618**
52	**Net Surplus/(Deficit)**	**-**	**-**	**261**

Output Expense: Management of Student Loans

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the accurate and timely assessment and payment of student loans.

Summary of performance

Non-financial performance

In 2016/2017 we processed 220,374 Student Loan applications, with over 98 percent of entitlement assessments being completed accurately.

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

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
99.1%	The percentage of entitlement assessments for a Student Loan completed accurately will be no less than	90%	98.2%
100%	The percentage of initial entitlement assessments for a Student Loan completed within five working days will be no less than	90%	99.6%

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
15,045	Crown	15,545	15,545	15,545
-	Department	-	-	-
-	Other			-
15,045	**Total Revenue**	**15,545**	**15,545**	**15,545**
15,129	**Total Expense**	**15,545**	**15,545**	**15,083**
(84)	**Net Surplus/(Deficit)**	**-**	**-**	**462**

Output Expense: Management of Student Support

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the accurate and timely assessment and payment of non-recoverable financial support for students.

Summary of performance

Non-financial performance

In 2016/2017 we processed 118,204 Student Allowance applications, with over 96 percent of entitlement assessments being completed accurately, and all initial entitlement assessments being completed within five working days of application.

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

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
96.5%	The percentage of entitlement assessments for a Student Allowance completed accurately will be no less than	90%	96.2%
99.8%	The percentage of initial entitlement assessments for a Student Allowance completed within five working days will be no less than	90%	100%

Financial Performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
15,704	Crown	16,056	17,356	17,356
-	Department	-	-	-
-	Other	-	-	-
15,704	**Total Revenue**	**16,056**	**17,356**	**17,356**
15,794	**Total Expense**	**16,056**	**17,356**	**16,712**
(90)	**Net Surplus/(Deficit)**	**-**	**-**	**644**

Output Expense: Place-based Initiatives – National Support

Scope

This appropriation is limited to providing support and evaluation across place-based initiatives.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the successful implementation and functioning of place-based initiatives to improve outcomes for at-risk children, young people and their families.

Summary of performance

Non-financial performance

Place-based initiatives (PBIs) exemplify the social investment approach where local decision-makers, with the support of government agencies, ensure fit-for-purpose services to local communities to drive improvements and harness the collective efforts resulting in improved social, cultural and economic outcomes.

In 2016/2017 we continued to support the individual needs and capability of the PBIs. This included supporting relationships between local PBI governance groups and central government agencies and developing an approach to mapping decision rights for agencies.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	Agreement plans, tailored support systems and an evaluation plan are in place and operational by 30 June 2017	Achieved	Not achieved*
New measure for 2016/2017	The three place-based initiatives report that the support they are receiving from the national function is supporting them to deliver what they intend to achieve	Achieved	Not achieved*

* The final Evaluation Strategy was delivered on 17 June 2017 but was not operational by 30 June 2017. Confirmation of the individual agreement plans with the three PBI boards, and canvassing the views of the PBI boards on the support provided by the National Support Team (NST) had not been undertaken by 30 June 2017. The delays were due to the transfer of the NST into the Social Investment Agency (SIA) from 1 July 2017[88].

Financial Performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
-	Crown	-	610	610
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**610**	**610**
-	**Total Expense**	**-**	**610**	**252**
-	**Net Surplus/(Deficit)**	**-**	**-**	**358**

88 The SIA was established on 1 July 2017 and from that date has responsibility for the support of the place-based initiatives.

Output Expense: Place-based Initiatives – Tairāwhiti Local Leadership

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

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

The initiative has consolidated its social sector governance and developed a cross-agency triage process for engaging at-risk families, as the first steps in applying social investment locally.

A range of different programmes have been brought together under the Manāki Tairāwhiti governance structure so that social sector agencies and NGOs can work more effectively with the customers they serve.

Community-led action plans to capture collaborative work being undertaken across the social and health sectors were developed and distributed to Manāki Tairāwhiti in June 2017.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	A consolidation plan, operational plan and ongoing local support arrangements are in place and operational by 30 June 2017	Achieved	Achieved

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	205	205
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**205**	**205**
-	**Total Expense**	**-**	**205**	**194**
-	**Net Surplus/(Deficit)**	**-**	**-**	**11**

Output Expense: Planning, Correspondence and Monitoring[89]

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

In 2016/2017 we provided services to support Ministers to discharge their portfolio responsibilities, including their roles as Responsible Ministers for Crown entities that are attached to the Social Development portfolio. This included:

- supporting Crown entities to be better aligned with government and ministerial priorities
- appointing board members with the right skills and experience to deliver the Government's priorities.

Cabinet approved 16 appointments to our four Crown entities as well as to statutory tribunals and advisory bodies during the year.

During the year we prepared responses to 1,477 written Parliamentary questions, 1,220 items of correspondence and 105 Official Information Act requests for the Ministers for Social Development, Social Housing, Disability Issues, Youth and Seniors.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Crown Entity Monitoring		
New measure for 2016/2017	The percentage of occasions on which advice is given to the Ministers on Crown entity and Statutory Tribunal appointments within agreed timeframes will be between	95-100%[90]	100%
100%	The percentage of all reports[91] provided to the Minister that are factually accurate, meet all legislative requirements, and contain no avoidable errors will be between	95-100%	100%
100%	The percentage of occasions on which advice to Ministers on draft accountability documents for Crown entities for the next financial year is provided within agreed timeframes will be no less than	100%	100%
	Ministerial and Executive Services		
97%	The percentage of ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed, will be between	95-100%	95%
91%	The percentage of written Parliamentary question replies provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders, will be between	95-100%	99.7%
100%	The percentage of ministerial Official Information Act request replies completed within the statutory timeframe (or unless otherwise agreed), will be between	95-100%	100%

89 On 1 April 2017 some funding from this appropriation was transferred to the new Ministerial Services appropriation in Vote Vulnerable Children, Oranga Tamariki.
90 Percentage will be calculated with reference to all the appointments identified in the report to Cabinet at the start of each calendar year that have been actioned as agreed with the Minister.
91 Reports include policy advice, aide memoires, briefings and updates to support the Minister's decision-making responsibilities.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
6,154	Crown	5,554	6,344	6,344
-	Department	-	-	-
-	Other	-	-	-
6,154	**Total Revenue**	**5,554**	**6,344**	**6,344**
6,081	**Total Expense**	**5,554**	**6,344**	**6,316**
73	**Net Surplus/(Deficit)**	**-**	**-**	**28**

Output Expense: Policy Advice[92]

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

We continued to provide high-quality policy advice to support Ministers to make decisions on social policy matters. This included providing advice on income support and employment issues, social housing, families and communities, issues faced by children and young people, people with a health condition or disability and older people, and social sector initiatives.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
8.33	The satisfaction rating[93] given by Ministers for the quality and timeliness of policy advice, as per the Common Satisfaction Survey will be at least	8.0	6.6*
71%	The technical quality of policy advice papers assessed by a survey with a methodological robustness of 85%[94] will be no less than	75%	73.7%**
$128.28	The total cost[95] per hour per person of producing outputs will be	$130.00-$140.00	$190.28***
Achieved	Social policy advice will be delivered in accordance with work priorities identified and advised by Ministers[96]	Achieved	Achieved

* The result represents the average score from surveys completed by the Minister for Social Development and the Minister for Social Housing.

** The performance standard was raised from 70 percent to 75 percent for 2016/2017. The result, while just short of the new target, was an improvement on the previous year's result of 71 percent.

*** The higher-than-expected result is largely due to increased overheads resulting from the application of a new overhead allocation model across MSD appropriations, the transfer of staff and funding to Oranga Tamariki on 1 April 2017, and methodological improvements to the calculation of the cost of policy advice.

92 On 1 April 2017 some funding from this appropriation was transferred to the new Policy Advice appropriation in Vote Vulnerable Children, Oranga Tamariki.

93 The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied. The result is the combined average score of the two Ministers that were surveyed. In previous years, only the Minister for Social Development has been surveyed. This year, the Minister for Social Housing was also surveyed.

94 This measure is a compulsory policy advice measure for all public sector agencies. The wording of the measure was supplied by the Treasury.

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

96 The Ministers who received services during 2016/2017 were the Minister for Social Development, the Minister for Social Housing, the Minister for Youth, the Minister for Seniors, the Minister for Disability Issues, the Associate Minister for Social Development (to 20 December 2016) and the Associate Minister for Social Housing (from 20 December 2016).

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
19,572	Crown	19,395	20,167	20,167
920	Department	-	-	-
-	Other	-	-	-
20,492	**Total Revenue**	**19,395**	**20,167**	**20,167**
20,421	**Total Expense**	**19,395**	**20,167**	**19,821**
71	**Net Surplus/(Deficit)**	**-**	**-**	**346**

Output Expense: Processing of Veterans' Pensions

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

In 2016/2017 we granted 169 pensions to veterans to support them to maintain their independence and social participation, compared with 280 in 2015/2016.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
91.1%	The percentage of Veteran's Pension entitlement assessments completed accurately will be no less than	90%	95.1%
87.5%	The percentage of Veteran's Pension entitlement assessments completed within timeframes[97] will be no less than	90%	94.7%

Financial Performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
438	Crown	438	588	588
-	Department	-	-	-
-	Other	-	-	-
438	**Total Revenue**	**438**	**588**	**588**
386	**Total Expense**	**438**	**588**	**464**
52	**Net Surplus/(Deficit)**	**-**	**-**	**124**

97 Six working days for Veteran's Pension entitlement assessments for payment in New Zealand, and 20 working days for Veteran's Pension entitlement assessments for payment overseas.

Output Expense: Promoting Positive Outcomes for Disabled People

Scope

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

What is intended to be achieved with this appropriation

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

Summary of performance

Non-financial performance

In 2016/2017 we led the revision of the New Zealand Disability Strategy and developed an outcomes framework to enable measurement on progress in implementing the revised Strategy.

We continued to provide secretariat support and advice for the New Zealand Sign Language (NZSL) Board and the associated NZSL Fund, and supported the Minister for Disability Issues, as part of the Disability Confident Campaign, to engage with employers through forums. We jointly led, with Statistics NZ, the Disability Data and Evidence Working Group, and helped to develop the Lead Toolkit to support the state sector to take a leadership role in the employment of disabled people.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	The quality rating given to a monitoring report by disabled people on their rights under the United Nations Convention on the Rights of Persons with Disabilities[98] is of high quality will be no less than	7.0	6.2*
New measure for 2016/2017	The satisfaction rating[99] given by the Minister for Disability Issues for the quality of the annual report is no less than	7.0	9
New measure for 2016/2017	A new disability strategy is developed in partnership between disabled people and government agencies and is agreed by 31 December 2016	Achieved	Achieved
New measure for 2016/2017	The proportion of actions in the Disability Action Plan that are on track for progress or are completed in line with agreed milestones will be no less than	75%	75%
New measure for 2016/2017	The percentage of stakeholders who report being ‘satisfied’ or ‘very satisfied’ with the level of engagement of the Office for Disability Issues	Baseline being established	89%

* We will use this rating review to inform our discussions with the provider of the monitoring report on quality improvement for future work.

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

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

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
5,745	Crown	4,045	4,045	4,045
-	Department	-	-	-
18	Other	-	-	-
5,763	**Total Revenue**	**4,045**	**4,045**	**4,045**
5,685	**Total Expense**	**4,045**	**4,045**	**3,951**
78	**Net Surplus/(Deficit)**	**-**	**-**	**94**

Output Expense: Promoting Positive Outcomes for Seniors

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve positive outcomes for seniors by providing support and advice to the Minister for Seniors.

