

Annual Report

1 JULY 2018 – 30 JUNE 2019



ARA POUTAMA AOTEAROA
DEPARTMENT OF CORRECTIONS





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Chief Executive's overview

The past few years have been defined by change and growth at Corrections. The prison population rapidly grew, compelling us to reconsider how we operate. I am pleased to say we successfully made the changes needed to continue working safely: we increased our physical capacity, delivered more services more effectively, and recruited more frontline staff than we ever have before.

The 2018/19 financial year saw the prison population stabilise. This in itself is an achievement – we have been successful in maximising safe alternatives to prison where appropriate and advancing the Government's goal of reducing the prison population by 30 percent over the next 15 years.

Nevertheless, we realise that we must do more. This year we set the foundations of a new transformation programme which aims to create a more people-centric corrections system. At the heart of this programme is our recognition that Māori must be central to change and that change should be made with Māori, not imposed upon them.

This will take time: time to listen to those who have been disadvantaged by the current system; time to understand their needs; and time to build and implement the systemic changes required. We hope our long-term focus on transformation will eventually dismantle some of the factors that have led to the inequalities experienced by Māori in the criminal justice system.

This year, we produced *Hōkai Rangī*, our most detailed strategy for delivering great outcomes with and for Māori. We commenced work with iwi, hapū, Te Puni Kōkiri, and the Ministry of Social Development on a new kaupapa Māori pathway in prison. We launched Te Waireka, a residential reintegration programme for women as our first 'by Māori for Māori' service. And we strengthened our mental health and addiction services.

Budget 2019 was an important milestone for Corrections. For example, Corrections received an additional \$127.5 million over four years to employ

more mental health clinicians and expand our addiction treatment and aftercare services. We also started work on our new facility at Waikeria Prison that will include 100 dedicated mental health beds.

Corrections' transformation needs to be viewed within the context of the broader justice system. This year, Te Uepū Hāpai i te Ora - the Safe and Effective Justice Advisory Group - released their first report, *He Waka Roimata*, which outlines the ways the criminal justice system is failing to meet the needs of New Zealanders, most notably minorities. Importantly, the report ends with a sense of optimism. While it is clear that there are issues that must be addressed, there are solutions.

At Corrections, we are undertaking our own transformation in search of those solutions, while also contributing to sector-wide change. We are collaborating with our partners and the general public to find solutions to our shared issues.

I must also acknowledge and thank those who worked every day in incredibly important business-as-usual roles. Throughout the year almost 10,000 people worked at Corrections, living its values of Rangatira (leadership), Wairua (spirituality), Whānau (relationships), Kaitiaki (guardianship), and Manaaki (respect).

Our staff managed around 10,000 people in prison and 30,000 people with a community-based sentence or order at any given time, delivered 8,900 rehabilitation programme places in prison and in the community, helped 2,017 prisoners to obtain qualifications, supported 2,327 offenders into employment and undertook well over 100,000 medical consultations in prisons. These statistics are often overlooked but cannot be understated. I am proud to lead Corrections – I am proud of our staff and the mahi they do, proud of where we are today and excited about where we are heading.



Christine Stevenson
Chief Executive



Our Story: what we do

Here at Corrections, our mission is to keep the community safe and change lives.

The corrections system has operated in New Zealand since at least the 1840s with the construction of our earliest prisons. In its early stages, the system focused entirely on punishment and control with little or no provision for rehabilitative services. Over 170 years have passed and our understanding of public safety has evolved. No longer is it enough to simply lock offenders away from society – today, rehabilitation and a pathway back into the community are core components of our strategy to keep New Zealand’s communities safe.

The Department of Corrections, as it exists today, was established in 1995 on the principles of public safety and rehabilitation. We have a complex and often challenging role in society.

Our responsibilities include maintaining safe and secure custodial facilities, administering community-based sentences and orders, electronically monitoring defendants in the community, providing rehabilitation and reintegration services, running community work crews, providing support and information to victims of crime, and providing administrative services to the New Zealand Parole Board.

Each day we manage around 40,000 individuals who are either in prison or serving a sentence or order in the community. By making positive changes in these people’s lives, we are reducing the likelihood that they will re-offend after they complete their sentence or order.

Corrections is undergoing a transformation.

In June 2019, Te Uepū Hāpai i te Ora – the Safe and Effective Justice Advisory Group – released their first report into how New Zealand’s criminal justice system operates. The report, which is part of the Hāpaitia te Oranga Tangata Safe and Effective Justice programme, is titled *He Waka Roimata* and includes stories from victims, offenders, and their whānau that highlight failings in New Zealand’s justice system. The challenges faced by minorities, in particular Māori, when interacting with the justice system are of significance.

Corrections is responding. We are at the forefront of transformation in the justice sector and have started addressing existing inequities in how justice services are administered. This year, for example, we produced our strategy *Hōkai Rangi* outlining how we will achieve great outcomes with and for Māori, we progressed the development of a Māori pathway for men in prison, improved the use of community-based alternatives to prison, and collaborated with our sector partners to begin working on the issues identified by Te Uepū Hāpai i te Ora.

The last financial year marked the beginning of what will be a major change programme at Corrections. As you will read throughout this Annual Report, transformation underpinned what we did in 2018/19 and what we will do in 2019/20.

Corrections by the numbers 2018/19

1,293

new frontline staff were recruited

106k

custody day savings (days that would have otherwise been spent in custody) due to interventions by the HIIP team

300

Youth Champions working with young people in prison and the community to advance their rehabilitation

1,427

job placements secured by offenders through "This Way for Work" programme

ZERO

breakout escapes from prison since 2014

1,006

people completed intensive alcohol and drug treatment programmes in prison

7

detector dogs were trained in detecting new psychoactive substances including synthetic cannabis

1,483

prisoners received intensive literacy and numeracy support from Te Wānanga o Aotearoa

154k

prisoner consultations with nurses

3,003

qualifications were achieved by people while in prison

1.1%

Gender pay gap (public sector average 12.2%)

Around **1,100**

accommodation spaces every year for former prisoners and people with community-based sentences and orders

19

drug detector dogs were operating in New Zealand prisons

70

vocational short courses available for prisoners, covering skill areas such as first aid, health and safety, scaffolding, and forklift operation

12

Site Emergency Response Teams (prison-based teams specially trained to respond to serious incidents in prisons)

193

registered psychologists employed by Corrections

Corrections in the justice sector

Our role in the justice sector

Each organisation in the justice sector has a specific role:

- > The **Ministry of Justice** is the justice sector lead and develops policy across the sector. Justice also runs the court system and undertakes projections of the future size of the prison population.
- > The **New Zealand Police** arrest and prosecute people who break the law. Police also promote safe communities through the prevention of crimes.
- > The **Department of Corrections** administers sentences and orders in prison and in the community.
- > The **Serious Fraud Office** investigates and prosecutes perpetrators of serious financial crime.
- > The **Crown Law Office** represents members of the justice sector – including Corrections – in court cases.
- > **Oranga Tamariki - Ministry for Children** protects children and manages young offenders.

The Justice Sector Leadership Board

Corrections is a member of the Justice Sector Leadership Board. The Board is responsible for ensuring the sector achieves its collective goals and coordinates major sector-wide change programmes and investments. The Board includes:

- > Secretary for Justice, Ministry of Justice
- > Commissioner, New Zealand Police
- > Chief Executive, Department of Corrections
- > Chief Executive, Serious Fraud Office
- > Solicitor-General, Crown Law Office
- > Chief Executive, Oranga Tamariki.

Working in partnership with the justice sector

The Government has set clear expectations for the public service – we must be better at working together to improve the wellbeing of New Zealanders.

At Corrections, we work with our justice sector partners in both operational and strategic contexts.

We work with Police every day when transporting people between courts, police cells and prisons, and managing defendants on electronically monitored bail. We share intelligence regularly when managing high risk offenders and addressing gang activity, and Police are called on to respond if an offender absconds. We also work with Oranga Tamariki to protect the safety of young people, with the Ministry of Justice when planning future prison capacity and using court cells, and Crown Law when managing legal and litigation issues.

Hāpaitia te Oranga Tangata, Safe and Effective Justice

We know that the criminal justice system does not always meet the needs of New Zealanders. We must do more to improve the confidence that victims, offenders and the general public have in the system.

Hāpaitia te Oranga Tangata is a cross-Government programme that aims to improve outcomes for people who come into contact with the criminal justice system. Through an extensive consultation process, the programme has identified a number of issues with the current system.

Over the coming months and years, the justice sector will actively address the issues identified by the programme. Corrections, as a core member of the sector, will be playing its part in the reform agenda.

We achieve more when we work together. That is why we work closely with our justice sector partners to progress our shared goals.



Ministry of Justice

develops policy across the justice sector and runs the court system



Police

arrests and prosecutes people who break the law



Department of Corrections

administers sentences and orders in prison and in the community



Serious Fraud Office

investigates and prosecutes serious financial crime



Crown Law

represents Corrections in court cases



***Oranga Tamariki
Ministry for Children***

manages young offenders

Our operating environment



Corrections manages some of New Zealand's most difficult and complex people. We are responsible for 18 prisons, around 100 Community Corrections sites, and approximately 40,000 offenders at any given time.

We are transforming how we work with and for Māori

Māori make up around half of the people being managed by Corrections, despite only representing 15 percent of the general population. Māori are over-represented in every negative statistic in the criminal justice system.

This level of inequity is not acceptable. The Government and the New Zealand public have been explicit: we must do more to improve outcomes for Māori. By acknowledging that there is more to do and by building effective and authentic partnerships, Corrections has started working towards the elimination of this disproportionate representation of Māori in our system.

This year we published *Hōkai Rangi, Ara Poutama Aotearoa Strategy 2019 – 2024*. *Hōkai Rangi* is our strategy for delivering greatly improved outcomes for Māori in our care, and represents our clearest commitment and most detailed strategy for doing so. The strategy is designed to improve the oranga (wellbeing) of Māori and of New Zealand through the outcome areas of partnership and leadership, humanising and healing, whānau, incorporating a Te Ao Māori worldview, whakapapa, and by setting foundations for participation. *Hōkai Rangi* was published after extensive consultation with Māori in the community, Māori in our care, staff, and Te Poari Hautū Rautaki Māori (the Māori Leadership Board) and these partnerships will be ongoing in the implementation of this work.

Hōkai Rangi can be viewed online:

https://www.corrections.govt.nz/data/assets/pdf_file/0011/956522/Hokai_Rangi_Strategy.pdf

As part of the pilot stage of this strategy, we are also progressing the development of a Māori pathway at Northland Region Corrections Facility and Hawke's Bay Regional Prison. The whānau-centred pathway is being co-designed and implemented by Māori, Corrections, Te Puni Kōkiri, and the Ministry of Social Development.

Corrections is a values-led organisation. Through the principles of Rangatira (leadership), Wairua (spirituality), Whānau (relationships), Kaitiaki (guardianship), and Manaaki (respect), we are building a culturally responsive environment that prioritises collaboration and partnership. These values also provide the foundation of our rehabilitation programmes, and are used to assess how well our sites and services are functioning.

The 2018/19 financial year was also the first full year that Corrections' Rautaki (strategic) Māori team was operational. The team complements our more operationally focused Māori Services team, and is focused on our strategies to work better with and for Māori and strengthening our relationships with iwi and other Māori community groups. Additionally, we have established a new Deputy Chief Executive position focused principally on improving outcomes for Māori. The seniority of this new position is indicative of the importance Corrections is placing on the wellbeing of Māori in our care and in the community.



Managing New Zealand's prisons

Corrections is responsible for 18 prisons across the country. We have 17 publicly-managed prisons and one privately-managed prison¹. Fifteen of our prisons are for men and three are for women.

The profile of the prison population differs at each prison. For example, while most prisons manage a mix of sentenced and remand prisoners, Mt Eden Corrections Facility was specifically designed to accommodate remand prisoners (prisoners who have not yet been sentenced). Others, like Tongariro and Rolleston prisons, only manage sentenced prisoners.

Each of our prisons is equipped to handle different security classifications (these range from minimum to maximum security). Auckland Prison contains New Zealand's only maximum security facility. For more information on our prison network, see pages 18 to 19.

We manage prisoners in accordance with the Corrections Act 2004, while also meeting our international obligations.

At Corrections, we manage prisoners safely, securely, fairly and humanely. This is an intensive role – we feed and clothe prisoners, provide primary healthcare services, and manage an internal canteen service. We support prisoners' rehabilitation with offence-focused programmes, education and training opportunities, and reintegration and employment services.

Corrections does not directly control the flow of people in and out of our prisons.

The judiciary and the New Zealand Parole Board determine whether someone should be in prison. Corrections cannot turn anyone away from prison, so we must remain flexible and prepared for fluctuations in the prison population. For this purpose, we must maintain a small 'buffer' of vacant capacity at all times.

After three years of substantial increases, the prison population was stable in 2018/19.

On 30 June 2019, Corrections managed 9,969 prisoners. Of these, 3,474 were on remand and 6,495 were sentenced. There were 717 women in prison at this time, making up approximately seven percent of the total prison population. Between March 2018, when it peaked at 10,820, and 30 June 2019, the prison population decreased by approximately 850 people – a nearly eight percent reduction.

The High Impact Innovation Programme is advancing the Government's goal of reducing the prison population by 30 percent over the next 15 years.

The High Impact Innovation Programme was launched in 2018, and is successfully maximising the use of community-based alternatives to prison where safe and appropriate.

The judiciary and the New Zealand Parole Board are responsible for determining which people are in prison and which people serve their sentence in the community, and the High Impact Innovation Programme does not impact their responsibility. Nevertheless, by improving the accessibility and sustainability of community-based alternatives to imprisonment, the programme has improved the rate at which long-serving prisoners are achieving parole, increased the use of intensive supervision and home detention, and reduced the average length of time individuals are spending in prison on remand. This success is reflected in the recent stabilisation in the prison population. For more information on the High Impact Innovation Programme, see pages 41 to 42.

We continue to invest in the prison network so that we can effectively manage any future changes in the prison population.

In 2018/19 we progressed the large-scale construction of capacity at Mt Eden Corrections Facility and Waikeria Prison, and eight modular accommodation units at five prisons. For more information on how we are ensuring the sustainability of the prison network, see page 40.

1. Corrections contracts the design, build, finance, operation and maintenance of Auckland South Corrections Facility to SecureFuture. SecureFuture subcontracts the operation of Auckland South Corrections Facility to Serco.

Our Housing and Support Services initiative is expanding the provision of transitional housing.

While the majority of people in the community are able to secure their own accommodation, in some instances this is either not appropriate or not possible. For example, the current housing market is making it more difficult for some offenders to find suitable stable accommodation. We are experiencing an overall increase in demand for accommodation for former prisoners and people with community-based sentences and orders.

In conjunction with Housing New Zealand, Corrections is improving the availability of accommodation for offenders. For example, in 2018/19, we progressed a new resettlement centre for women in Hamilton (in partnership with the Kiingitanga), opened a residential reintegration programme for women in Hawke's Bay, increased the number of transitional housing spaces

available for offenders, and opened Te Korowai, a facility for high risk sexual offenders located on the grounds of Rimutaka Prison.

We work with partners such as the Salvation Army, PARS and Anglican Action to make supported accommodation available to former prisoners. Supported accommodation helps these people to transition to the community, with service providers offering wrap-around services that help these people to find work, secure sustainable accommodation and build a crime-free life after the completion of their sentence or order.

Corrections provides nearly 1,100 accommodation spaces every year for former prisoners and people with community-based sentences and orders. These include emergency accommodation, transitional accommodation, residential rehabilitation and reintegration programmes in the community, and accommodation for those with more intensive needs.



Grounds at Te Korowai, a facility for high risk sexual offenders located on the grounds of Rimutaka Prison.

Delivering rehabilitation programmes and reintegration services

The people who enter the corrections system have often experienced overwhelming challenges in their lives.

Many of these people are poorly equipped to live without offending – they are less educated than the general population, less likely to have access to stable housing, and more likely to have been diagnosed with a mental health or substance abuse disorder.

Corrections is changing what it means to improve public safety. We are placing a greater emphasis on our most effective intensive rehabilitation programmes.

By supporting the rehabilitation needs of offenders, we can help them to build a strong foundation from which they can begin an offence-free life. This helps to keep everyone safe.

Rehabilitation at Corrections is multi-faceted and our programmes are designed to address a variety of behavioural drivers (the reasons why someone offends). Drivers of offending can include alcohol and drug problems, association with gangs, unstable accommodation, the absence of pro-social relationships, and the inability to find or retain a job. In most cases, there are multiple complex and inter-related drivers behind a person's offending behaviour.

We have rehabilitation programmes available to people in prison and in the community.

For more information on how we are reducing re-offending through rehabilitation programmes, see pages 56 to 57.

As soon as a person enters Corrections' management, we begin addressing their reintegration needs. This support often continues after a person completes their sentence or order. This reduces the likelihood that they will reoffend.

Our reintegration services cover six key pillars: accommodation, education and training, employment, skills for life, health and wellbeing, family/whānau and community support.

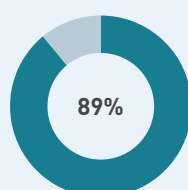
We contract a range of service providers to help meet offenders' reintegration needs. Our service providers work directly with offenders to secure sustainable accommodation, find employment, access health and social services, and build supportive connections in the community. This type of assistance helps offenders to build a safe, healthy life free from offending after their time with Corrections.

For more information on how we are reducing re-offending through the provision of reintegration services, see page 65.

In prison:

4,806

rehabilitation programme places were delivered.

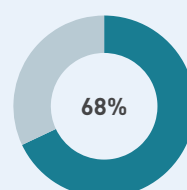


completion rate for prison-based rehabilitation programmes.

In the community:

4,094

rehabilitation programme places were delivered.



completion rate for community-based rehabilitation programmes.

Offender summary

Sentenced prisoners	Average cost of \$338 per offender per day	Offenders have been convicted of a crime and given a prison sentence. Costs include programmes and interventions provided in prison.	
		Average volume in 2018/19 was 6,852.	Average length of sentence imposed in 2018/19 was 534 days.
Remand prisoners	Average cost of \$302 per offender per day	Remand prisoners are being held in prison while awaiting trial or sentencing. Some programmes in prison are only available to sentenced prisoners.	
		Average volume in 2018/19 was 3,185.	Average length of remand periods in 2018/19 was 68 days.
Extended supervision	Average cost of \$115 per offender per day	We monitor the most serious child sex offenders, adult sex offenders and violent offenders for up to 10 years following a prison sentence.	
		Average volume in 2018/19 was 221.	Average length of order in 2018/19 was 2,375 days.
Home detention	Average cost of \$69 per offender per day	Offenders must remain at an approved residence under electronic monitoring and close supervision by a probation officer.	
		Average volume in 2018/19 was 1,631.	Average length of sentence in 2018/19 was 206 days.
Parole	Average cost of \$48 per offender per day	Oversight from a probation officer after release from prison sentences of more than two years.	
		Average volume in 2018/19 was 2,392.	Average length of order in 2018/19 was 448 days.
Returning offenders orders	Average cost of \$30 per offender per day	Corrections manages and monitors certain offenders who have returned to New Zealand after a period of imprisonment overseas.	
		Average volume in 2018/19 was 283.	Average length of order in 2018/19 was 392 days.

Administered by the Department of Corrections

The cost per offender represents the total average costs to Corrections of each sentence/ order type and includes overhead costs and revenue (excluding Crown revenue) where applicable.

Released on conditions	Average cost of \$29 per offender per day	Oversight from a probation officer after release at the end of a prison sentence of two years or less.	
		Average volume in 2018/19 was 3,230.	Average length of order in 2018/19 was 343 days.
Intensive supervision	Average cost of \$23 per offender per day	A rehabilitative community sentence with intensive oversight from a probation officer.	
		Average volume in 2018/19 was 4,060.	Average length of sentence in 2018/19 was 430 days.
Community detention	Average cost of \$22 per offender per day	Offenders must comply with electronically monitored curfews imposed by the court.	
		Average volume in 2018/19 was 1,569.	Average length of sentence in 2018/19 was 123 days.
Supervision	Average cost of \$21 per offender per day	A rehabilitative community-based sentence with oversight from a probation officer.	
		Average volume in 2018/19 was 8,002.	Average length of sentence in 2018/19 was 277 days.
Post detention conditions	Average cost of \$12 per offender per day	Oversight from a probation officer after the completion of a home detention sentence.	
		Average volume in 2018/19 was 1,404.	Average length of order in 2018/19 was 211 days.
Community work	Average cost of \$12 per offender per day	Offenders do unpaid work in the community for non-profit organisations.	
		Average volume in 2018/19 was 12,684.	Average length of sentence in 2018/19 was 94 hours.