Summary of performance

Non-financial performance

In 2016/2017 we continued to support the Minister for Seniors with speeches, communications and event management. We also provided information for seniors through the SuperSeniors suite of products, including a website, e-newsletter and social media channels, promoted the World Health Organization's age-friendly programme by working with three pilot communities (Kāpiti, New Plymouth and Hamilton), and administered contracts covering elder abuse and neglect prevention services.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
58	The number of ministerial speeches, communications and events prepared or organised by the Ministry to increase awareness of elder abuse and neglect prevention will be between	30-50	53
100%	The percentage of draft speeches and speech notes provided to the Minister for Seniors within the timeframe specified by the Minister's Office will be no less than	95%	100%
New measure for 2016/2017	The percentage of stakeholders[100] who report being 'satisfied' or 'very satisfied' with the level of engagement of the Office for Seniors will be no less than	75%	71%*
New measure for 2016/2017	The level of social media engagement[101] by the public on positive ageing will be no less than	8,000 per month	17,001 per month

* The reduction in positive stakeholder feedback for this year may in part be related to a number of changes in the work and role of the Office for Seniors. We will aim to improve the result in the coming year and will engage with stakeholders about how we could improve how we work with the sector.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
1,010	Crown	1,010	1,010	1,010
-	Department	-	-	-
-	Other	-	-	-
1,010	**Total Revenue**	**1,010**	**1,010**	**1,010**
888	**Total Expense**	**1,010**	**1,010**	**850**
122	**Net Surplus/(Deficit)**	**-**	**-**	**160**

100 Stakeholders are selected from the following groups: seniors, sector organisations, and central and local government.
101 Engagement is defined as commenting on, liking or sharing a Facebook post.

Output Expense: Youth Justice Services

This summary covers the period 1 July 2016 to 31 March 2017. From 1 April 2017 the Ministry of Social Development's functions relating to the support of vulnerable children and young people were transferred to the Ministry for Vulnerable Children, Oranga Tamariki.

On 1 April 2017 this appropriation ceased and the remaining funding was transferred to the new Investing in Children and Young People Multi-Category Appropriation in Vote Vulnerable Children, Oranga Tamariki. Performance information for April to June 2017 will be reported in the Ministry for Vulnerable Children, Oranga Tamariki: Report on Appropriations for the period 1 April 2017 to 30 June 2017.

Scope

This appropriation is limited to social work and other services to manage and resolve offending behaviour by children and young people, by providing assessment, support, programmes, containment and care of young offenders.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a reduction in offending by children and young people through addressing underlying causes and contributing risk factors.

Summary of performance

Non-financial performance

Up to 31 March 2017 we continued to work with young offenders, their families, the victims of offending, and partner agencies to manage and change offending behaviour and reduce the likelihood of reoffending.

We provided timely social work services to young offenders who were referred for a youth justice family group conference (FGC) and/or admitted to a youth justice residence.

In addition to specialist screening and assessments, the Tuituia assessment framework enabled comprehensive strengths, needs and risk assessments, where appropriate, for young offenders going to FGC.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Youth Justice Safety and Belonging		
55%	The proportion of victims engaging in family group conferences will be between	55-65%	55%
	Youth Justice Changing Behaviour and Enhancing Wellbeing		
71%	The proportion of child offenders who have a subsequent youth justice referral will be no more than	65%	67.1%*
38%	The proportion of young offenders who are referred for a youth justice family group conference within one year of a previous youth justice family group conference will be no more than	40%	40%
67%	The proportion of young offenders who are in education, training or employment following our intervention will be between	60-70%	Results unavailable[102]

* The number of child offender referrals is small and even a small change to the volume can significantly affect the percentage.

102 Results are not available due to issues identified with underlying data that cannot be resolved within the timeframe for reporting.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
130,876	Crown	132,310	95,528	95,528
-	Department	-	-	-
-	Other	-	-	-
130,876	**Total Revenue**	**132,310**	**95,528**	**95,528**
131,321	**Total Expense**	**132,310**	**95,528**	**95,528**
(445)	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Other Expense: Transformation Programme: Investing in New Zealand Children and Their Families

This summary covers the period 1 July 2016 to 31 March 2017. From 1 April 2017 the Ministry of Social Development's functions relating to the support of vulnerable children and young people were transferred to the Ministry for Vulnerable Children, Oranga Tamariki, and the Transformation Programme: Investing in New Zealand Children and Their Families appropriation was transferred to Vote Vulnerable Children, Oranga Tamariki.

Performance information for April to June 2017 will be reported in the Ministry for Vulnerable Children, Oranga Tamariki: Report on Appropriations for the period 1 April 2017 to 30 June 2017.

Scope

This appropriation is limited to the co-design and implementation of system-wide reform of services provided to New Zealand's vulnerable children, young people and their families.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the delivery of a new operating model to support the system-wide reform of services provided to New Zealand's vulnerable children, young people and their families.

Summary of performance

Non-financial performance

In the period up to 31 March 2017 we facilitated a range of activity to support:

- the establishment of the Ministry for Vulnerable Children, Oranga Tamariki on 1 April 2017
- the enactment of the Children, Young Persons, and Their Families (Oranga Tamariki) Legislation Bill.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Report back to Social Cabinet Committee, Minister for Social Development and the Ministerial Oversight Group		
New measure for 2016/2017	Report back on detailed transformation programme for the first 12–18 months by July 2016	Achieved	Achieved
New measure for 2016/2017	Report back on process for determining funding reallocations from other agencies by July 2016	Achieved	Achieved
New measure for 2016/2017	Report back on progress towards build of the actuarial model and first valuation by October 2016	Achieved	Achieved
New measure for 2016/2017	Report back on performance management framework for the future agency by October 2016	Achieved	Achieved
New measure for 2016/2017	Report back on new operating model in place by March 2017	Achieved	Achieved

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
3,000	Crown	14,500	21,128	21,128
-	Department		-	-
-	Other	-	-	-
3,000	**Total Revenue**	**14,500**	**21,128**	**21,128**
-	**Total Expense**	**14,500**	**21,128**	**21,128**
3,000	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Capital Expense: Ministry of Social Development – Capital Expenditure PLA

Scope

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

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

Summary of performance

Non-financial performance

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

For further details of departmental capital expenditure incurred against appropriations, refer to Notes 10 and 11 in the Departmental Financial Statements (pages 123 and 124). For details of departmental capital injections, refer to the Departmental Statement of Financial Position (page 112).

Financial performance

2015/2016		2016/2017		
Actual $000	Financial performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
112,314	Capital Expenditure (PLA)	97,143	103,798	84,406

Multi-Category Expense Appropriation: Emergency Housing MCA

Overarching Purpose Statement

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

Scope

Non-Departmental Output Expenses

Emergency Housing Services

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

Provision of Emergency Housing Places

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

Performance will be assessed by delivering between 1,200 and 1,400 emergency housing places and associated support services.

Summary of performance

Non-financial performance

At 30 June 2017 there were 436 new places available, in addition to the 687 we had secured prior to 2016/2017, and a further 846 opportunities had been identified.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Non-Departmental Output Expenses		
	Emergency Housing Services		
	This category is intended to achieve an increase in support services for the families and individuals who access the additional emergency housing places secured.		
New measure for 2016/2017	Each additional emergency housing place secured will receive associated support services, and the total number of additional associated support services will match the number of additional emergency housing places secured.	Achieved	Achieved
	Provision of Emergency Housing Places		
	The category is intended to achieve improved access to emergency places for eligible families and individuals across New Zealand.		
New measure for 2016/2017	The number of additional emergency housing places in areas of demand will be between	1,200-1,400	436*

* It has taken longer than anticipated both to secure additional supply and to ensure that providers have the necessary capability and capacity to manage the new supply. The additional 436 places were secured after enlisting a panel of 39 community providers under this MCA, and contribute to a total of 1,123 places being available at 30 June 2017.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
-	Emergency Housing Services	-	14,624	6,768
-	Provision of Emergency Housing Places	-	9,028	1,363
-	**Total Expense**	**-**	**23,652**	**8,131**

This Multi-category Appropriation was newly established in 2016/2017 with new funding.

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

Overarching Purpose Statement

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

Scope

Departmental Output Expenses

Administering Income Support

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

Improving Employment Outcomes

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

Improving Work Readiness Outcomes

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

Performance will be assessed by:

- a reduction in the total number of people receiving benefit by 25 percent, from 295,000 in June 2014 to 220,000 by June 2018
- a reduction in the long-term cost of benefit dependency by $13 billion as measured by an accumulated actuarial release[103] by June 2018.

Summary of performance

Non-financial performance

In 2016/2017 sole parents continued to be the key contributor to the overall reduction in benefit numbers.

At 30 June 2017 there were 276,041 clients on a working-age benefit. This is a reduction of 3,765 since June 2016, and is 78,017 less than the January 2011 peak of 354,058. Sole Parent Support numbers fell from 65,422 in June 2016 to 60,631 in June 2017.

The 2016 valuation of the benefit system puts the estimated future lifetime cost of the current beneficiary population at $76.0 billion, an increase of $7.6 billion from the previous year. This increase is mostly due to changes to economic assumptions, and masks an underlying $1.7 billion performance improvement. The accumulated actuarial release to 31 March 2017 was $4.6 billion.

The Government's 2013 welfare reforms, and policy and operational changes, have had a significant impact on benefit uptake over the past few years, with flow-on financial savings: the 2016 valuation shows a cumulative reduction of $13.7 billion over the last five years in the future lifetime cost of the benefit system as a result of these factors. This has led to reductions of:

- 24 percent in Sole Parent Support benefit numbers since 2013

103 An actuarial release is an estimate of the change in long-term liability of the benefit system resulting from changes in the number of beneficiaries and their likelihood of long-term benefit receipt.

- 17 percent in the number of children in benefit-dependent homes since 2013
- three years (from 14 to 11) in the average expected future time on benefit for Sole Parent Support benefit recipients since 2012
- three years (from 17 to 14) in the average expected future time on benefit for youth clients since 2012.

There has been a reduction in the liability figure of $1.7 billion in the last year that is largely the result of an increase in the numbers of sole parents and jobseekers finding work. This improvement has been supported by an increased use of targeted support and more intensive case management for those who are most at risk of welfare dependence.

In 2016/2017, 78,608 working-age clients left the benefit system to go into work. Around 65 percent of all clients who left the benefit system stayed off benefit for at least six months.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Departmental Output Expenses *Administering Income Support* This category is intended to achieve accurate and efficient operation of the benefit system so that the correct amount is paid to the correct people on time.		
90.1%	The proportion of benefit entitlement assessments completed accurately will be no less than	90%	89.2%*
91.5%	The proportion of benefit entitlement assessments completed within five working days will be no less than	90%	91.7%
	Improving Employment Outcomes This category is intended to achieve an increase in the number of people (from those who are currently receiving or are likely to receive working-age benefits and are work-ready) moving into sustainable employment.		
64.3%	The proportion of clients with full-time work obligations[104] who remain independent of benefit for at least 26 weeks will be no less than	60%	65.4%
89.1%	The proportion of clients with full-time work obligations who are engaged[105] will be no less than	80%	85.4%
57.3%	The proportion of clients who are not on a main benefit eight weeks following completion of an employment intervention programme will be no less than	50%	54.6%
	Improving Work Readiness Outcomes This category is intended to achieve a substantial reduction in barriers to employment so that people who are receiving or are likely to receive working-age benefits can become work ready.		
62.0%	The proportion of clients with part-time[106], preparation[107] or deferred obligations[108] who remain independent of benefit for at least 26 weeks will be no less than	60%	61.9%
79.7%	The proportion of clients with part-time, preparation or deferred work obligations who are engaged will be no less than	70%	75.3%
38.7%	The proportion of clients who are not on a main benefit 16 weeks after completing a work readiness intervention will be no less than	35%	41.2%

* There were some significant changes in 2016/2017 to how we offer our services to clients, including moving more client engagement to an online environment and centralising a number of processes. This has changed the profile of work undertaken by staff and has had a short-term impact on accuracy.