Our prison network

As at 30 June 2019

A Northland Region Corrections Facility Region: Northern • Opened: 2005

652 325
 Gender Custody status
 Security classification ●●●●

B Auckland Prison Region: Northern • Opened: 1968

572 445
 Gender Custody status
 Security classification ●●●●●●

C Mt Eden Corrections Facility Region: Northern • Opened: 2011

987 493
 Gender Custody status
 Security classification ●●●●●●

D Auckland Region Women's Corrections Facility Region: Northern • Opened: 2006

462 314
 Gender Custody status
 Security classification ●●●●●●

E Auckland South Corrections Facility Region: Northern • Opened: 2015

960 310
 Gender Custody status
 Security classification ●●●●●●



F Spring Hill Corrections Facility Region: Central • Opened: 2007

979 470
 Gender Custody status
 Security classification ●●●●●●

G Waikeria Prison Region: Central • Opened: 1911

783 472
 Gender Custody status
 Security classification ●●●●●●

H Tongariro Prison Region: Central • Opened: 1978

300 213
 Gender Custody status
 Security classification ●●●●●●

I Whanganui Prison Region: Lower North • Opened: 1978

585 326
 Gender Custody status
 Security classification ●●●●●●

J **Hawke's Bay Regional Prison**
 Region: Lower North • Opened: 1989

Operational capacity 729 Number of staff 429

Gender Custody status

Security classification

K **Manawatu Prison**
 Region: Lower North • Opened: 1979

Operational capacity 290 Number of staff 172

Gender Custody status

Security classification

L **Rimutaka Prison**
 Region: Lower North • Opened: 1967

Operational capacity 1,055 Number of staff 650

Gender Custody status

Security classification

M **Arohata Prison**
 Region: Lower North • Opened: 1944

Operational capacity 211 Number of staff 156

Gender Custody status

Security classification

N **Christchurch Men's Prison**
 Region: Southern • Opened: 1915

Operational capacity 961 Number of staff 621

Gender Custody status

Security classification

O **Christchurch Women's Prison**
 Region: Southern • Opened: 1974

Operational capacity 134 Number of staff 113

Gender Custody status

Security classification

P **Rolleston Prison**
 Region: Southern • Opened: 1958

Operational capacity 260 Number of staff 220

Gender Custody status

Security classification

Q **Otago Corrections Facility**
 Region: Southern • Opened: 2007

Operational capacity 518 Number of staff 324

Gender Custody status

Security classification

R **Invercargill Prison**
 Region: Southern • Opened: 1910

Operational capacity 195 Number of staff 114

Gender Custody status

Security classification



Key:

Operational capacity Number of staff

Gender Custody status Remand

Security classification Sentenced

Minimum Low Low-Med High Maximum

Our people



Every day, almost 10,000 people work at Corrections to keep our communities safe and change lives. We are proud to provide our people with the tools they need to serve New Zealanders.

Working at Corrections

At Corrections, our people are our greatest and most important resource. They are central to our goal of keeping communities safe and changing lives.

Investing in our people is critical to how we operate – we invest in their safety, integrity, development, and wellbeing. This ensures they have the skills, tools and resources necessary to improve public safety and reduce re-offending.

Our values guide how we do our jobs.

Corrections' values are central to who we are as an organisation, empowering us to be our very best. Our values are:

- > **Manaaki** (respect): We care for and respect everyone.
- > **Kaitiaki** (guardianship): We are responsive and responsible.
- > **Whānau** (relationships): We develop supportive relationships.
- > **Rangatira** (leadership): We demonstrate leadership and are accountable.
- > **Wairua** (spirituality): We are unified and focused in our efforts.

Corrections' recruitment team is ensuring we have the right people, in the right place, at the right time.

Due to the nature of the work at Corrections, recruitment can be complex. Depending on the role to be filled, applicants may be required to complete pre-employment drug testing, Police vetting, fitness testing, and induction to a prison environment.

In 2018/19, Corrections recruited over 1,550 staff, mostly to frontline roles, both in prison and in the community.

We have been able to attract a consistently strong field of recruits. This reflects our ongoing efforts to tap into diverse candidate markets, make more information about our organisation available to potential candidates, and maintain our reputation as a great employer in New Zealand.

Corrections encourages a diverse and inclusive workplace. We find strength in our differences.

At Corrections, we want every member of our team to feel safe, valued and included. This is important as our staff profile is similarly diverse to that of New Zealand.

In August 2018, we established our Inclusion and Diversity Council, a group of staff whose role it is to champion a safe working environment. The Inclusion and Diversity Council operates alongside a number of other groups like Corrections' Rainbow Network, Corrections' Women's Network and our Kapa Haka team to bring us together and make us proud of the things that make us unique.

For a full profile of our people, see pages 176 to 180.

Turnover at Corrections is lower than in the broader public service.

In 2018/19, Corrections had an unplanned turnover rate of 10.6 percent, lower than the reported public service average of 12.1 percent². This is indicative of staff engagement at Corrections, how we develop our staff, recognise their achievements, and maintain a safe and inclusive working environment.

At Corrections the gender pay gap is 1.1 percent – this is significantly lower than the reported public service average of 12.2 percent².

2. Data report: http://www.ssc.govt.nz/sites/all/files/2018%20Public%20Service%20Workforce%20Data_pdf_0.pdf

We hold ourselves to account for our actions.

Because we manage some of New Zealand's most complex and difficult people, it is important that everything we say and do is carried out with the highest standard of integrity. While we are all responsible for maintaining integrity in the workplace and in our day-to-day lives, our Integrity Assurance Team has a special role in supporting these matters at Corrections.

We have a Code of Conduct that outlines the principles by which we operate, have training and coaching programmes on integrity available to staff, and a confidential 0800 number for staff to report integrity concerns.

In 2018/19, we updated our Speak Up policy to strengthen the availability of simple, accessible guidance across the organisation, make it easier for our people to do the right thing, and to align our policy with the State Services Commission's model standards.

The updated policy is successfully helping staff to identify and speak up about integrity issues.

We celebrate the success of our people.

We have a multi-tiered awards system designed to recognise the people at Corrections who go above and beyond to make positive, lasting change.

In 2018/19, Corrections reviewed our award and recognition framework, aligning how we recognise our successes with our values.

Tātou awards are awarded at a national and regional level and recognise people who champion our values every day. Whanonga Pono awards are awarded at a local level and recognise those of us who champion a specific value exceptionally well. We also have long service and good conduct awards, as well as awards that recognise specific achievements.

Our people are supported to grow in their roles.

At Corrections, our staff lead their own development. Personal development plans identify personal strengths and potential areas of development for each of our team members. We provide our staff with clear development plans, on-the-job learning opportunities and secondment opportunities to help them to grow and develop.

We also identify our future leaders, who have the opportunity to take part in regional and nationwide leadership programmes.

This year Corrections introduced iLead for current and upcoming leaders. The programme provides greater support and investment in our leaders, provides leaders with clear expectations, lifts capability, and supports continuous learning and development.

Our frontline staff have access to specialist training when they start at Corrections and throughout their time with us.

In 2018/19, we refreshed our frontline programmes and introduced Ara Tika, a week-long induction programme for all new frontline staff members. New staff then complete training pathways that differ depending on the role they are moving into.

Frontline staff utilise a mix of on-the-job training, classroom-based education and virtual learning modules. Our National Learning Centre and Tactical Training Facility in Wellington are specially equipped to train staff on the challenges of working with offenders.

We invest in our assets so that our staff have what they need to do their jobs.

Corrections is an 'investment-intensive' organisation and manages over \$3.6 billion in assets across the country. Our assets include prisons, Community Corrections sites, vehicles and IT assets.

Our Long Term Investment Plan outlines how we will invest in our assets to advance our strategic goals. Our asset management and monitoring processes are critical to ensuring the long term sustainability of our operations. For more information on the performance of our assets, see pages 181 to 183.



Corrections is a place where women can and do succeed.

There was a time when the corrections system was not considered an appropriate place for women to work. It was only in 1985, for example, that the first woman corrections officer began working in a men's prison in New Zealand. This year, we took the opportunity on International Women's Day to reflect on just how far we, as an organisation, have come.

Women make up 48 percent of our workforce – this represents a 67 percent increase in the past 10 years. This shift is even more pronounced in our frontline teams: the number of women in probation officer roles

increased 91 percent over this same period, and we now have over 850 women working as corrections officers in men's prisons. Just as importantly, 47 percent of our senior leaders, including six of our prison directors are now women, and our gender pay gap is 1.1 percent (the public service average is reported as 12.2 percent).

Over the last few years we have placed a significant emphasis on attracting a diverse range of talent into Corrections, and giving women every opportunity to succeed.

Health, safety and wellbeing at Corrections

Corrections has a uniquely wide range of risks. We operate 24 hours a day, seven days a week, managing some of the most challenging people in New Zealand. We carry out visits to offenders in their homes, and are involved in a variety of high risk prison industries such as dairy farming and construction.

Health and safety is at the core of everything we do.

In 2018/19, Corrections' health and safety strategy Everyone Safe, Every Day, entered its third year. The strategy focuses on leadership, engagement, resources and risk.

Since the strategy's introduction, we have made a number of improvements to our performance. For example, we have increased the availability of personal protective equipment, established a strong multi-layered health and safety governance structure, embedded a health and safety culture, identified and addressed our key critical risks, and established regional wellbeing and welfare roles. In October 2018, we launched a range of resources to support staff mental health and wellbeing.

Our health and safety governance structure keeps our frontline staff connected with our Executive Leadership Team.

At Corrections, we prioritise the input of frontline teams when discussing and addressing issues related to health, safety and wellbeing. Our governance arrangements involve groups at local, regional, and national levels of Corrections. The Health, Safety and Wellbeing Risk Governance Group is our highest-level governance group and includes our entire Executive Leadership Team as well as an external health and safety professional. This group oversees Corrections' health and safety direction, considers the outcomes of health and safety investigations, and approves strategic documents. The members of this group are 'officers' as defined in the Health and Safety at Work Act 2015, and have the statutory obligations of that role.

We are continuing to build a strong health and safety culture across the organisation.

Worker engagement is a core pillar of our health and safety strategy. This is why, in 2018/19, Corrections increased the number of elected health and safety representatives from 227 to 345.