104 Clients with full-time work obligations must be available for, and take reasonable steps to find, suitable employment of at least 30 hours or more per week. What constitutes 'suitable employment' varies between clients depending on their individual circumstances.
105 We work effectively with our clients to help them gain work and become independent of benefit.
106 Clients with part-time work obligations must be available for, and take reasonable steps to find, suitable employment of at least 15–20 hours per week. What constitutes 'suitable employment' varies between clients depending on their individual circumstances.
107 Clients with work preparation obligations must take all reasonable steps to prepare for employment.
108 Clients may be eligible for a temporary deferral from their work obligations in specific circumstances. These clients will generally have work preparation obligations for the duration of the deferral.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
304,871	Administering Income Support	273,900	286,399	286,399
295,719	Improving Employment Outcomes	299,240	299,246	299,246
75,709	Improving Work Readiness Outcomes	89,039	84,969	84,969
	Revenue from Others			
4,542	Administering Income Support	2,600	3,039	3,076
-	Improving Employment Outcomes	-	-	-
-	Improving Work Readiness Outcomes	-	-	-
680,841	**Total Revenue**	**664,779**	**673,653**	**673,690**
662,669	**Total Expense**	**664,779**	**673,653**	**658,620**
18,172	**Net Surplus/(Deficit)**	**-**	**-**	**15,070**

Multi-Category Expense Appropriation: Partnering for Youth Development MCA

Overarching Purpose Statement

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

Scope

Departmental Output Expense

Administering Youth Development

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

Non-Departmental Output Expense

Increasing Youth Development Opportunities

This category is limited to purchasing youth development opportunities.

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	The percentage of participants who report they have improved their capability and resilience through completion of a youth development opportunity will be between	80-85%	97.8%

Summary of performance

Non-financial performance

In 2016/2017 we purchased over 70,000 opportunities for youth, with 43 percent of our total investment targeted at young people from disadvantaged backgrounds. Participant feedback indicates that clients reported an improvement in personal, social and decision-making skills through completion of youth development opportunities.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Departmental Output Expense *Administering Youth Development* This category is intended to achieve an increase in youth development opportunities for all young people, particularly those from disadvantaged backgrounds.		
New measure for 2016/2017	The number of purchased youth development opportunities will be no less than	60,000	71,096
New measure for 2016/2017	The percentage of total funding for youth development opportunities targeted at young people from disadvantaged backgrounds will be no less than	30%	43%
	Non-Departmental Output Expense *Increasing Youth Development Opportunities* This category is intended to achieve an improvement in the personal, social and decision-making skills of young people through completion of youth development opportunities.		
New measure for 2016/2017	The percentage of participants who report an improvement in their personal, social and decision-making skills through completion of a youth development opportunity will be between	80-85%	97.2%
New measure for 2016/2017	The percentage of total youth development opportunities created in partnership with the business and philanthropic sector will be no less than	10%	12.2%

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expense			
	Revenue from Crown			
-	Administering Youth Development	2,312	2,682	2,682
-	**Total Revenue**	**2,312**	**2,682**	**2,682**
-	**Total Expense**	**2,312**	**2,682**	**2,494**
-	**Net Surplus/(Deficit)**	**-**	**-**	**188**

2015/2016		2016/2017		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expense			
-	Increasing Youth Development Opportunities	8,203	7,833	7,803
-	**Total Expense**	**8,203**	**7,833**	**7,803**

This Multi-category Appropriation was newly established in 2016/2017 with transfers from the former Departmental Output Expense *Youth Development* and the former Non-Departmental Output Expenses *Services for Young People* and *Youth Development Partnership Fund*.

Multi-Category Expense Appropriation: Social Housing Outcomes Support MCA

Overarching Purpose Statement

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

Scope

Departmental Output Expense

Services to Support People to Access Accommodation

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

Non-Departmental Output Expense

Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing

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

Non-Departmental Other Expense

Housing Support Package

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

Performance will be assessed by using a future social housing valuation to track the key drivers of the valuation, identify variances in trends projected from the valuation, and show how the management of the social housing system is influencing movements in the future valuation.

Summary of performance

Non-financial performance

In 2016/2017 we placed 6,950 households into social housing, and helped people into the private market with 2,294 Housing Support Products grants. We also completed 2,772 tenancy reviews, which resulted in 399 households leaving social housing (including 243 who moved into the private market, 50 who moved into home ownership, 13 who left social housing and have not returned, and 93 who left social housing before their tenancy ended).

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Departmental Output Expense *Services to Support People to Access Accommodation* This category is intended to achieve accurate and efficient operation of the social housing register so that more people who are eligible for social housing have their housing needs met, and those who are capable of housing independence move closer towards that.		
96.6%	The percentage of income-related rent assessments (for tenants with verified income) that are calculated accurately will be no less than	90%	97%
86.9%	The proportion of housing needs assessments completed within five working days will be no less than	90%	90.4%
	Non-Departmental Output Expense *Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing* This category is intended to achieve an increase in the number of people who are able to secure and sustain tenancies, and transition to housing independence.		
New measure for 2016/2017	The number of trials supported through the Tenant Outcomes Fund will be no less than	3	2*
	Non-Departmental Other Expense *Housing Support Package* This category is intended to achieve more people transitioning into social housing independence to ensure that social housing is available for households with the greater housing need.		
Exempted	An exemption was granted under s.15D(2)(b)(iii) of the Public Finance Act 1989 as the amount of the annual appropriation for a non-departmental output expense is less than $5 million.	Exempted	Exempted

* Sustaining Tenancies and Housing First trials are both live. The third trial, Moving to Independence[109], is still being developed. Changes during planning meant it was unable to go live in 2016/2017. Recently funded research into benefit and housing independence will be used to inform the trial; we expect the research results to be available later in 2017.

109 The Moving to Independence initiative will support capable social housing tenants to move from social housing to housing independence, such as private rental or home ownership, in order to free up social houses for clients on the register who have greater housing needs.

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expense			
	Revenue from Crown			
28,266	Services to Support People to Access Accommodation	30,090	44,830	44,830
28,266	**Total Revenue**	**30,090**	**44,830**	**44,830**
28,129	**Total Expense**	**30,090**	**44,830**	**40,092**
137	**Net Surplus/(Deficit)**	**-**	**-**	**4,738**

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expense			
-	Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing	-	5,000	3,443
	Non-Departmental Other Expense			
1,280	Housing Support Package	2,600	4,550	3,648
1,280	**Total Expense**	**2,600**	**9,550**	**7,091**

Multi-Category Expense Appropriation: Social Housing Purchasing MCA

Overarching Purpose Statement

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

Scope

Non-Departmental Output Expenses

Part Payment of Rent to Social Housing Providers

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

Services Related to the Provision of Social Housing

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

Non-Departmental Other Expense

Support for the Provision of Social Housing Supply

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

What is intended to be achieved with this appropriation

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

How performance will be assessed for this appropriation

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	The number of social housing places delivered by social housing providers will be no less than	60,000	66,332

Summary of performance

Non-financial performance

Part Payment of Rent to Social Housing Providers

Before the administration of the Income-Related Rent Subsidy (IRRS) was transferred from Housing New Zealand (HNZ) to MSD in 2014, the subsidy was limited to HNZ tenants. Tenants of community housing providers (CHPs) became eligible following the administration transfer.

Most tenants in Social Housing pay an income-related rent, which limits the amount of rent they pay to no more than 25 percent of their net income. We pay IRRS to registered housing providers to cover the balance between the tenant's rental payment and the market rent for the property.

At 30 June 2017 there were 62,926 tenancies receiving the IRRS. Of these, 58,277 were for properties owned by HNZ and 4,649 for properties owned by CHPs.

At 30 June 2017 the number of applications on the Social Housing Register was 5,353, an increase of 341 from 30 June 2016[110]. The Ministry is working intensively with HNZ and CHPs to match people to houses that suit their need, with 1,725 applications starting a tenancy in the June 2017 quarter, compared with 1,726 applications that accepted an offer of housing in the June 2016 quarter.

110 These figures exclude the Social Housing Transfer Register.

Support for the Provision of Social Housing Supply

The results reflect the number of new social housing places contracted, and the number of new social housing places delivered, in 2016/2017 through the flexible funding arrangements made available to deliver new supply through the Open Request for Proposals for New Social Housing Supply in Auckland and the trial Request for Proposals for New Social Housing Supply in selected areas of high demand outside of Auckland.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Non-Departmental Output Expenses *Part Payment of Rent to Social Housing Providers* This category is intended to achieve an increase in social housing support for eligible people through the payment of Income-Related Rent Subsidy.		
58,000	The number of recipients of Income-Related Rent Subsidy will be no less than	60,000	62,926
3,130	The number of income-related rent tenancies provided by community housing providers will be no less than	2,900	4,649[111]
	Services Related to the Provision of Social Housing This category is intended to achieve continuity of support for social housing tenants who previously had the cost of water rate charges paid for.		
Exempted	An exemption was granted under s.15D(2)(b)(iii) of the Public Finance Act 1989 as the amount of the annual appropriation for a Non-Departmental Output Expense is less than $5 million.	Exempted	Exempted
	Non-Departmental Other Expense *Support for the Provision of Social Housing Supply* This category is intended to achieve an increase in social housing places through the provision of payments to secure access to properties for social housing providers.		
New measure for 2016/2017	The number of social housing places contracted from community housing providers will be no less than	175	478
New measure for 2016/2017	The number of social housing places delivered by community housing providers will be no less than	100	164

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
-	Part Payment of Rent to Social Housing Providers	826,520	847,994	815,277
-	Services Related to the Provision of Social Housing	400	400	400
	Non-Departmental Other Expense			
-	Support for the Provision of Social Housing Supply	13,550	51,530	6,902
-	**Total Expense**	**840,470**	**899,924**	**822,579**

111 2,500 houses from HNZ were transferred to a major CHP in April 2016. The original target of 2,900 was set before the final decision was made on how many properties would be transferred for 2016/2017.

Multi-Category Expense Appropriation: Social Sector Trials MCA

This summary covers the period 1 July 2016 to 31 December 2016. The Social Sector Trials programme ceased from 1 January 2017, and was replaced by Place-based Initiatives. The Social Sector Trials MCA was disestablished from that date.

Overarching Purpose Statement

The single overarching purpose of this appropriation is to trial new ways of delivering social and community assistance based on particular community needs.

Scope

Departmental Output Expense

National Leadership and Administration of Social Sector Trials Programme, and Individual-led Social Sector Trials

This category is limited to the administration of the Social Sector Trials by a national programme office, and by government-employed Social Sector Trial Leads in specified locations, leading a cross-agency approach to improve outcomes for target groups.

Non-Departmental Output Expense

Non-Governmental Organisation-led Social Sector Trials and Contracted Programmes and Services

This category is limited to the administration of the Social Sector Trials by non-governmental organisations in specified locations, leading a cross-agency approach to improve outcomes for target groups, and the social services purchased by the Social Sector Trials to improve social service delivery and improve outcomes.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the transition of the Social Sector Trials programme in specified locations.

How performance will be assessed for this appropriation

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
New measure for 2016/2017	The percentage of sites identified for transition that have transition plans in place by 31 August 2016 will be no less than	100%	100%
New measure for 2016/2017	The percentage of sites identified for transition that have completed their transition plans by 31 December 2016 will be no less than	100%	100%
New measure for 2016/2017	Central support will have been concluded by 31 December 2016	Achieved	Achieved

Summary of performance

Non-financial performance

A decision was made to exit from five Trials on 30 June 2016, for performance reasons. The other 11 Trials ended on 31 December 2016 under the Social Sector Trials (SSTs) programme.