We also, for the first time, held a Health and Safety Representatives of the Year Awards ceremony, recognising the outstanding work of five representatives

from across the country (four from each of our operational regions, and one from National Office).

We are addressing our key critical risks by providing our frontline staff with the resources and tools they need to keep themselves safe.

For example, to minimise the risk of harm from violence and aggression, Corrections has improved access to personal protective equipment such as stab-resistant body armour, individually-issued pepper spray, on-body cameras, and slash-proof gloves. We also have cell phones with safety apps that allow staff in the community to alert others that they are in danger.

Further, we have improved the safety of our vehicles by replacing our quad bikes (which were used in prison industries such as farming) with safer side-by-side utility vehicles. We have also commenced a multi-year programme to improve the management of hazardous substances by enhancing signage and storage, and strengthening our training and risk assessment tools.

We are improving the health, safety and wellbeing of our staff at work and at home.

In 2018/19, we updated Staying Safe – our guide to personal safety. The guide includes practical measures that can be taken to keep staff and their families safe at home, at work and online. We are also addressing staff fatigue through the Making Shifts Work project. The project has reviewed existing shift patterns in our prisons and is currently trialling new ones. The proposed shift patterns are expected to decrease staff fatigue, keep our prisons safe and improve the quality of prisoner care.

We have been recognised for leading the public service in health and safety.

For the second time in three years, Corrections received the Best Board-Level Engagement in Health and Safety Award at the annual Safeguard Health and Safety Awards. Further, in August 2018 Corrections was acknowledged as 'leading' in a WorkSafe assessment of our health and safety processes and practices.

Our health and safety efforts have had a real and positive impact on the safety of our staff.

In 2018/19, Corrections reported 13 notifiable incidents to WorkSafe (down from 21 in 2017/18). During this same period, there were 29 serious prisoner on staff assaults for the year.

Our critical health and safety risks



Governance and oversight

Corrections is the largest core public service department in New Zealand and, in the last financial year, managed an operating budget of over \$1.6 billion.

We have strong governance and oversight arrangements in place to ensure we are using our funds effectively to improve public safety and reduce re-offending.

Our Executive Leadership Team meets regularly to discuss important issues from across the organisation as well as our overall performance. Third Tier Leadership, a group of senior leaders at Corrections, supports the Executive Leadership Team's governance arrangements by providing advice on performance and leading work commissioned by the Executive.

In 2018/19, we improved how our governance structure supports decision making and increased the input that staff at all levels have in the decision making process.

Finance and risk governance

> Investment Committee

The Investment Committee determines Corrections' forward investment focus including funding allocations. The committee ensures investments support the goals of Corrections and the Government.

Investor Confidence Rating

The Investor Confidence Rating (ICR) is a rating of an agency's investment management environment. It is an indicator of the confidence that investors (e.g. Cabinet, responsible ministers, or investment ministers) have in an agency's capacity and capability to realise a promised investment result. The ICR applies to the 25 most investment-intensive agencies, which includes Corrections.

During 2016/17, Corrections initial rating was assessed as a 'C'. During 2018/19, the Treasury completed its next assessment and a 'B' rating was achieved. This improvement reflected our focus and effort into strengthening our investment management practices.

> Portfolio Governance Committee

The Portfolio Governance Committee provide oversight of in-flight projects and programmes to ensure successful delivery.

> Major Outsourced Contracts Advisory Board

The independently chaired Major Outsourced Contracts Advisory Board is responsible for reviewing Corrections' strategy for major outsourced contracts and providing advice and expertise on their management.

> The Audit and Risk Committee

The independently chaired Audit and Risk Committee provides advice on the adequacy of risk processes, assurance programmes, and our control environment. This includes overseeing Corrections' risks, risk management framework, internal controls, legislative compliance, audit functions, reporting, and governance frameworks.

Operational governance

> Health, Safety and Wellbeing Risk Governance Committee

The Health, Safety and Wellbeing Risk Governance Committee focuses on serious risks to health and safety. Its purpose is effective hazard identification and risk management. This involves reviewing how hazards are identified, and how controls to eliminate, isolate or minimise these are implemented.

> Prisoner Welfare Advisory Board

The Prisoner Welfare Advisory Board, which includes three independent members, improves prisoner welfare and addresses issues identified through inspections undertaken by organisations such as the Office of the Ombudsman. The Board pro-actively advances prisoner welfare while also ensuring identified issues are addressed.

> **Te Poari Hautū Rautaki Māori (the Māori Leadership Board)**

Te Poari Hautū Rautaki Māori provides strategic leadership around the development of policy and initiatives designed to prevent and reduce offending and re-offending by Māori. The Board is made up of representatives from iwi organisations and members of Corrections' leadership team.

> **Kawenata Governance Board**

The Kawenata Governance Board provides strategic oversight and is responsible for the overall unified direction, guidance and support to initiatives under our Kawenata with the Kiingitanga. The Board is made up of representatives from Corrections, the Kiingitanga and Housing New Zealand Corporation.

The Office of the Inspectorate

The Office of the Inspectorate is one of Corrections' most important oversight functions.

The Office of the Inspectorate (the Inspectorate) is part of Corrections, but operates independently to ensure all offenders are managed safely, securely, fairly and humanely. They undertake their functions in accordance with the *Corrections Act 2004* and the *Corrections Regulations 2005*.

The Inspectorate is led by the Chief Inspector. A team of inspectors carry out inspections of prisons, investigate complaints from offenders (in prison and in the community), carry out other investigations where necessary, and monitor situations where there are concerns.

All deaths in custody in New Zealand prisons are investigated by Inspectors. Their reports to the Chief Executive are submitted as evidence at subsequent Coroner's Court inquiries.

The Inspectorate reports its findings and recommendations to Corrections. We then work together to make improvements and ensure offenders are treated appropriately.

In 2018/19 the Inspectorate managed 3,375 cases. These included 2,666 complaints, 34 statutory reviews of Visitor Prohibition Orders (orders that prohibit a person from visiting our prisons), 463 reviews of misconduct charges, 17 death in custody investigations and five special investigations.

In the last financial year, the Inspectorate met or exceeded all its key performance indicators.

For a detailed report on the Inspectorate's operations in 2018/19, see pages 160 to 162.

This year the Inspectorate concluded its 20-month programme of inspections at each of our 18 prisons.

The Inspection programme assessed prisons against a 'healthy prisons' framework, based on the United Nations' standard minimum rules for the treatment of prisoners. The Inspectorate's work was guided by four key principles: safety, respect, rehabilitation and reintegration.

Inspection reports have now been published for Auckland Prison, Auckland South Corrections Facility, Hawke's Bay Regional Prison, Invercargill Prison, Manawatu Prison, Mt Eden Corrections Facility, Otago Corrections Facility, Rimutaka Prison and Waikeria Prison. The inspection reports for the remaining nine prisons will be published in the 2019/20 financial year.

In May 2019 the Inspectorate began a programme of announced and unannounced follow-up inspections across the prison network with the aim of building on its existing progress.

Inspection reports can be viewed online:

<https://inspectorate.corrections.govt.nz/>



Financial overview



In 2018/19, Corrections managed an operating budget of over \$1.6 billion.

Overall results

Corrections total operating expenditure for 2018/19 was \$1.6 billion, which was \$135.3 million higher than 2017/18 and within 2% of our approved funding.

The year-on-year increase in expenditure was mainly due to an increase in the number of employees (an increase of 5% overall, of which 4% relates to frontline roles), salary increases and increased asset ownership costs (including depreciation, capital charge and finance costs).

The unrealised loss in fair value of derivative financial instruments of \$190.0 million was not budgeted and was due to a combination of factors. First, a reduction, as at balance date, of forward interest rates across the interest rate swaps' maturity profiles. Secondly, an increase in the notional derivative amounts that now include the interest rate swap entered into during the year for the new facility at Waikeria Prison Public Private Partnership.

While our revenue is predominantly funded by the Crown, we also generate a small revenue stream from our offender employment activities such as farming, distribution and other industries.

The graph opposite illustrates the sources of Corrections' revenue.

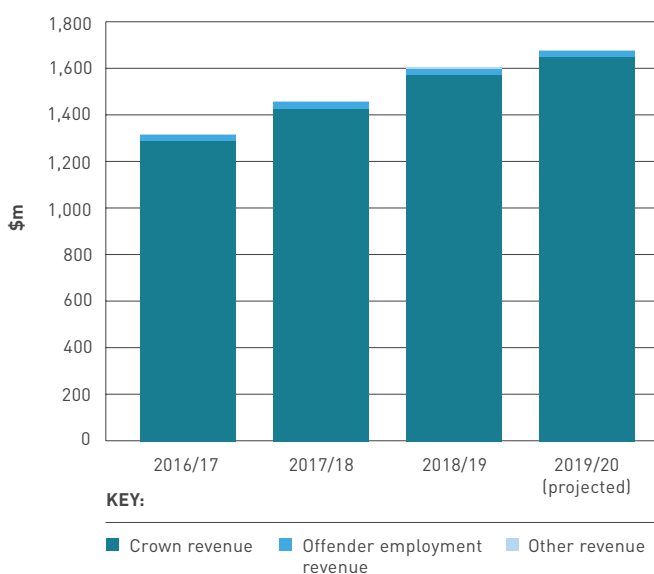
Operating expenditure by output

The graph opposite shows our funded departmental operating expenditure to 2022/23.

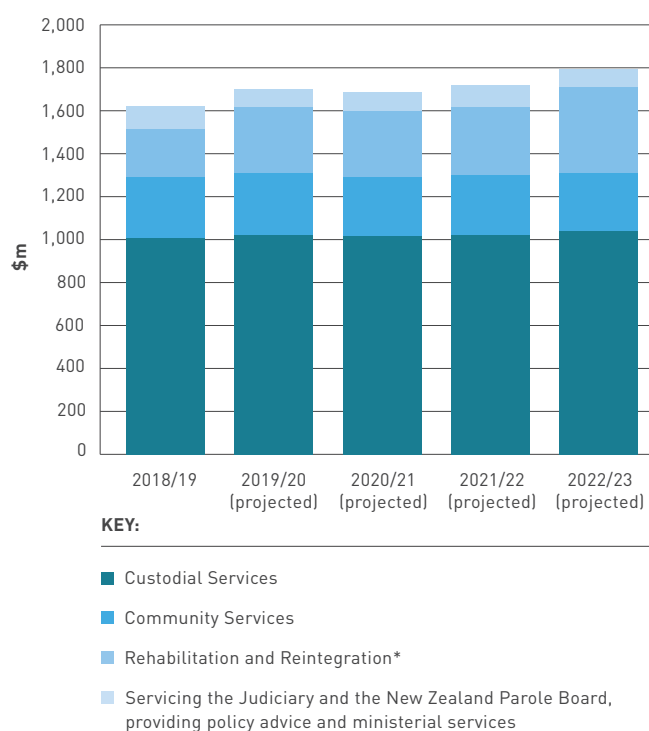
The Justice sector has forecast the prison population will remain fairly stable over this period.