The transition from a locally-influenced model to one that is locally developed and then locally led recognises that these communities are ready to take the lessons from the Trials model and develop their own operating models and supporting structures.

2015/2016 Actual Standard	Measure	2016/2017 Budgeted Standard	2016/2017 Actual Standard
	Departmental Output Expense *National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials* This category is intended to achieve the successful transition of the Social Sector Trial sites, nationally and locally (where led by employees).		
New measure for 2016/2017	The percentage of Social Sector Trial sites led by employees that have transition plans by 31 August 2016 will be no less than	100%	100%
New measure for 2016/2017	The percentage of Social Sector Trial sites led by employees that have completed their transition plans by 31 December 2016 will be no less than	100%	100%
	Non-Departmental Other Expense *Non-Governmental Organisation led Social Sector Teams and Contracted Programmes and Services* This category is intended to achieve the successful transition of the Social Sector Trial sites, nationally and locally (where led by NGOs) and support the purchasing of programmes and services in all sites.		
New measure for 2016/2017	The percentage of Social Sector Trial sites led by NGOs that have transition plans by 31 August 2016 will be no less than	100%	100%
New measure for 2016/2017	The percentage of Social Sector Trial sites led by NGOs that have completed their transition plans by 31 December 2016 will be no less than	100%	100%
100%	The percentage of services provided in accordance with relevant guidelines and standards will be no less than	100%	100%
100%	The percentage of payments made to providers in accordance with contract requirements will be no less than	100%	100%

Financial performance

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expense			
	Revenue from Crown			
2,985	National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials	401	700	700
2,985	**Total Revenue**	**401**	**700**	**700**
2,265	**Total Expense**	**401**	**700**	**765**
720	**Net Surplus/(Deficit)**	**-**	**-**	**(65)**

2015/2016		2016/2017		
Actual $000	**Financial performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Other Expense			
5,111	Non-Governmental Organisation led Social Sector Teams and Contracted Programmes and Services	1,139	1,411	1,248
5,111	**Total Expense**	**1,139**	**1,411**	**1,248**

Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

These financial statements are for the year ended 30 June 2017 and include unaudited forecast financial statements for the year ending 30 June 2018. The statements have been combined to provide a single view of budget, actual and forecast information.

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

Reporting entity

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

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

The financial statements of the Ministry are for the year ended 30 June 2017. The financial statements were authorised for issue by the Chief Executive of the Ministry on 29 September 2017.

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

Basis of preparation

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

Statement of compliance

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

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

These financial statements comply with PBE accounting standards.

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

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

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

Financial Instruments

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

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

The timing of the Ministry adopting PBE IFRS 9 will be guided by the Treasury's decision on when the Financial Statements of the Government will adopt PBE IFRS 9. The Ministry has not yet assessed the effects of the new standard.

Impairment of Revalued Assets

In April 2017 the XRB issued *Impairment of Revalued Assets*, which now clearly scopes revalued property, plant and equipment into the impairment accounting standards. Previously only property, plant and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs. The timing of the Ministry adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of the Government will adopt the amendment.

Significant accounting policies

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

Budget and forecast figures

Basis of the budget and forecast figures

The 2017 budget figures are for the year ended 30 June 2017 and were published in the 2015/2016 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2017.

The 2018 forecast figures are for the year ending 30 June 2018, and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2018.

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

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

The 30 June 2018 forecast figures have been prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 26 April 2017. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2018 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions of what may occur during the 2017/2018 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 26 April 2017, were as follows:

- The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities.
- Personnel costs were based on 6,902 full-time-equivalent (FTE) staff positions.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred. Remuneration rates are based on current salary costs, adjusted for anticipated remuneration changes.
- Land and buildings are not revalued.
- Estimated year-end information for 2016/2017 was used as the opening position for the 2017/2018 forecasts.

The actual financial results achieved for 30 June 2018 are likely to vary from the forecast information presented, and the variations may be material.

Since the approval of the forecasts, the only significant change or event that would have a material impact on the forecasts has been the revaluation of land and buildings at 30 June 2017. This resulted in a revaluation increase of approximately 17 percent. Although it is difficult to reliably forecast land and building values, it is likely that the valuation increase to 30 June 2017 will result in land and building values at 30 June 2018 being higher than in the existing 2018 figures.

Revenue

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

Revenue Crown

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

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

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

Cost allocation

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

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

A new cost allocation model has been developed since the date of the last audited financial statements. This has moved our cost allocation process from an Excel-based system to IBM Cognos TM1 enterprise planning software. The principles applied to the model are the same as described above.

Criteria for direct and indirect costs

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

For the year ended 30 June 2017 direct costs accounted for 84.0 percent of the Ministry's costs (2016: 89.6 percent).

Expenses

General

Expenses are recognised in the period to which they relate.

Capital charge

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

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Property, plant and equipment

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

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

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

Additions

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

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

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

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

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

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

Revaluation

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

Accounting for revaluations

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

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

Amortisation

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

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

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

Impairment of non-financial assets

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

Non-cash-generating assets

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

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

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

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

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

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

Non-current assets held for sale

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

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

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

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

Income tax

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Leases

Finance leases

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

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

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

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

Operating leases

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

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

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

Provisions

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

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

Commitments

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

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

Contingent assets and liabilities

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

Employee entitlements

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

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

Statement of Cash Flows

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

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

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

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

Equity

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

Property revaluation reserves

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

Critical accounting estimates and assumptions

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

Retirement and long service leave

An analysis of the Ministry's exposure to estimates and uncertainties around its retirement and long service leave liability is contained in the notes (refer Note 14).

Fair value of land and buildings

The significant assumptions applied in determining the fair value of land and buildings are disclosed in the notes (refer Note 9).

Useful life of software

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

Operating and finance leases

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

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

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2017.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2017

Continuing Activities Actual 2016 $000	Discontinued Activities Actual 2016 $000	Total Actual 2016 $000		Notes	Continuing Activities Actual 2017 $000	Discontinued Activities Actual 2017 $000	Total Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecats 2018 $000
			Revenue						
900,508	576,112	1,476,620	Revenue Crown		921,332	468,893	1,390,225	1,477,333	887,798
7,803	3,557	11,360	Revenue other	1	27,410	3,334	30,744	4,412	112,737
-	-	-	Gain on disposal of fixed assets	2	123	-	123	-	-
-	-	-	Gain on foreign exchange	2	36	-	36	-	-
908,311	**579,669**	**1,487,980**	**Total revenue**		**948,901**	**472,227**	**1,421,128**	**1,481,745**	**1,000,535**
			Expenses						
495,230	254,602	749,832	Personnel costs	3	499,780	194,439	694,219	741,094	522,204
48,125	9,126	57,251	Depreciation and amortisation expenses	9, 10	53,762	5,989	59,751	57,045	76,603
13,467	12,696	26,163	Capital charge	4	10,949	10,322	21,271	26,179	9,396
312,808	303,245	616,053	Other operating expenses	5	353,122	261,477	614,599	657,427	392,332
103	-	103	Loss on disposal of fixed assets		-	-	-	-	-
869,733	**579,669**	**1,449,402**	**Total expenses**		**917,613**	**472,227**	**1,389,840**	**1,481,745**	**1,000,535**
38,578	**-**	**38,578**	**Net surplus/(deficit)**		**31,288**	**-**	**31,288**	**-**	**-**
			Other comprehensive revenue and expense						
			Item that will not be reclassified to net surplus/ (deficit)						
-	-	-	Gain on property revaluations		18,000	-	18,000	-	-
38,578	**-**	**38,578**	**Total comprehensive revenue and expense**		**49,288**	**-**	**49,288**	**-**	**-**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

For information on discontinued activities refer to Note 22.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development
Statement of Financial Position

As at 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
	Equity				
280,298	Taxpayers' funds	15	165,457	288,697	172,087
46,944	Revaluation reserve	15	29,944	46,944	11,944
327,242	**Total equity**		**195,401**	**335,641**	**184,031**
	Assets				
	Current assets				
77,644	Cash and cash equivalents	6	90,619	21,279	27,608
3,809	Accounts receivable	7	10,672	1,975	3,815
19,004	Prepayments		23,501	18,359	7,728
30,000	Crown receivable	8	24,296	-	-
130,457	**Total current assets**		**149,088**	**41,613**	**39,151**
	Non-current assets				
314,097	Property, plant and equipment	9	133,079	330,894	133,726
151,796	Intangible assets	10	163,161	185,309	152,502
465,893	**Total non-current assets**		**296,240**	**516,203**	**286,228**
596,350	**Total assets**		**445,328**	**557,816**	**325,379**
	Liabilities				
	Current liabilities				
105,338	Accounts payable and accruals	11	121,078	105,289	79,369
-	Revenue received in advance	11	3,374	-	-
38,578	Return of operating surplus to the Crown	12	31,288	-	-
65,510	Provision for employee entitlements	14	40,218	64,523	9,224
7,161	Other provisions	13	17,864	6,873	234
216,587	**Total current liabilities**		**213,822**	**176,685**	**88,827**
	Non-current liabilities				
52,521	Provision for employee entitlements	14	36,105	45,490	52,521
52,521	**Total non-current liabilities**		**36,105**	**45,490**	**52,521**
269,108	**Total liabilities**		**249,927**	**222,175**	**141,348**
327,242	**Net assets**		**195,401**	**335,641**	**184,031**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
327,041	**Balance at 1 July**		**327,242**	**327,241**	**177,056**
38,578	Total comprehensive revenue and expense		49,288	-	-
	Owner transactions				
(38,578)	Return of operating surplus to the Crown	12	(31,288)	-	-
2,300	Capital injections		9,483	8,400	7,101
-	Capital withdrawal – cash		(14,047)	-	(126)
(2,099)	Capital withdrawal – non cash		(110,277)	-	-
-	Transfers from Revaluation Reserve to Ministry for Vulnerable Children, Oranga Tamariki		(35,000)	-	-
327,242	**Balance at 30 June**		**195,401**	**335,641**	**184,031**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development
Statement of Cash Flows

For the year ended 30 June 2017

Continuing Activities Actual 2016 $000	Discontinued Activities Actual 2016 $000	Total Actual 2016 $000		Notes	Continuing Activities Actual 2017 $000	Discontinued Activities Actual 2017 $000	Total Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
			Cash flows from operating activities						
942,591	576,112	1,518,703	Receipts from Crown revenue		927,036	468,893	1,395,929	1,512,333	887,798
5,861	3,609	9,470	Receipts from other revenue		20,500	3,339	23,839	4,412	112,737
(307,562)	(300,199)	(607,761)	Payments to suppliers		(302,786)	(278,864)	(581,650)	(655,191)	(390,676)
(490,807)	(254,722)	(745,529)	Payments to employees		(521,222)	(163,097)	(684,319)	(761,855)	(523,860)
(13,467)	(12,696)	(26,163)	Payments for capital charge		(10,949)	(10,322)	(21,271)	(26,179)	(9,396)
3,538	275	3,813	Goods and services tax (net)		(4,127)	64	(4,063)	-	-
-	-	-	Intercompany cash flow with Ministry for Vulnerable Children, Oranga Tamariki		10,546	-	10,546	-	-
140,154	**12,379**	**152,533**	**Net cash flow from operating activities**	16	**118,998**	**20,013**	**139,011**	**73,520**	**76,603**
			Cash flows from investing activities						
1,863	-	1,863	Receipts from sale of property, plant and equipment		1,511	-	1,511	2,000	2,000
(35,893)	(9,389)	(45,282)	Purchase of property, plant and equipment		(13,235)	(15,116)	(28,351)	(36,712)	(37,351)
(64,042)	(2,990)	(67,032)	Purchase of intangible assets		(51,158)	(4,897)	(56,055)	(60,431)	(31,874)
(98,072)	**(12,379)**	**(110,451)**	**Net cash flow from investing activities**		**(62,882)**	**(20,013)**	**(82,895)**	**(95,143)**	**(67,225)**
			Cash flows from financing activities						
2,300	-	2,300	Capital injections		9,483	-	9,483	8,400	7,101
-	-	-	Capital withdrawal from the Crown		(14,047)	-	(14,047)	-	(126)
(5,328)	-	(5,328)	Return of operating surplus		(38,577)	-	(38,577)	(5,000)	-
(3,028)	**-**	**(3,028)**	**Net cash flow from financing activities**		**(43,141)**	**-**	**(43,141)**	**3,400**	**6,975**
39,054	-	39,054	Net increase/(decrease) in cash		12,975	-	12,975	(18,223)	16,353
28,548	10,042	38,590	Cash at the beginning of the year		67,602	10,042	77,644	39,502	11,255
67,602	**10,042**	**77,644**	**Cash at the end of the year**		**80,577**	**10,042**	**90,619**	**21,279**	**27,608**