Corrections remains committed to investing in programmes that reduce re-offending and reduce long term financial pressure. During 2018/19 Corrections increased spend on the provision of intervention programmes, case management and psychological services to \$161.4 million (2017/18: \$153.3 million). We will increase our investment in strengthening these services over the next four years.

Revenue Trends



Departmental Expenditure Appropriation Projections to 2022/23



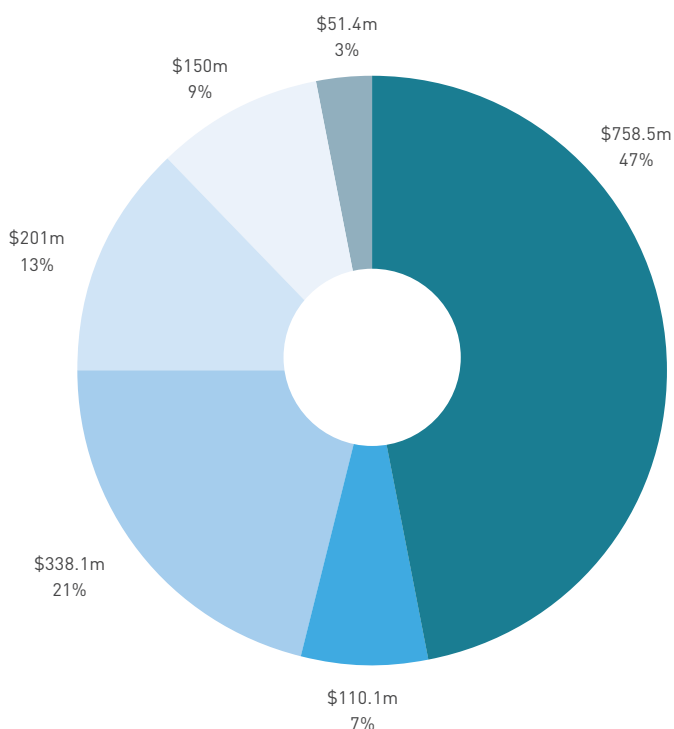
*Rehabilitation and Reintegration includes the one-off Bail Support Services appropriation for 2018/19. Funding for Bail Support Services is included within the Re-offending in Reduced appropriation for 2019/20.

Operating expenditure by category

Almost 80% of our \$1.6 billion spend in 2018/19 related to personnel and asset ownership costs. Corrections employs almost 10,000 staff. Personnel costs were \$758.5 million in 2018/19, 47% of our total spend. The majority of our workforce is deployed in frontline roles, which are highly specialised and require a considerable investment in upfront and ongoing training.

The graph below illustrates the composition of total expenditure by major expense category.

Total Departmental Operating Expenditure by Major Expense Category



KEY:

- Personnel costs
- Facility costs
- Other operating costs
- Depreciation & Amortisation
- Capital charge
- Finance costs

Asset base

Corrections owns \$3.6 billion of non-current assets that operate the length of the country, with many facilities operating 24 hours a day, seven days a week. Our non-current assets include:

- > \$3.5 billion of property, plant and equipment
- > \$13.4 million of assets related to offender employment activities, including farming
- > \$75.4 million of intangibles (software) including offender management systems.

Depreciation and amortisation, capital charge and finance costs represent 25% of our 2018/19 operating expenses.

Corrections' asset base, which includes 17 public prisons and one private prison, must be fit-for-purpose, safe and secure. Our facilities must safeguard public safety and enable the completion of sentences, while also enabling employment, training, skills development and rehabilitation opportunities for offenders. The new maximum security facility at Auckland Prison became operational in October 2018.

An independent valuation was performed on our freehold land and buildings effective as at 30 June 2019. The revaluation resulted in an increase to the assets carrying values of \$368.4 million.

Capital expenditure

Corrections incurred \$560.4 million of capital spend in 2018/19. This comprised \$300.4 million for property assets, \$211.5 million on the development of Waikeria Prison, \$27.9 million on Information Technology and \$20.6 million on other items such as fleet and plant replacements.

Property expenditure included \$259.0 million on the prison capacity programme, \$15.9 million for property and prison development projects, \$13.7 million for minor works and asset replacements, \$8.8 million for electronic security and \$3.0 million for Community Corrections site developments.

Corrections continues to invest in the prison network so that we can effectively manage any future changes in the prison population as well as enabling the removal, where possible, of sub-optimal capacity. In 2018/19 we progressed the large-scale construction of capacity at Mt Eden Corrections Facility and Waikeria Prison, and the installation of eight modular accommodation units at five prisons across New Zealand. In particular, prison capacity programme expenditure added extra capacity of 131 permanent beds with a further 1,238 planned over the next 12 months, largely through rapid-build modular units. While the overall prison population has stabilised, our focus has been on ensuring the estate has the sufficient number of high quality beds to improve safety and enhance rehabilitation outcomes as we strive to bring the prison network back into a resilient and effective position.

Information technology expenditure included prisoner management roster technology, Holidays Act compliance, offender management system/ technology enhancements and mandatory infrastructure and software upgrades.

Non-Departmental appropriation

Corrections received an appropriation of \$12.8 million for this financial year to facilitate infrastructure improvements relating to the development of Waikeria Prison and to provide access improvements on the local roading network. Actual expenditure for 2018/19 was \$7.4 million with the underspend attributable to the project encountering some design delays as a result of the descaled capacity of the new facility.

Contributions to Priorities and Delivery of Outcomes



Everything we do at Corrections advances our priorities of Safety, Rehabilitation, Transitions and Our People.

We also have two strategic outcomes against which our performance is measured: 'Public safety is improved' and 'Re-offending is reduced'.

Our strategic outcomes

Public safety is improved

Re-offending is reduced

Our values



Manaaki

We care for and respect everyone



Whānau

We develop supportive relationships



Kaitiaki

We are responsive and responsible



Rangatira

We demonstrate leadership and are accountable



Wairua

We are unified and focused in our efforts

Our Priorities

Safety

Rehabilitation

Transitions

Our People

Public safety is improved



Corrections improves public safety by managing New Zealand's prisons and administering community-based sentences and orders. We also provide advice to courts and the New Zealand Parole Board, and provide support and information to registered victims.

Safety in prison

By maintaining safe and secure prisons, we keep New Zealanders safe.

Prisons are a core component of New Zealand's corrections system. They keep us safe by keeping our most serious criminals away from the communities they have harmed, holding offenders to account for their behaviour, offering offenders the opportunity to address their offending behaviour and maintaining the integrity of the justice system.

For more information on New Zealand's prison network, see pages 18 to 19.

Site Emergency Response Teams are improving safety in our prisons.

Site Emergency Response Teams are local prison-based teams that are specially trained to respond to serious incidents in prisons and champion local and national safety initiatives. The teams bridge the gap between standard 'control and restraint' techniques available to corrections officers and advanced control and restraint teams that may take time to arrive onsite.

In 2018/19, we established three new Site Emergency Response Teams at Waikeria Prison, Manawatu Prison and Whanganui Prison. These teams will complement the nine existing teams we have throughout the country.

The availability of personal protective equipment is keeping corrections officers and prisoners safer.

Our corrections officers have access to specialist personal protective equipment including stab resistant body armour and search gloves, on-body cameras, and individually-issued pepper spray, all of which are designed to keep everyone safe.

The 2018/19 financial year was the first full year that individually-issued pepper spray was available to corrections officers, subject to strict training and conditions. Our statistics indicate that it is keeping our

prisons safer – in 2018/19, pepper spray was presented 650 times and used 223 times. In the majority of cases, the presentation (not use) of pepper spray was enough to de-escalate volatile situations.

We monitor our prison units to address any upcoming risks to safety.

The Prison Tension Assessment Tool is one of the most important tools that we have available to maintain a safe prison environment. It allows staff to proactively assess tension within their prison unit and identify potential increases in tension before the situation escalates. This information is used by unit staff and prison directors to make informed decisions about prisoner unlock regimes, staffing and prisoner movements.

In late 2017/18, the tool was moved online. This has made it easier for our staff to complete the assessment and made the assessment more effective.

The presence of gangs in prison and in the community has steadily increased over the last 30 years.

We estimate that there are over 50 different gangs represented in the prison population, involving more than 3,700 prisoners.

Prisons can offer offenders the opportunity to break the ties they have with gangs in the community. Our staff facilitate this by actively discouraging gang-related activity, banning all gang-related insignia, paraphernalia and colours, and separating prisoners known to be engaged in such activity.

In 2018/19, we established individualised gang management plans at each of our men's prisons (our women's prisons will develop their plans in 2019/20). Gang management plans address the unique gang-related risks of each site and how these will be addressed, taking into account things like gang membership and the composition of the prison population.

We have a zero tolerance policy towards assaults in prison.

While we do everything possible to eliminate assaults in prisons, the reality is that no corrections jurisdiction worldwide has successfully done so. When an assault takes place, the perpetrator is separated from the general population and is held to account for their actions through internal misconducts or external charges.

In 2018/19, there were 46 serious 'prisoner on prisoner assaults' and 29 serious 'prisoner on staff assaults'. These figures represent the total number of victims of serious assaults, with some incidents resulting in multiple victims.

Some factors that contributed to the number of assaults in 2018/19 include increases in the number of people in prison on remand (this group of prisoners have a higher than average rate of assaults), a larger number of prisoner transfers having taken place (prisoners may be at higher risk of assaulting others when they first enter a new prison environment), and growth in the proportion of prisoners with connections to gangs.

Our frontline staff do all they possibly can to help those people vulnerable to self-harm or suicide.

Prisoners who are identified as being vulnerable to self-harm or suicide are moved to an Intervention and Support Unit – a therapeutic environment with multi-disciplinary teams trained to help people through periods of crisis. Here prisoners are monitored regularly, have access to specialised care, and have unique care plans to help them to return to a sense of wellbeing.

There was one unnatural death in New Zealand's prisons in 2018/19 (down from seven in 2017/18). During this same period, there were 52 self-harm incidents of a level of seriousness that they posed a threat to life. As a result of Corrections' awareness around mental health and suicide, clear guidelines, good practices and capable staff, unnatural deaths were avoided in all but one case where staff intervened in instances of life threatening self-harm by prisoners.

Following an unnatural death, a 'Death in Custody Review' is undertaken by the Office of the Inspectorate and the Coroner undertakes an inquest.

For more information on how we are keeping our most vulnerable people safe, see page 52.

Our facilities are built with safety at their core.

Our prisons are designed to be secure. For example, our newest facility – the maximum security facility at Auckland Prison, which became operational in October 2018 – has a functional layout, dual secure corridors, and remote electronic control of security and prisoner movements. These security features keep staff and prisoners safer.

Christchurch Men's Prison also opened its new management unit for segregated prisoners.

Violent prisoners that have been segregated from others stay in management units. In January 2019, Christchurch Prison opened Miro Unit, our newest management unit for looking after some of our most complex and challenging prisoners.

Miro Unit is improving the services being delivered to segregated prisoners, and is improving outcomes among this group of people. For example, the unit has secure areas for outside visits, its own health services area and a classroom to facilitate education and rehabilitation.

There have been no breakout escapes from our prisons in the last five years.

Every year we transfer tens of thousands of prisoners between prisons, courts, police cells, and hospitals. Every time a prisoner is transported outside of the prison perimeter, we consider every aspect of security. This includes specifying the number of escorting staff, whether the prisoner will be GPS monitored, how they will be restrained, and the transport method.

In 2018/19, there were no breakout escapes and four non-breakout escapes. These included two absconds and two escapes from escort, all of whom were returned to custody. In 2017/18, there were five non-breakout escapes.

We have improved how we monitor prisoners on temporary release.

In December 2018, a new app for staff to track prisoners on outside-the-wire activity went live. The app provides prison staff with a list of names, times, locations, and the types of temporary release that prisoners are on. The system has simplified how we track prisoners on temporary release, and means that staff are able to take action to address potential issues and risks faster.

When a prisoner applies to participate in outside-the-wire activity (for example, Release to Work), safety is our top priority. Every application is assessed by a multi-disciplinary panel made up of case managers, psychologists, and probation, custodial and intelligence staff. The panel can also include external representatives from the community, such as Police. These panels consider the risk to the public and the benefit to the prisoner. A recommendation is then provided to the decision maker to allow them to make an informed decision about approving the prisoner's participation, and any conditions the prisoner should be subject to, including GPS monitoring.

We do everything we can to keep contraband out of our prisons.

Contraband items can include drugs, drug paraphernalia, communication devices, weapons, tattoo equipment and alcohol. We also count 'indications' (for example, when the smell of drugs is detected, but the drugs are not physically located) as contraband.

We control access to contraband with extensive perimeter security, camera surveillance, background checks on visitors, vehicle searches, scanners, and x-ray machines. We also have 19 detector dog teams operating across the prison network. Visitors caught trying to smuggle contraband into prison are banned from visiting and are referred to Police.

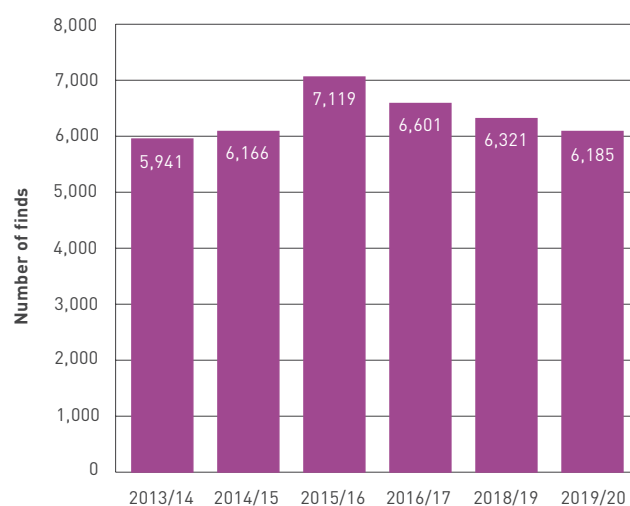
Our efforts are keeping drugs and other contraband out of the hands of prisoners. There were 6,185 contraband finds in 2018/19, including 1,323 drug contraband and paraphernalia finds.

Additionally, over 96 percent of general random drug tests undertaken in prison did not return a positive result.

Types of escapes by financial year

Financial Year	Breakout	Absconding	From Escort	Breach of Temporary Release
2013/14	1	0	1	0
2014/15	0	1	4	1
2015/16	0	0	2	0
2016/17	0	0	5	0
2017/18	0	1	4	0
2018/19	0	2	2	0

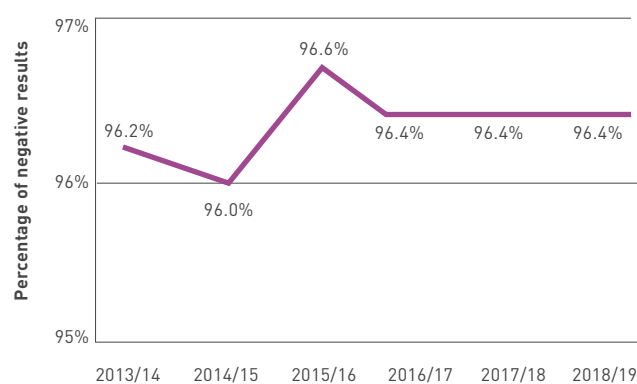
Total number of contraband finds



KEY:

■ Contraband incidents

Percent of negative general random drug tests



We are transforming the corrections system to improve its effectiveness and sustainability.

The last year has been one of change at Corrections. It was defined by the foundations we set in place for what will be a major transformation programme.

We have three key areas of focus as we develop plans to improve how we operate. These include:

- > Great outcomes with Māori and their whānau.
- > All people in our care exceed their potential.
- > Enduring and genuine partnerships for collective success.

Achieving these objectives will require a complete review of our operating model and services. We have started this work: we are reconsidering how we deliver our services while also progressing new and existing initiatives that are contributing to the objectives.

In 2018/19 we continued to maximise safe alternatives to imprisonment where appropriate, we progressed the construction of a new facility at Waikeria Prison, began developing a new whānau-centric pathway for Māori in prison, and strengthened our cultural capability.

This year we published *Hōkai Rangi, Ara Poutama Aotearoa Strategy 2019 – 2024*. *Hōkai Rangi* details our intention to create a corrections system that works with and for Māori. For more information on *Hōkai Rangi* and how we are transforming how we work with and for Māori, see page 11.

By building capacity, we are ensuring that the prison network can safely accommodate future fluctuations in the prison population.

After years of rapid increases, the prison population stabilised in 2018/19. We now have the opportunity to plan ahead and ensure we have suitable plans in place should we experience similar fluctuations in the future.

Construction has continued for our major capacity builds at Mt Eden Corrections Facility (245 beds) and Waikeria Prison (500 beds). Our new facility and mental health and addiction service at Waikeria Prison will also include 100 dedicated mental health beds.

Almost 1,000 beds are being added to the prison network through rapid-build modular accommodation units.

We are installing eight 122 bed units at five prisons across New Zealand. These units prioritise safety and rehabilitation, and each includes five classrooms, four activity rooms, four interview rooms and a health room.

Construction progressed throughout 2018/19, with the delivery of these expected to be completed in 2019/20.

Our initiatives to reduce the prison population

We are supporting the Government's target of safely reducing the prison population by 30 percent over 15 years and improving the wellbeing of people in the Corrections system.

The High Impact Innovation Programme is a Corrections-led, cross-agency programme. It has established and continues to operate a number of initiatives that aim to maximise safe alternatives to prison and prevent unnecessary delays for people in the justice system.

The initiatives improve access to information, which enables better informed decision making by the judiciary and the New Zealand Parole Board. We also provide increased support to people in the justice system, reducing harm and improving the likelihood of someone complying with any conditions imposed on them.

In 2018/19, the programme interacted with 5,343 people in the criminal justice system. It generated 106,284 custody day savings (days that an individual would have spent in prison but did not, due to the intervention of the High Impact Innovation Programme). This is equal to a point-in-time reduction of 291 prisoners.

> Bail Support Services

Bail Support Services is a service to the courts that enables informed decision making. Bail support officers conduct 'needs assessments' for defendants in court then provide written plans on how any identified needs would be met if the defendants were granted bail. If bail is achieved, bail support officers work with defendants in the community to support them to comply with their conditions.

Bail Support Services enables relevant and accurate information to be presented to the court at the earliest opportunity. This can ultimately reduce the need for adjournments and speed up the justice process.

Bail Support Services operates in Christchurch, Wellington and Manukau district courts and communities. A similar model has been designed for Kaitia where the service will be provided by local Non-Government Organisations (NGOs).

Wellington Bail Support Services provides a house for up to six men on bail who have no other suitable accommodation and would otherwise be remanded in custody. The Salvation Army provides 24 hour supervision and supports the men with living skills, education and community engagement.

A mobile app has also been developed to help defendants on Electronically Monitored (EM) bail avoid breaching their bail conditions. The app provides defendants with direct access to support services and reminders about judicial events.

> EM Bail Ready

EM Bail allows defendants who would otherwise remain in custody on remand to be safely bailed in the community.

EM Bail Ready advisors are working in prisons to engage with newly remanded defendants and their defence counsel to assist with their EM bail applications to the court. This support includes assistance with writing the application, finding suitable accommodation and engaging family and support people.

> Remand Triage

Remand Triage provides targeted resources to Police prosecutors to triage those cases that can be progressed earlier.

By actively managing the prosecution files for defendants remanded in custody, the time a case takes to progress through the courts is reduced. This means people are spending less time remanded in custody awaiting the outcome of their case.

> Home Detention Resentencing

The Home Detention Resentencing programme works with prisoners who would have likely received a home detention sentence but due to accommodation barriers, received a prison sentence.

We work with these prisoners to secure suitable accommodation to enable them to apply to the court to be resentenced.

> Parole Ready

Parole is an important component of an offender's sentence as it is the period where they can be closely managed through a transition back into society. Long serving prisoners released with little or no parole period are more likely to re-offend.