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

Refer to Note 16 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

For information on discontinued activities refer to Note 22.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2017

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

Actual 2016 $000		Actual 2017 $000
	William Wallace Trust	
424	**Balance at 1 July**	**419**
(57)	Distributions	(37)
52	Revenue	93
419	**Balance at 30 June**	**475**
	Custody Trust	
-	**Balance at 1 July**	-
-	Contributions	6
-	Distributions	-
-	Revenue	-
-	**Balance at 30 June**	**6**

William Wallace Trust Account

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

Custody Trust Account

The Custody Trust account has been established to administer donations received from the public on behalf of children who were under the care and guardianship of the Chief Executive of the Ministry of Social Development.

The Ministry of Social Development was the agency legally responsible for these Trust Accounts at 30 June 2017. Both Trusts will be transferred to the Ministry for Vulnerable Children, Oranga Tamariki during 2017/2018 as they both relate to children in care of the Chief Executive of that agency.

Ministry of Social Development Statement of Commitments

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Capital commitments	
5,153	Buildings	-
5,153	**Total capital commitments**	-
	Operating commitments	
	Non-cancellable accommodation leases	
47,987	Not later than one year	46,917
100,784	Later than one year and not later than five years	95,026
152,952	Later than five years	142,327
301,723	**Total non-cancellable accommodation leases**	**284,270**
301,723	**Total operating commitments**	**284,270**
306,876	**Total commitments**	**284,270**

Capital commitments

The Ministry has no capital commitments at balance date (2016: $5.2 million).

Non-cancellable accommodation leases

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

The operating and capital commitments for 2016/2017 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

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

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.565 million expected to be received in 2017/2018. Refer to Note 1 for actual sub-lease rental recoveries for 2016/2017.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2017

Unquantifiable contingent liabilities

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

Quantifiable contingent liabilities

Actual 2016 $000		Actual 2017 $000
45	Personal grievances claims	35
886	Other claims	198
931	**Total contingent liabilities**	**233**

Personal grievances

Personal grievances claims represents amounts claimed by employees for personal grievances cases. There are seven personal grievances claims (2016: nine personal grievances claims).

Other claims

Other claims represents outstanding grievances claims from our clients for unpaid benefit entitlements and Child, Youth and Family disputes. There are nine claims (2016: four claims).

Contingent assets

The Ministry has no contingent assets (2016: nil).

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Notes to the Financial Statements

Note 1: Revenue other

Actual 2016 $000		Actual 2017 $000
1,135	Sub-lease rental recoveries	551
10,225	Other recoveries	30,193
11,360	**Total revenue other**	**30,744**

The Ministry received revenue from the Ministry for Vulnerable Children, Oranga Tamariki for corporate support services ($25 million), child support receipts on behalf of children in foster care ($2.789 million), IT operating leases ($0.469 million) and other revenue ($1.935 million). The Ministry also received revenue from sub-leased premises ($0.551 million).

Note 2: Gain on disposal of fixed assets

Actual 2016 $000		Actual 2017 $000
-	Gain on disposal of fixed assets	123
-	Net foreign exchange gains	36
-	**Total gains**	**159**

The net gain on asset disposals was $0.123 million due to the property sale of 22 Bridge Street, Nelson (2016: nil).

Note 3: Personnel costs

Actual 2016 $000		Actual 2017 $000
708,730	Salaries and wages	658,719
8,018	Increase/(decrease) in employee entitlements	3,589
1,521	Increase/(decrease) in restructuring costs	4,357
20,339	Defined superannuation contribution scheme	19,402
11,224	Other personnel expenses	8,152
749,832	**Total personnel costs**	**694,219**

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

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year. The capital charge rate for the year ended 30 June 2017 was 6 percent (2016: 8 percent).

Note 5: Operating expenses

Actual 2016 $000		Actual 2017 $000	Unaudited Forecast 2018 $000
937	Audit fees[112]	989	500
70,781	Rental, leasing and occupancy costs	77,013	70,488
222	Bad debts written off	942	-
(394)	Impairment of receivables	(572)	-
126,456	Client financial plan costs[113]	103,863	-
177,037	Employment support and subsidies[114]	173,527	160,000
33,840	Non-specific client costs[115]	25,380	-
43,770	Office operating expenses	50,592	20,000
84,353	IT related operating expenses	87,464	75,000
7,968	Travel expenses	7,512	6,000
23,588	Consultancy and contractors' fees	33,025	28,611
12,828	Professional fees	15,075	9,000
34,667	Other operating expenses	39,789	22,733
616,053	**Total operating costs**	**614,599**	**392,332**

Note 6: Cash and cash equivalents

Actual 2016 $000		Actual 2017 $000
77,644	Cash at bank and on hand	90,619
77,644	**Total cash and cash equivalents**	**90,619**

112 Audit fees includes statutory audit fees only.

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

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

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

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

Note 7: Debtors and other receivables

Actual 2016 $000		Actual 2017 $000
	By type	
3,809	Trade and other receivables	10,672
3,809	**Total receivables**	**10,672**
	By maturity	
3,809	Expected to be realised within one year	10,672
-	Expected to be held for more than one year	-
3,809	**Total receivables**	**10,672**
	Trade and other receivables	
5,216	Gross trade and other receivables	11,508
(1,407)	Impairment of trade and other receivables	(836)
3,809	**Total trade and other receivables**	**10,672**
3,809	Receivables from exchange transactions	10,672
-	Receivables from non-exchange transactions	-
	Impairment of trade and other receivables	
1,801	Balance at beginning of the year	1,407
-	Impairment losses recognised on receivables	-
(394)	Reversal of impairment losses	(571)
1,407	**Balance at end of the year**	**836**
1,407	Collective impairment allowance	836
-	Individual impairment allowance	-
1,407	**Balance at end of the year**	**836**

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

Debtors impairment

As at 30 June 2017 (and 30 June 2016) impairment of trade and other receivables has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

As at 30 June 2017 the Ministry had no debtors deemed insolvent (2016: nil).

Ageing profile of receivables

as at 30 June 2016				as at 30 June 2017		
Gross $000	**Impairment $000**	**Net $000**		**Gross $000**	**Impairment $000**	**Net $000**
3,039	-	3,039	Not past due	10,108	-	10,108
257	-	257	Past due 1–30 days	111	-	111
86	-	86	Past due 31–60 days	378	-	378
23	-	23	Past due 61–90 days	57	-	57
1,811	(1,407)	404	Past due >91 days	854	(836)	18
5,216	**(1,407)**	**3,809**		**11,508**	**(836)**	**10,672**

Note 8: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2017 Crown receivable was $24.296 million (2016: $30 million).

Note 9: Property, plant and equipment

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Additions by purchase	-	2,645	7,387	14,651	4,944	227	29,854
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	16,750	6,717	(7,997)	-	(48)	15,422
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	2	-	-	-	-	2
Disposals	-	-	(280)	(2)	(5,575)	(43)	(5,900)
Balance as at 30 June 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**
Balance as at 1 July 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**
Additions by purchase	-	1,896	38,478	12,689	775	899	54,737
Revaluation increase/(decrease)	9,336	339	-	-	-	-	9,675
Work in progress movement	-	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Asset transfers	(42,634)	(174,105)	(255)	-	-	(4,990)	(221,984)
Other asset movement	-	78	(513)	-	(3)	-	(438)
Disposals	(1,000)	-	(3,388)	(111)	(1,065)	(92)	(5,656)
Balance as at 30 June 2017	**22,820**	**26,252**	**126,077**	**116,576**	**25,834**	**15,210**	**332,769**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Depreciation expense	-	11,097	6,499	7,271	3,392	1,425	29,684
Eliminate on disposal	-	-	(263)	(3)	(3,653)	(40)	(3,959)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	(1)	-	-	-	(1)
Balance as at 30 June 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Balance as at 1 July 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Depreciation expense	-	4,239	8,601	7,852	2,986	876	24,554
Eliminate on disposal	-	-	(3,318)	(112)	(681)	(43)	(4,154)
Eliminate on revaluation	-	(8,325)	-	-	-	-	(8,325)
Asset transfers	-	(18,030)	(250)	-	-	(3,401)	(21,681)
Other asset movement	-	(166)	(291)	-	(1)	-	(458)
Balance as at 30 June 2017	**-**	**255**	**80,798**	**92,190**	**13,126**	**13,321**	**199,690**
Carrying amounts							
At 1 July 2015	**57,118**	**187,355**	**14,854**	**21,230**	**15,152**	**4,734**	**300,443**
At 30 June and 1 July 2016	**57,118**	**195,655**	**22,443**	**20,614**	**14,782**	**3,485**	**314,097**
At 30 June 2017	**22,820**	**25,997**	**45,279**	**24,386**	**12,708**	**1,889**	**133,079**
Unaudited forecast carrying amount at 30 June 2018	**45,855**	**13,694**	**42,173**	**18,580**	**12,976**	**448**	**133,726**

Valuation

A full valuation of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2017. Registered valuer Andrew Parkyn, ANZIV, from Quotable Value Limited was the project manager.

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

As a result of the full valuation, land and buildings increased in value by $9.675 million.

Land

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

Buildings

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

Work in progress

	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation						
Balance as at 1 July 2015	**12,186**	**29**	**14,015**	-	**58**	**26,288**
Work in progress movement	16,750	6,717	(7,997)	-	(48)	15,422
Balance as at 30 June 2016	**28,936**	**6,746**	**6,018**	-	**10**	**41,710**
Balance as at 1 July 2016	**28,936**	**6,746**	**6,018**	**-**	**10**	**41,710**
Work in progress movement	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Balance as at 30 June 2017	**8,788**	**2**	**4,952**	**523**	**29**	**14,294**

The total amount of property, plant and equipment under construction and work in progress is $14.294 million (2016: $41.710 million).

Restrictions

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

Asset transfers

During 2016/2017 there were net asset transfers of $200.303 million (2016: nil). The transfers from 1 April 2017 related to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki and transfers to Land Information New Zealand (LINZ) for surplus-to-requirements properties.