Through the Parole Ready programme, advisors work to improve the systems that support prisoners to achieve parole where it is safe and appropriate. This includes enabling greater opportunity for prisoners to take part

in rehabilitation and reintegration. This results in a shorter prison time served before parole is achieved.

> He Kete Oranga o te Mana Wahine

A 10 bed residential facility in Christchurch provides alcohol and drug rehabilitation for women at any stage of the justice pipeline, as an alternative to custody. The service is delivered in partnership with Odyssey House and Pathway Trust. It is the first service of its kind in the South Island, focusing specifically on the needs of women in the criminal justice system.



Opening of He Kete Oranga o te Mana Wahine on 5 June 2019, attended by Minister of Corrections, Kelvin Davis and Chief Executive, Christine Stevenson.

Safety in the community

By safely managing people in the community, we hold them to account while allowing them to maintain pro-social support and employment.

At any given time, we manage around 30,000 offenders in the community. The sentences and orders that we administer vary, and include community work, intensive supervision, home detention and extended supervision orders.

For more information on the types of sentences and orders we administer, see pages 16 to 17.

Our probation officers and community work supervisors administer, supervise and monitor people with community-based sentences or orders.

We employ 1,297 probation officers and senior practitioners, and 296 community work supervisors, whose role it is to monitor compliance with community sentences and orders imposed by the court.

They undertake home visits, ensure compliance, assess risk, facilitate rehabilitation and reintegration programmes, and help offenders to meet their reintegration needs (for example, financial support).

Our probation officers stringently monitor offenders in accordance with the conditions of their sentence or order.

Probation officers identify non-compliance and take appropriate action to hold offenders to account for complying with the conditions of their sentence or order.

When someone breaches the conditions of their sentence or order (for example, by missing a scheduled report-in), Corrections can impose sanctions or pursue prosecution. In 2018/19, in 97 percent of cases where an act of non-compliance was noted, the offender was held to account. In this same period, Corrections pursued prosecution in 22,029 cases, and 69 percent of people with a community-based sentence or order successfully completed their sentence or order.

For more information on how probation officers ensure compliance, see page 13.

We are improving how probation officers learn their jobs.

New probation officers undertake intensive training when they first start with Corrections. This year we launched our new probation officer curriculum, Pou Hapori Iho, which incorporates virtual learning, onsite experience, and peer support to guide them gradually through an increasingly complex workload.

High risk offenders who have completed their prison sentence can be monitored through extended supervision orders.

Extended supervision orders are imposed by courts, on the application of Corrections, for high risk offenders who can no longer be lawfully detained in prison. Offenders must be assessed as being at very high risk of violent re-offending or at high risk of sexual re-offending.

The order is made up of standard and special conditions which can include 24/7 electronic GPS monitoring and, in the most serious cases, person-to-person supervision.

To improve public safety, in 2018/19 we enhanced how we manage high risk offenders by updating our policy on where people in the community with child sex offences can reside, expanding our training on the management of these offenders, improving the availability of electronic monitoring, and establishing transitional accommodation for these offenders on prison land.

In 2018/19, the average number of extended supervision orders being served was 221.

For more information on how we are accommodating offenders (including high risk offenders) in the community, including in our newest facility Te Korowai, see page 63.

Extremely high risk offenders who can no longer be kept in prison are housed at Matawhāiti.

Matawhāiti is New Zealand's only civil detention centre and is located on the grounds of Christchurch Men's Prison.

The people housed at Matawhāiti are not prisoners, but have been deemed by the court to be of very high and imminent risk of causing violent or sexual harm. They are subject to public protection orders or interim detention orders, which balance their rights to live in the community with the safety needs of the community.

As at 30 June 2019, three residents were residing at Matawhāiti.

For more information on the operation of Matawhāiti, see page 171.

We electronically monitor offenders and defendants on bail, to ensure they are complying with their court-imposed conditions.

The offenders we electronically monitor include those serving sentences of home detention, community detention and extended supervision. Some other sentences, like intensive supervision, may have a special condition attached which requires that the offender be electronically monitored.

We are increasing our capacity to monitor offenders electronically, so that more people who would otherwise serve a short sentence of imprisonment can serve their sentence in the community.

In 2018/19, we electronically monitored around 5,000 offenders and defendants in the community, at any one time. Throughout the year, a total of 15,560 people had their movements monitored. Ninety-five percent of these people did not remove their tracker during the course of their sentence or order. When excluding those offenders managed under EM Bail this level of compliance increases to 98 percent.

For more information on our electronic monitoring operations, see pages 173 to 175.

Community work supervisors help offenders to make reparations for their offending by facilitating and supervising community work.

Community work is our most common sentence – in 2018/19, the average number of offenders serving a community work sentence was 12,684, with the average sentence length being 94 hours.

In the last year, offenders completed over 1.2 million community work hours. We partner with organisations like schools, councils, iwi, and charities to do things such as maintenance work, gardening, environmental work (for example, replanting wetlands), and servicing food banks.

Our community work crews are helping people to help others.

Between December 2017 and 2018, offenders serving community work sentences at Manurewa and Franklin-Papakura Community Corrections sites completed over 2,200 hours of work at the Takanini Sikh temple.

The Sikh temple provides hospitality and free food to between 2,000 and 3,000 members of the community a week. To help with this, the temple maintains a four hectare garden.

Our offenders have provided the temple with much needed support to continue their work.



Over the past two years, we have been drug testing people with community-based sentences or orders who have a court imposed condition to abstain from these substances.

The Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill authorises Corrections to test offenders who have an abstinence condition for drug and alcohol use.

Since the legislation's passage in 2017, Corrections has undertaken over 4,500 tests in the community. Further, over 120 people were at some point equipped with an alcohol detection anklet.

Through increased monitoring of alcohol and drug use in the community, our probation officers have been able to put appropriate treatment plans in place. For example, 61 percent of offenders who received a sanction following a positive test were also provided additional alcohol and other drug support (like a referral to a programme or brief intervention).

Further, in 88 percent of cases, an alcohol and other drugs pathway was established for offenders to address their substance use behaviours.

By assisting courts and the New Zealand Parole Board to make informed decisions, we are keeping our communities safe.

Probation officers prepare pre-sentence reports for sentencing judges and parole progress reports for the New Zealand Parole Board. Case managers in prison also prepare parole assessment reports, and psychologists prepare reports for both the courts and the New Zealand Parole Board.

These reports outline key details about the individual being sentenced, or having their parole application assessed, including their residential circumstances, employment, and offending history. Probation officers make recommendations regarding sentencing, parole and potential conditions for community-based sentences or orders.

In 2018/19, Corrections prepared more than 28,000 pre-sentence reports for courts and 8,717 parole reports for the New Zealand Parole Board. Ninety-seven percent of all pre-sentence reports were provided to courts within the timeframes agreed. All reports provided to the New Zealand Parole Board were within agreed timeframes.

We have also changed the way we interview offenders, their whānau and others when preparing pre-sentence reports in order to improve the quality of information being provided.



We are responding to the increased use of community-based alternatives to prison by transforming and strengthening our Community Corrections team.

In Budget 2018, Corrections received an additional \$127.9 million over four years to expand our Community Corrections capacity. This includes managing an increasing number of offenders on community-based sentences and orders, and electronically monitoring defendants subject to bail.

In the 2018/19 financial year, we have experienced an increase of more than six percent in the average number of supervision and intensive supervision sentences being served.

In the 12 months to 30 June 2019, approximately 3,000 defendants were on electronically monitored bail at some point in the year.

The Aukaha te Waka programme continues to improve how we work in the community.

Aukaha te Waka is a five-year change programme to improve the long-term capability of community probation. The programme focuses on better continuity of care through sentence management, enhancing engagement through practical support, strengthening offenders' whānau and social supports and designing practice and systems that create life-long positive change.

In year three we focused on reviewing staff competencies and delivering improved training. We delivered on this focus by enhancing how we train and develop our probation officers.

The focus for the fourth year of the programme will be to build up the technological capabilities which support change, and to identify areas for streamlining or consolidating processes.





Re-offending is Reduced



By reducing the likelihood that offenders will return to a life of crime after the end of their sentence or order, we make New Zealand safer.

A profile of the people we manage

The offenders we manage are some of New Zealand's most complex and challenging people.

Over 80 percent of prisoners have current or prior convictions for violent offending. Further, 87 percent of prisoners have a lifetime diagnosis of a substance use disorder, 91 percent have a lifetime diagnosis of any mental disorder (including substance use), and 32 percent have a lifetime diagnosis of a mood disorder. Additionally, 66 percent of prisoners have a lifetime diagnosis of two or more mental disorders.

Further, we know that the vast majority of prisoners were not in employment immediately prior to entering prison. We estimate that 60 percent of prisoners have literacy and numeracy skills below NCEA Level One competency and 66 percent have no formal qualifications. Many prisoners have existing affiliations with gangs, with over one third of prisoners being affiliated with gangs in some way. Fifty-two percent of all women and 22 percent of all men in prison have a lifetime diagnosis of post-traumatic stress disorder.

Māori are disproportionately represented in the criminal justice system.

Māori make up around 15 percent of the general population but represent over half of all prisoners. Almost 60 percent of women prisoners and almost 70 percent of young prisoners are Māori. Māori also represent 47 percent of community-based offenders. The reasons for these inequities are complex and include a number of broader socio-economic and societal factors.

Improving outcomes with and for Māori is something that we must all take responsibility for. We cannot deliver effective services for Māori without incorporating a Te Ao Māori world view, placing a greater importance on the central role of whānau, and reconnecting people with their culture.

For more information on how we are transforming how we work with Māori, see page 11.

Pacific peoples experience certain challenges not faced by others in prison.

Per capita, Pacific peoples in New Zealand are imprisoned at a higher rate than other groups (excluding Māori). Pacific peoples are more likely to be in prison for violent offending, and to be actively associated with a gang. Nearly one in eight Pacific peoples in prison have no formal qualifications.

By helping Pacific peoples in prison build connections through their culture and addressing their rehabilitation needs, Corrections is able to help them to build a life free from crime. Spring Hill Corrections Facility has a Pacific Focus Unit with a Fale from which we run Saili Matagi, a programme specifically designed to engage Pacific men.

When managing women, it is important that we take into account their unique experiences and needs.

Women make up a relatively small proportion of the offender population – seven percent of prisoners and 20 percent of community-based offenders.

Offending by women is commonly characterised by trauma, unhealthy relationships and financial pressures. For example, 68 percent of women in prison have experienced family violence and 52 percent have a lifetime diagnosis of post-traumatic stress disorder.