Note 10: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2015	**340,744**	**340,744**
Additions by purchase and internally generated	83,581	83,581
Work in progress movement	(16,572)	(16,572)
Asset transfers	(2,099)	(2,099)
Other asset movement	(3)	(3)
Disposals	(9,118)	(9,118)
Balance as at 30 June 2016	**396,533**	**396,533**
Balance as at 1 July 2016	**396,533**	**396,533**
Additions by purchase and internally generated	56,802	56,802
Work in progress movement	(6,535)	(6,535)
Asset transfers	(7,501)	(7,501)
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2017	**439,299**	**439,299**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2015	**226,289**	**226,289**
Amortisation expense	27,568	27,568
Disposals	(9,117)	(9,117)
Asset transfers	-	-
Other asset movement	(3)	(3)
Impairment losses	-	-
Balance as at 30 June 2016	**244,737**	**244,737**
Balance as at 1 July 2016	**244,737**	**244,737**
Amortisation expense	35,197	35,197
Disposals	-	-
Asset transfers	(3,796)	(3,796)
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2017	**276,138**	**276,138**
Carrying amounts		
At 1 July 2015	**114,455**	**114,455**
At 30 June and 1 July 2016	**151,796**	**151,796**
At 30 June 2017	**163,161**	**163,161**
Unaudited forecast carrying amount at 30 June 2018	**152,502**	**152,502**

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2015	**62,277**	**62,277**
Work in progress movement	(16,572)	(16,572)
Balance as at 30 June 2016	**45,705**	**45,705**
Balance as at 1 July 2016	**45,705**	**45,705**
Work in progress movement	(6,535)	(6,535)
Balance as at 30 June 2017	**39,170**	**39,170**

The total amount of intangibles in the course of construction is $39.170 million (2016: $45.705 million).

Restrictions

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

Asset transfers

During 2016/2017 there were net asset transfers of $3.705 million (2016: nil). The transfers from 1 April 2017 related to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki.

Note 11: Creditors and other payables

Actual 2016 $000		Actual 2017 $000
	Payables and deferred revenue under exchange transactions	
7,551	Creditors	16,321
-	Income in advance for recovered services	3,374
80,358	Accrued expenses	91,391
87,909	**Total Payables and deferred revenue under exchange transactions**	**111,086**
	Payables and deferred revenue under non-exchange transactions	
17,429	GST payable	13,366
17,429	**Total Payables and deferred revenue under non-exchange transactions**	**13,366**
105,338	**Total payables and deferred revenue**	**124,452**

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

Note 12: Return of operating surplus

Actual 2016 $000		Actual 2017 $000
38,578	Net surplus/(deficit)	31,288
38,578	**Total repayment of surplus**	**31,288**

The repayment of surplus is required to be paid to the Crown by 31 October 2017.

Note 13: Provisions

Actual 2016 $000		Actual 2017 $000
4,986	ACC Partnership programme	3,417
1,137	Restructuring provision	2,841
1,028	Lease reinstatement	714
10	Other provisions	10,892
7,161	**Total provisions**	**17,864**

Provisions by category

	ACC Partnership Programme $000	Lease Reinstate-ment $000	Restructure $000	Operating lease incetive $000	Holidays Act $000	Others $000	Total $000
2016							
Balance as at 1 July 2015	**4,862**	**897**	**1,081**	**-**	**-**	**33**	**6,873**
Additional provisions made	2,358	290	217	-	-	-	2,865
Amounts used	(2,234)	-	(161)	-	-	-	(2,395)
Unused amounts reversed	-	(200)	-	-	-	(23)	(223)
Discount unwind	-	41	-	-	-	-	41
Balance as at 30 June 2016	**4,986**	**1,028**	**1,137**	**-**	**-**	**10**	**7,161**
2017							
Balance as at 1 July 2016	**4,986**	**1,028**	**1,137**	**-**	**-**	**10**	**7,161**
Additional provisions made	-	512	2,100	9,673	1,759	-	14,044
Amounts used	(1,028)	-	(98)	(539)	-	-	(1,665)
Unused amounts reversed	(541)	(540)	(298)	-	-	-	(1,379)
Discount unwind	-	13	-	-	-	-	13
Transfer to Ministry for Vulnerable Children, Oranga Tamariki	-	(300)	-	-	-	(10)	(310)
Balance as at 30 June 2017	**3,417**	**713**	**2,841**	**9,134**	**1,759**	**-**	**17,864**

ACC Partnership programme

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

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

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

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

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

An external independent actuarial valuer, Melville Jessup Weaver, has calculated the Ministry's liability. The valuation is effective as at 30 June 2017. The valuer has attested that he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Lease reinstatement

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

At year-end there were seven sites where a lease reinstatement provision had been established with a value of $0.713 million (2016: $1.028 million). A transfer of $0.300 million of the lease provision was made to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017. The timing of any future lease reinstatement work is currently up to three years in the future.

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

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

An asset to the value of $0.720 million (2016: $0.951 million) was established for the lease reinstatement costs. This is being depreciated on a straight-line basis for each lease term.

Operating lease incentive

A new provision for $9.134 million has been established for an operating lease incentive on the National Office building at 56 The Terrace, Wellington. The lease incentive relates to an initial 12-month rent-free period beginning from August 2017. The lease is over a term of 18 years and the rent free period will be amortised over the term of the lease in accordance with generally accepted accounting standards.

Restructure

Restructuring provision is for equalisation allowances of $0.841 million (2016: $1.137 million) for staff members affected by restructures in 2009 and 2017 who were reassigned to positions within the Ministry at lower salary levels.

A new restructuring of $2 million for staff affected by a new organisational design for Service Delivery was announced in May 2017.

The total restructuring provision as at 30 June 2017 is $2.841 million (2016: $1.137 million).

Holidays Act provision

This is a new provision made to account for any Ministry payroll compliance issues with the Holidays Act 2003, mainly relating to employees and ex-employees who have worked different shifts and hours each week, resulting in underpaid leave over a period of time. The value of the provision of $1.759 million (2016: nil) is based on a professional assessment by the Ministry's human resources group.

Other

The Ministry has no provision for family home resettlement (2016: $10,000) as this provision was transferred to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017.

Note 14: Employee entitlements

Actual 2016 $000		Actual 2017 $000
	Current liabilities	
15,212	Retirement and long service leave	9,374
48,637	Provision for annual leave	29,140
1,661	Provision for sickness leave	1,704
65,510	**Total current portion**	**40,218**
	Non-current liabilities	
52,521	Retirement and long service leave	36,105
52,521	**Total non-current portion**	**36,105**
118,031	**Total employment entitlements**	**76,323**

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

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

Discount rates and salary inflation applied

as at 30 June 2016			Employee Entitlement Variables	as at 30 June 2017		
2017 %	2018 %	2019 %		2018 %	2019 %	2020 %
2.12	1.95	3.13	Discount rates	1.97	2.36	3.92
3.00	3.00	3.00	Salary inflation	3.10	3.10	3.10

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

Movements	Actual 2017 $000	Salary + 1% 2017 $000	Salary - 1% 2017 $000	Discount + 1% 2017 $000	Discount - 1% 2017 $000
Current	9,374	30	(30)	21	(21)
Non-current	36,105	3,725	(3,264)	3,539	(3,052)
Total	**45,479**	**3,755**	**(3,294)**	**3,560**	**(3,073)**

Note 15: Equity

Actual 2016 $000		Actual 2017 $000
	Taxpayers' funds	
280,097	**Balance at 1 July**	**280,298**
38,578	Surplus/(deficit)	31,288
2,300	Capital contribution	9,483
(2,099)	Capital withdrawal – Cash	(14,047)
-	Capital withdrawal – Non Cash	(110,277)
-	Transfers from Revaluation Reserve on asset transfer to Ministry for Vulnerable Children, Oranga Tamariki	35,000
-	Transfer to Ministry for Vulnerable Children, Oranga Tamariki	(35,000)
(38,578)	Repayment of surplus	(31,288)
280,298	**Balance at 30 June**	**165,457**
	Revaluation reserves	
46,944	**Balance at 1 July**	**46,944**
-	Revaluation gains	18,000
-	Transfer to Taxpayers' funds on asset transfer to Ministry for Vulnerable Children, Oranga Tamariki	(35,000)
46,944	**Balance at 30 June**	**29,944**
327,242	**Total Equity**	**195,401**

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

Actual 2016 $000		Actual 2017 $000
38,578	**Net surplus/(deficit)**	**31,288**
	Add/(less) non-cash items	
-	Working capital transfer to Ministry for Vulnerable Children, Oranga Tamariki	65,645
29,683	Depreciation	24,554
27,568	Amortisation	35,197
57,251	**Total non-cash items**	**125,396**
	Add/(less) items classified as investing or financing activities	
103	(Gains)/losses on disposal property, plant and equipment	(123)
103	**Total items classified as investing or financing activities**	**(123)**
	Add/(less) working capital movements	
47,376	(Increase)/decrease in accounts receivable	(1,159)
4,249	(Increase)/decrease in prepayments	(4,497)
(3,330)	Increase/(decrease) in accounts payable	15,737
-	Increase/(decrease) in revenue received in advance	3,374
987	Increase/(decrease) in provision for employee entitlements	(25,292)
288	Increase/(decrease) other provisions	10,703
49,570	**Net movements in working capital items**	**(1,134)**
	Add/(less) movements in non-current liabilities	
7,031	Increase/(decrease) in provision for employee entitlements	(16,416)
7,031	**Net movements in non-current liabilities**	**(16,416)**
152,533	**Net cash inflow from operating activities**	**139,011**

Note 17: Related party transactions

The Ministry is a wholly-owned entity of the Crown and received funding from the Crown of $1,390 million to provide services to the public for the year ended 30 June 2017 (2016: $1,477 million.) The Government significantly influences the role of the Ministry as well as being its major source of revenue. All related party transactions are entered into on an arm's-length basis.

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

Related party transactions required to be disclosed

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

Transactions with key management personnel

Actual 2016		Actual 2017
	Leadership Team, including the Chief Executive	
$4,656,520	Remuneration	$5,560,922
12.9	Full-time equivalent members	12.3

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

Note 18: Events after the balance sheet date

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

Note 19: Financial instruments

Financial instrument categories

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

Actual 2016 $000		Actual 2017 $000
	Loans and receivables	
77,644	Cash and cash equivalents	90,619
33,809	Debtors and other receivables	34,968
111,453	**Total loans and receivables**	**125,587**
	Financial liabilities measured at amortised cost	
87,909	Creditors and other payables	111,086
87,909	**Total financial liabilities measured at amortised cost**	**111,086**

Fair value hierarchy

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

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

In 2016/2017 there were no instruments recognised at fair value in the Statement of Financial Position (2016: nil).

Financial instrument risks

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

Market risk

Currency risk

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

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

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

Sensitivity analysis

As at 30 June 2017 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2016: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables (refer Note 7), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2016 $000		Actual 2017 $000
	Creditors and other payables	
87,909	Less than six months	111,086
87,909		**111,086**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2016: nil).

Note 20: Capital management

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

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

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

Note 21: Major budget variations

Explanations for major variances from the Ministry's estimated figures in the Forecast Financial Statements 2016/2017 are as follows:

	Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Variance 2017 $000
Statement of Comprehensive Revenue and Expense				
Revenue				
Revenue Crown	a	1,390,225	1,477,333	87,108
Revenue Other	b	30,744	4,412	(26,332)
Expenses				
Personnel costs	c	694,219	741,094	46,875
Other operating expenses	d	614,599	657,427	42,828
Statement of Financial Position				
Assets				
Current assets				
Cash and cash equivalents	e	90,619	21,279	(69,340)
Crown receivable	f	24,296	-	(24,296)
Non-current assets				
Property, plant and equipment	g	133,079	330,894	197,815
Liabilities				
Current liabilities				
Return of operating surplus to the Crown	h	31,288	-	(31,288)
Provision for employee entitlements	i	40,218	64,523	24,305
Statement of Cash Flows				
Cash flows from operating activities				
Receipts from Crown revenue	j	1,395,929	1,512,333	116,404
Payments to suppliers	k	(581,650)	(655,191)	(73,541)

Statement of Comprehensive Revenue and Expense

a. Revenue Crown is less than budgeted by $87.108 million, mainly because of the transfer of $148.109 million of Revenue Crown for the establishment from 1 April 2017 of the Ministry for Vulnerable Children, Oranga Tamariki, which was not included in the original budget. The above was offset by new funding for Child, Youth and Family ($35.376 million), ensuring the safety of our employees ($11.734 million) and extending the Youth Service to 18- and 19-year-olds ($10.326 million).

b. Revenue Other is higher than budgeted by $26.332 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki and the shared services arrangement for corporate services with the Ministry of Social Development of $25 million.

c. Personnel costs is lower than budgeted by $46.875 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

d. Other operating costs is lower than budgeted by $42.828 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

Statement of Financial Position

e. Cash and cash equivalents is higher than budgeted by $69.340 million, mainly due to the timing of cash draw-downs and of shared service arrangement receipts from the Ministry for Vulnerable Children, Oranga Tamariki.

f. Crown receivable relates to funds the Ministry has not drawn down for 2017 and previous years. The current higher balance compared to budget is attributable to a lower demand for cash and the subsequent draw down from the Crown receivable balance during 2016/2017.

g. Property, plant and equipment is lower than budget by $197.815 million, mainly due to the transfer of assets to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

h. Return of operating surplus to the Crown is higher than budget due to significant in-principle expense transfers[116] of funding from 2016/2017 to 2017/2018 including for Simplification changes, investment approach trials and social housing.

i. Provision for employee entitlements is lower than budget by $24.305 million, mainly due to the transfer of employees to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

Statement of Cash Flows

j. Receipts from Crown revenue is lower than budget mainly due to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

k. Payments to suppliers is lower than budget mainly due to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

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

Note 22: Discontinued activities

On 1 April 2017 the Ministry for Vulnerable Children, Oranga Tamariki was established, with the following functions transferred from the Ministry of Social Development:

- statutory care and protection
- youth justice services
- operational adoption services
- the Children's Action Plan Directorate and the Children's Teams
- Community Investment functions relating to funding and contracting for vulnerable children services
- family violence and sexual violence services relating to child victims or perpetrators
- complaint and grievance panel services
- policy advice relevant to the above functions.

In accordance with the PBE IFRS 5, the financial effects of the above discontinued operations in the Ministry of Social Development have been separately disclosed in the Statement of Comprehensive Revenue and Expense and the Statement of Cash Flows. The prior period information has also been restated for comparability purposes.

Statement of Accounting Policies: Non-Departmental

Reporting entity

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

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

Basis of preparation

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

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

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

Changes in accounting policies

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

Significant accounting policies

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

Budget figures

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

Revenue

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

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

Interest revenue is the interest on Major Repairs Advances, which were advances made for the repairs or maintenance of clients' homes. This programme is no longer current.

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

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

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Derivatives

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

Social benefit receivables

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

Goods and services tax

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

Commitments

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

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

Contingent assets and liabilities

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

Critical accounting estimates and assumptions

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

Social benefit receivables

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

Critical judgements in applying the Ministry's accounting policies

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

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

There were no other significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2017.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2017

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

Schedule of Non-Departmental Revenue

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
1	Interest revenue		1	-
185	Maintenance capitalisation		484	450
1,046	Miscellaneous revenue		292	-
-	Gain on foreign exchange		411	-
10,433	Student Loan – administration fee	2	10,010	10,536
11,665	**Total non-departmental income**		**11,198**	**10,986**

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

For additional detail on student loan advances, refer to Note 2.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
224,263	Benefit recoveries – current debt		230,366	220,012
923	Benefit recoveries – liable parent contributions		849	597
94,560	Benefit recoveries – non-current debt		94,944	91,861
284,837	Overseas pension recoveries		252,720	322,552
98,258	Student Loans – repayment of principal	2	97,622	102,427
702,841	**Total non-departmental capital receipts**		**676,501**	**737,449**

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

For additional detail on student loan advances, refer to Note 2.

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2017

Actual 2016 $000		Actual 2017 $000	Unaudited Budget 2017 $000
1,090,764	Non-departmental output expenses	1,162,619	1,168,265
(20,172)	Non-departmental other expenses	138,477	112,867
1,762,590	Non-departmental capital expenditure	1,757,463	1,829,692
19,548,166	Benefits or related expenses	20,350,301	20,251,908
45	Loss on foreign exchange	-	-
51,534	Other operating expenses	51,422	56,942
22,432,927	**Total non-departmental expenses**	**23,460,282**	**23,419,674**

The Other operating expenses of $51 million is mainly GST on grants and subsidies paid under non-departmental output expenses and non-departmental other expenses. An input tax deduction is not claimed on non-departmental expenditure.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
	Current assets			
150,494	Cash and cash equivalents		235,342	100,063
119,989	Receivables	3	121,893	362,224
17,963	Prepayments – benefits and allowances		15,119	1,212
288,446	**Total current assets**		**372,354**	**463,499**
	Non-current assets			
584,006	Receivables	3	612,853	239,103
58	Other advances		53	28
584,064	**Total non-current assets**		**612,906**	**239,131**
872,510	**Total non-departmental assets**		**985,260**	**702,630**

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

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Liabilities

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000	Unaudited Budget 2017 $000
	Current liabilities		
203,725	Accruals – other than government departments	253,740	240,449
99,617	Tax payable	102,667	107,353
606	Other current liabilities	834	-
410	Foreign exchange forward contracts	-	372
304,358	**Total non-departmental liabilities**	**357,241**	**348,174**

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2017

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

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2017

Unquantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities (2016: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2017 (2016: nil).

Unquantifiable contingent assets

Social Housing – Crown Residual Interest

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

Quantifiable contingent assets

The Ministry on behalf of the Crown has no quantifiable contingent assets (2016: nil).

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2017

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June 2017 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2017 were as follows:

Actual 2016 $000		Actual 2017 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**2**
10	Contributions	5
(10)	Distributions	(7)
2	**Balance at 30 June**	**-**
	Australian Embargoed Arrears	
559	**Balance at 1 July**	**479**
6,174	Contributions	6,747
(6,254)	Distributions	(6,696)
-	Revenue	6
479	**Balance at 30 June**	**536**
	Maintenance	
108	**Balance at 1 July**	**23**
388	Contributions	388
(476)	Distributions	(392)
3	Revenue	3
23	**Balance at 30 June**	**22**
	Netherlands Debt	
11	**Balance at 1 July**	**4**
88	Contributions	86
(95)	Distributions	(79)
4	**Balance at 30 June**	**11**
508	**Total trust monies**	**569**

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Australian Debt Recoveries Trust Account

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

Australian Embargoed Arrears Trust Account

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

Maintenance Trust Account

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

Netherlands Debt Trust Account

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Notes to the Non-Departmental Financial Statements

Note 1: Explanation of major variances against budget

Explanations for major variances from the Ministry's non-departmental budget figures are as follows:

Schedule of income and expenses

Non-departmental capital receipts were lower than budget by $60.948 million, mainly due to lower receipts compared to budget for overseas pension recoveries. This is due to the New Zealand dollar appreciating against overseas currencies as a result of the United Kingdom voting to leave the European Union in July 2016. Non-departmental other expenses were higher than budget by $25.610 million, mainly due to higher expenditure on debt write-downs from interest rate remeasurement.

There are no other significant variances against budget.

Schedule of assets and liabilities

Current and non-current receivables were higher than budget by $133.419 million. This is mainly due to higher levels of current benefit debt at year-end of $57.881 million and a change in the opening balance applied to the actual results since the budget was calculated (in April 2016) of $101.658 million.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Student loans	
-	**Opening nominal balance**	-
1,610,273	New lending	1,572,613
(98,258)	Repayment	(97,622)
(1,522,448)	Loan balance transfer to IRD	(1,485,001)
10,433	Administration fee	10,010
-	**Closing nominal balance**	-
-	**Net carrying value of student loans**	-

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

Note 3: Accounts receivable – benefits and allowances

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

The carrying value and the fair value are the same for these amounts. Since there is no market comparison, the fair value is determined by discounting the expected future cash flows by the appropriate interest rates at year-end. The effective interest rates applied at year-end were between 1.97 percent and 4.75 percent (2.12 percent and 4.31 percent at 30 June 2016).

The fair value of the portfolio as at 30 June 2017 is $735 million ($704 million at 30 June 2016).

Social benefit and other receivables

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Social benefit receivables	
1,377,577	Nominal value of receivable	1,375,005
1,377,577	Gross value of receivables	1,375,005
(673,614)	less provision for impairment[117]	(640,276)
703,963	Net social benefit receivables	734,729
31	Other receivables	17
703,994	**Total receivables**	**734,746**

	Total receivables are represented by:	
119,989	Current	121,893
584,006	Non-current	612,853
703,995	**Balance at end of the year**	**734,746**

	Social benefit receivables **Movements in the carrying value of the loans are as follows:**	
564,460	**Balance at 1 July**	**703,963**
399,596	Face value of new receivables during the year	323,587
(319,746)	Receivables repaid during the year	(326,159)
59,653	Subsequent net impairment	33,338
703,963	**Balance at 30 June**	**734,729**

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment gains of $33 million during the 2016/2017 year (2016: $60 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 percent would decrease fair value by approximately $36.168 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $41.339 million. Since there are no contractual repayment terms, future cash flows assume that existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

117 Impairment of social benefit receivables includes an increase of $23.883 million of remeasurement due to changes in interest and collection cost rates.

Interest rate risk is the risk that the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between (0.15) percent and 0.44 percent from 1 July 2016 to 30 June 2017 (2016: (1.99) percent and (0.60) percent).

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

Note 4: Financial instruments

Financial instrument categories

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

Actual 2016 $000		Actual 2017 $000
	Loans and receivables	
150,494	Cash and cash equivalents	235,342
31	Debtors and other receivables	17
150,525	**Total loans and receivables**	**235,359**
	Fair value through surplus or deficit – held for trading	
410	Derivative financial instrument liabilities	-
	Financial liabilities measured at amortised cost	
204,331	Creditors and other payables	254,574

Fair value hierarchy

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

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

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

Actual 2016 $000		Actual 2017 $000
	Financial liabilities	
	Observable inputs	
410	Foreign exchange derivatives	-

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

Financial instrument risks

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

Market risk

Currency risk

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

Currency risk arises from the need to reimburse the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office to hedge the currency risk. At balance date, the Ministry had no foreign exchange forward contracts (2016: liability of NZ$0.410 million).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2016: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2016 $000		Actual 2017 $000
	Creditors and other payables	
204,331	Less than six months	254,574
204,331		**254,574**

Contractual maturity analysis of derivative financial instrument liabilities

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

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than six months $000	6-12 months $000	1-2 years $000
2017						
Forward foreign exchange contracts	-	-				
- outflow			-	-	-	-
- inflow			-	-	-	-
2016						
Forward foreign exchange contracts	410	-				
- outflow			10,013	10,013	-	-
- inflow			9,603	9,603	-	-

Statements of Expenses and Capital Expenditure

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2017.

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

For the year ended 30 June 2017

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[118] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[119] 2017 $000	Location of end-of-year performance information[120] 2017
	Vote Social Development					
	Departmental output expenses					
7,029	Adoption Services	3,998	-	3,998	3,998	1
382,924	Care and Protection Services	316,957	-	316,957	316,957	1
12,505	Children's Action Plan	8,780	-	8,780	8,780	1
-	Corporate Support Services	25,000	-	25,000	25,000	1
11,187	Data, Analytics and Evidence Services	11,684	22	11,706	12,510	1
1,518	Designing and Implementing Social Investment	8,309	-	8,309	9,018	1
36,981	Income Support and Assistance to Seniors	43,167	45	43,212	43,781	1
49,518	Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments	48,054	68	48,122	49,209	1
45,054	Investing in Communities	37,290	-	37,290	39,163	1
6,227	Management of Service Cards	4,602	16	4,618	4,879	1
15,129	Management of Student Loans	15,083	-	15,083	15,545	1
15,794	Management of Student Support	16,667	45	16,712	17,356	1
-	Place-based initiatives - national support	252	-	252	610	1
-	Place-based initiatives - Tairāwhiti Local Leadership	194	-	194	205	1
6,081	Planning, Correspondence and Monitoring	6,310	6	6,316	6,344	1
20,421	Policy Advice	19,798	23	19,821	20,167	1
386	Processing of Veterans' Pensions	464	-	464	588	1
5,685	Promoting Positive Outcomes for Disabled People	3,949	2	3,951	4,045	1
888	Promoting Positive Outcomes for Seniors	850	-	850	1,010	1
131,321	Youth Justice Services	95,528	-	95,528	95,528	1
4,835	Property Management Centre of Expertise	-	-	-	-	
2,856	Youth Development	-	-	-	-	
756,339	**Total departmental output expenses**	**666,936**	**227**	**667,163**	**674,693**	

118 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

119 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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

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

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

For the year ended 30 June 2017

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[121] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[122] 2017 $000	Location of end-of-year performance information[123] 2017
	Departmental other expenses					
-	Transformation Programme: Investing in New Zealand Children and their Families	21,128	-	21,128	21,128	1
-	**Total departmental other expenses**	**21,128**	**-**	**21,128**	**21,128**	
	Departmental capital expenditure					
112,314	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the Public Finance Act 1989	84,406	-	84,406	103,798	1
112,314	**Total departmental capital expenditure**	**84,406**	**-**	**84,406**	**103,798**	

121 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2017

Expenditure including Remeasurements 2016 $000	Appropriation title	Expenditure including Remeasurements 2017 $000	Remeasurements[124] 2017 $000	Expenditure excluding Remeasurements 2017 $000	Appropriation Voted[125] 2017 $000	Location of end-of-year performance information[126] 2017
	Non-departmental output expenses					
2,157	Children's Commissioner	2,157	-	2,157	2,157	4
75,080	Community Participation Services	81,818	-	81,818	82,631	2
18,773	Counselling and Rehabilitation Services	16,874	-	16,874	16,879	2
8,382	Education and Prevention Services	9,194	-	9,194	9,279	2
2,693	Emergency Housing Response	6,167	-	6,167	10,445	2
12,331	Families Commission	14,092	-	14,092	14,092	5
84,509	Family Wellbeing Services	84,798	-	84,798	84,913	2
113,750	Strong Families and Connected Communities	107,229	-	107,229	109,144	2
3,344	Student Placement Services	3,329	-	3,329	3,512	3
755,268	Part Payment of Rent to Social Housing Providers	-	-	-	-	
8,588	Services for Young People	-	-	-	-	
439	Youth Development Partnership Fund	-	-	-	-	
1,085,314	**Total non-departmental output expenses**	**325,658**	**-**	**325,658**	**333,052**	
	Non-departmental other expenses					
(41,782)	Debt Write-downs	91,943	(23,883)	68,060	97,891	3
1,542	Extraordinary Care Fund	817	-	817	2,308	3
-	Hurunui/Kaikōura Earthquake Employment Support	17,388	-	17,388	17,540	2
18,124	Out of School Care Programmes	17,779	-	17,779	19,410	2
664	Support for the Provision of Social Housing Supply	-	-	-	-	
(21,452)	**Total non-departmental other expenses**	**127,927**	**(23,883)**	**104,044**	**137,149**	
	Non-departmental capital expenditure					
152,317	Recoverable Assistance	184,850	-	184,850	196,191	3
1,610,273	Student Loans	1,572,613	-	1,572,613	1,634,026	3
1,762,590	**Total non-departmental capital expenditure**	**1,757,463**	**-**	**1,757,463**	**1,830,217**	

124 Debt Write-downs in 2016/2017 includes $23.883 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurement.

125 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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

For the year ended 30 June 2017

Expenditure including Remeasurements 2016 $000	Appropriation title	Expenditure including Remeasurements 2017 $000	Remeasurements[127] 2017 $000	Expenditure excluding Remeasurements 2017 $000	Appropriation Voted[128] 2017 $000	Location of end-of-year performance information[129] 2017
	Multi-category appropriations					
-	**Emergency Housing MCA**	**8,131**	**-**	**8,131**	**23,652**	
	Non-departmental output expenses					
-	*Emergency Housing Services*	6,768	-	6,768	14,624	1
-	*Provision of Emergency Housing Places*	1,363	-	1,363	9,028	1
662,669	**Improved Employment and Social Outcomes Support MCA**	**657,043**	**1,577**	**658,620**	**673,653**	
	Departmental output expenses					
299,870	*Administering Income Support*	279,498	1,217	280,715	289,438	1
295,521	*Improving Employment Outcomes*	298,677	307	298,984	299,246	1
67,278	*Improving Work Readiness Outcomes*	78,868	53	78,921	84,969	1
339	**Independent Advice on Government Priority Areas MCA**	**418**	**-**	**418**	**518**	
	Non-departmental output expenses					
339	*Other Advice*	418	-	418	364	3
-	*Policy Advice*	-	-	-	154	3
-	**Partnering for Youth Development MCA**	**10,295**	**2**	**10,297**	**10,515**	
	Departmental output expense					
-	*Administering Youth Development*	2,492	2	2,494	2,682	1
	Non-departmental output expense					
-	*Increasing Youth Development Opportunities*	7,803	-	7,803	7,833	1
29,409	**Social Housing Outcomes Support MCA**	**46,731**	**452**	**47,183**	**54,380**	
	Departmental output expense					
28,129	*Services to Support People to Access Accommodation*	39,640	452	40,092	44,830	1
	Non-departmental output expense					
-	*Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing*	3,443	-	3,443	5,000	1
	Non-departmental other expense					
1,280	*Housing Support Package*	3,648	-	3,648	4,550	1

127 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2017

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[130] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[131] 2017 $000	Location of end-of-year performance information[132] 2017
-	**Social Housing Purchasing MCA**	**822,579**	**-**	**822,579**	**899,924**	
	Non-departmental output expenses					
-	*Part Payment of Rent to Social Housing Providers*	815,277	-	815,277	847,994	1
-	*Services Related to the Provision of Social Housing*	400	-	400	400	1
	Non-departmental other expense					
-	*Support for the Provision of Social Housing Supply*	6,902	-	6,902	51,530	1
7,376	**Social Sector Trials MCA**	**2,012**	**1**	**2,013**	**2,111**	
	Departmental output expense					
2,265	*National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials*	764	1	765	700	1
	Non-departmental output expense					
5,111	*Non-Governmental Organisation led Social Sector Teams and Contracted Programmes and Services*	1,248	-	1,248	1,411	1
699,793	**Total multi-category appropriations**	**1,547,209**	**2,032**	**1,549,241**	**1,664,753**	

130 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2017

Expenditure including Remeasurements 2016 $000	Appropriation title	Expenditure including Remeasurements 2017 $000	Remeasurements[133] 2017 $000	Expenditure excluding Remeasurements 2017 $000	Appropriation Voted[134] 2017 $000	Location of end-of-year performance information[135] 2017
	Benefits or related expenses					
1,163,674	Accommodation Assistance	1,126,980	-	1,126,980	1,146,156	3
182,138	Childcare Assistance	198,590	-	198,590	205,345	3
376,943	Disability Assistance	376,965	-	376,965	380,022	3
432	Family Start/NGO Awards	191	-	191	705	3
289,558	Hardship Assistance	352,527	-	352,527	356,979	3
1,671,316	Jobseeker Support and Emergency Benefit	1,697,015	-	1,697,015	1,712,139	3
12,266,832	New Zealand Superannuation	13,043,292	-	13,043,292	13,069,729	3
142,893	Orphan's/Unsupported Child's Benefit	152,103	-	152,103	154,067	3
1,152,990	Sole Parent Support	1,158,572	-	1,158,572	1,176,096	3
11,438	Special Circumstance Assistance	10,941	-	10,941	11,644	3
485,653	Student Allowances	464,857	-	464,857	495,091	3
11,158	Study Scholarships and Awards	12,109	-	12,109	19,167	3
1,523,016	Supported Living Payment	1,532,617	-	1,532,617	1,537,220	3
1	Transitional Assistance	3	-	3	65	3
185,849	Veteran's Pension	175,018	-	175,018	176,353	3
3,247	Work Assistance	2,349	-	2,349	2,923	3
41,088	Youth Payment and Young Parent Payment	46,172	-	46,172	47,595	3
39,940	Benefits Paid in Australia	-	-	-	-	
19,548,166	**Total benefits or related expenses**	**20,350,301**	**-**	**20,350,301**	**20,491,296**	
23,943,064	**Total annual and permanent appropriations**	**24,881,028**	**(21,624)**	**24,859,404**	**25,256,086**	
	Multi-year appropriations					
	Departmental output expenses					
-	Administering Support for the Mental Health and Employment Social Bond Pilot	-	-	-	40	1
-	Claims Resolution	1,837	-	1,837	2,000	1
	Non-departmental output expense					
-	Mental Health and Employment Social Bond Pilot	241	-	241	241	2
-	**Total Multi-year appropriations**	**2,078**	**-**	**2,078**	**2,281**	
23,943,064	**Total annual, permanent and multi-year appropriations**	**24,883,106**	**(21,624)**	**24,861,482**	**25,258,367**	

133 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

134 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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Transfers approved under section 26A of the Public Finance Act

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

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

For the year ended 30 June 2017

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

Nil.

Expenses and capital expenditure incurred in excess of appropriation

Nil.

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

Nil.

Statement of Departmental Capital Injections

For the year ended 30 June 2017

Actual Capital Injection 2016 $000	Type of appropriation	Actual Capital Injection 2017 $000	Approved Appropiation 2017 $000
2,300	Ministry of Social Development – Capital injection	9,483	9,483
2,300	**Total**	**9,483**	**9,483**

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

For the year ended 30 June 2017

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

Appendix: Information Sharing with New Zealand Police, the Ministries of Health, Justice, and Education, and the Children's Action Plan Directorate[1]

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

This is the second report on this AISA. It covers the period 1 July 2016 to 30 June 2017.

Information sharing between the New Zealand Police, the Ministries of Social Development, Health, Justice, and Education, and the Children's Action Plan (CAP) Directorate[2]

Description	Progress
Number of referrals made to The Hub	1,465 children
Number of individuals whose information is shared under the agreement, or where the number is not known, the best estimate of that number	422
Number of vulnerable children[3] identified	1,465
Number of referrals (by pathway):	
• Universal services	113
• Child, Youth and Family	59
• Children's Team[4]	1139
Number of children successfully exited with outcomes achieved	158
Number of complaints received about an alleged interference with privacy under the agreement and the disposition of those complaints	0
Number of reported instances of improper access to/use of information by Hub worker	0
Amendments to the AISA	0

Qualitative feedback on the AISA and commentary on audits

No audits were conducted on the AISA in 2016/2017.

1 From 1 April 2017, to be read as the Ministry for Vulnerable Children, Oranga Tamariki.
2 From 1 April 2017, to be read as the Ministry for Vulnerable Children, Oranga Tamariki.
3 A 'vulnerable child' is defined as any child whose referral does not result in a 'no further action' by The Hub.
4 Referrals to one of the Children's Teams that operate with the Vulnerable Children's Hub: Hamilton, Canterbury or Counties Manukau (and Whangarei from May 2017).

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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New Zealand Government