Our women's strategy, Wāhine – E rere ana ki te Pae Hou, is transforming our approach to helping women. It is evidence-based and focuses on meeting the needs of women, working in a manner that is trauma-informed and empowering, and reflecting the importance of relationships to women.

Youth units are designed to meet the needs of prisoners under 20 years old.

We have two youth units for young male prisoners, one at Christchurch Men's Prison and the other at Hawke's Bay Regional Prison.

This year, a major change to how young offenders are managed took place. Prisoners under the age of 18 are now primarily managed by Oranga Tamariki. Previously all 17 year olds were managed by Corrections.

Our management of young offenders places an emphasis on structure, education, rehabilitation and maintaining whānau support. We have over 300 'youth champions' across our prisons and Community Corrections sites, who specialise in managing young people and working with multiple government agencies to advance their rehabilitation.

The offender pathway

Case Management

Case Management encompasses the planning and management of a prisoner's rehabilitation and reintegration needs, which are detailed in an individual offender plan. Case Managers work with offenders in custody to facilitate services and ensure the successful transition of a prisoner to probation colleagues or directly into the community.



Rehabilitation

Corrections strives to break the cycle of re-offending by identifying and working with those who are most likely to re-offend. Research has shown that well-designed and delivered programmes can have a real effect on reducing re-offending.



Training and Education

Corrections is committed to providing learning opportunities that offer building blocks for more advanced forms of education and training. Providing offenders with skills for life helps them in obtaining qualifications and employment, which has been shown to support successful reintegration into the community and reduce the likelihood of re-offending.



Employment

Offender employment includes the delivery of vocational and on the job training that may lead to a qualification and work experience, both of which build knowledge and experience that employers need.



Reintegration

Research suggests that people are less likely to re-offend if they have the right support around them. Support can come from many people including family/whānau, community groups, counsellors, employers and Corrections staff.



Taking a holistic approach to rehabilitation

There are a number of reasons why people commit crimes. When managing offenders, we have a responsibility to address these reasons. At Corrections, we help people build a better life for themselves and their whānau by addressing their health and wellbeing, offence-focused rehabilitation needs, education and industry training, and reintegration needs such as employment and accommodation support.

In 2018/19, Corrections spent \$243 million on reducing re-offending through the provision of rehabilitation programmes and reintegration services.

Case managers guide prisoners through their sentence, and facilitate programmes that address their rehabilitation needs.

Case managers work one-on-one with prisoners to identify what they need to do to turn their lives around. Case managers assess prisoners in areas such as educational attainment, prior employment and offending history. Using this information, case managers create 'offender plans'. These detail the programmes that are available to offenders that would be helpful in addressing the causes of their offending. For example, if a prisoner's literacy skills are a barrier to future employment, their case manager may facilitate intensive literacy support. If the prisoner has existing problems with alcohol use, they may be referred to one of our alcohol and other drug treatment programmes.

As at 30 June 2019, Corrections had 321 case managers who, in 2018/19, prepared 9,718 offender plans for prisoners. In the community, probation officers have a similar role to case managers, guiding people with community-based sentences and orders through their sentence. In 2018/19, 27,177 offender plans were prepared for these people.

Improving the wellbeing of offenders, and ensuring it is maintained, is a vital first step in the rehabilitation pathway.

When a person first enters the corrections system, our priority is to ensure their safety and address any existing health needs they have. In all our prisons, we undertake a health assessment every time a person arrives in prison or is transferred between prisons. In 2018/19, 98 percent of prisoners were assessed within 24 hours of arriving.

We provide prisoners with a level of primary healthcare at least equivalent to the level they can expect to receive in the community. In many cases prisoners access a far greater level of healthcare than when they were in the community.

All of our prisons have a health centre to ensure prisoners can access healthcare when needed. Last year, over 200 registered nurses provided nurse-led primary healthcare services in prison.

We contract medical officers across the country to provide General Practitioner (GP) services where needed. In 2018/19, nurses undertook more than 154,000 consultations with prisoners, with medical officers undertaking a further 17,000. The total cost of our prison-based healthcare services in 2018/19 was \$42 million.

Addressing the core drivers of offending

This year, we set the foundations of what will be a major transformation of how we care for offenders.

Mental health is an overriding theme throughout the rehabilitation pathway. At Corrections, we have staff who specialise in mental health (including 193 registered psychologists). Many of these people work directly with offenders, either one-on-one or as a facilitator of our group programmes.

Budget 2019, the Government's first wellbeing budget, includes an additional \$127.5 million over four years for Corrections to improve mental health and addiction services for offenders.

This investment will give Corrections the resources needed to change more lives than ever before. Initiatives to be funded include increased mental health services for offenders, expanded alcohol and other drug treatment programmes, an increase in mental health clinicians, new whānau services, and access to aftercare support for offenders who have completed alcohol and other drug treatment programmes.

We are transforming our facilities to improve mental health.

Mental health and wellbeing is being prioritised in how we design, plan and build our facilities.

For example, we are constructing a new facility at Waikeria Prison that will include 100 dedicated mental health beds and, in October 2018, opened our new maximum security facility at Auckland Prison. The facility, a first in New Zealand, prioritises safety and the wellbeing of our most challenging prisoners (those in maximum security). It includes multiple health service areas, a sensory garden, and a range of facilities to support industry, treatment and learning.

Corrections is developing and implementing initiatives for offenders vulnerable to self-harm and suicide.

We have intervention and support units in prisons across the country designed to keep our most vulnerable prisoners safe. Multi-disciplinary teams in these units closely monitor prisoners, help them through periods of crisis, remove the means of self-harm, and undertake care planning to support them through their time in prison.

In 2018/19, we embedded our new supported decision framework and multi-disciplinary practice guide in intervention and support units across the country.

By improving our practices, we are changing how we help people and expanding the therapeutic aspect of our care.

Every year, thousands of offenders in prison and in the community complete rehabilitation programmes.

In 2018/19, Corrections delivered 4,806 rehabilitation programme placements in prison, and 4,094 in the community. The completion rate for prison-based programmes was 89 percent. For community-based programmes it was 68 percent.

Our programmes range in type, intensity, length and style to suit the needs of participants. We are now placing a greater emphasis on longer, more intensive programmes to better address the core drivers of crime. Our programmes include motivational programmes, alcohol and other drug treatment programmes, programmes for violent and sexual offenders, and programmes centred on re-establishing cultural connections.

For a list of our rehabilitation programmes, see pages 56 to 57.

Mauri Tū Pae is a programme delivered by Māori service providers, underpinned by kaupapa Māori principles.

The objective of Mauri Tū Pae is to teach men how to alter the thoughts, attitudes and behaviours that led to their offending and assist them to develop strategies for maintaining positive change.

Mauri Tū Pae is delivered in Te Tirohanga units (previously known as Māori focus units) at Waikeria Prison, Tongariro Prison, Hawke's Bay Regional Prison, Whanganui Prison and Rimutaka Prison. Te Tirohanga units provide an immersive kaupapa Māori environment. Prisoners in Te Tirohanga units also undertake an intensive alcohol and other drug treatment programme and study towards their Level 2 New Zealand Certificate in Tikanga.

Mauri Tū Pae is also delivered at Northland Region Corrections Facility (not in a Te Tirohanga unit). In 2018/19, 208 prisoners nationally graduated from the Mauri Tū Pae programme.

We are delivering rehabilitation that is gender responsive and meets the needs of youth.

This year, Corrections launched new programmes designed specifically for women and youth. For example, Kia Rite is a programme that helps women to prepare for and commence their rehabilitation journey with Corrections, and the WHARE programme is a joint initiative between Justice, Police and Corrections that helps young men convicted of property offences such as theft and robbery.

Our alcohol and other drug treatment programmes are changing lives.

These programmes, like others, range in intensity. This allows us to help a variety of people who have identified issues with substance use. Our programmes include prison-based drug treatment unit programmes (between three and 12 months in length), an intensive residential programme in the community, and outpatient programmes.

Our alcohol and other drug programmes are consistently shown to reduce the likelihood that participants will re-offend. Drug treatment unit programmes, in particular, are some of our most effective. In 2018/19, 884 prisoners commenced one of our drug treatment unit programmes.

This year we also launched two new alcohol and other drug treatment programmes, Te Ira Wahine, which is designed specially to engage women, and Tamaua te Koronga, which is designed for young men.

For more information on our alcohol and other drugs treatment programmes, see page 57, and pages 164 to 165.

Special Treatment Unit Rehabilitation Programmes are our most effective tool for addressing violent and sexual re-offending.

Special Treatment Unit Rehabilitation Programmes teach violent and sexual offenders the skills necessary to live free from offending. The programmes are based in immersive 'community of change' environments, and are eight to nine months in length.

The programmes are our most intensive and achieve world-leading reductions in re-offending. In 2018/19, 257 prisoners started Special Treatment Unit Rehabilitation Programmes for violent offenders, child sex offenders and adult sex offenders.

Outside of our Special Treatment Units, we have a range of psychologist-led programmes aimed at this type of offending. For example, In 2018/19, 164 prisoners started a Short Intervention Programme for Child Sex Offenders and 27 community-based offenders started our residential Tai Aroha residential programme for violent offenders.

Offenders who would otherwise struggle to obtain benefit from rehabilitation programmes have access to individual psychological treatment.

In 2018/19, 643 prisoners and 557 community-based offenders accessed this type of treatment.

Treatment can either help offenders to prepare for the challenges of group therapy or, for some people, provide in-depth offence-focused treatment.

Arohata Prison's kitten fostering programme is helping women to give back to their communities.

Kitten Inn has partnered with Arohata Prison to raise, socialise and foster kittens. The programme is helping the cats, while teaching women in prison empathy, emotional control and nurturing skills.

Kitten Inn is based in Lower Hutt. They care for, de-sex, vaccinate, microchip and re-home over 1,500 kittens every year.



Our dairy farms are giving prisoners the opportunity to learn new skills and turn their lives around.

The dairy farm at Waikeria Prison provides high-quality education and training for prisoners. The 1,000 hectare farm is operated to industry standards with a herd of 2,200 milking cows producing a staggering 690,000 kilograms of milk solids annually. A further 1,100 young stock require care. Working on the farm allows up to around 40 men to build practical skills and gain industry qualifications which will help them improve their employment opportunities on release. Positive engagement with the community continues to grow, and the site was pleased to host Waikato's Te Kawa Discussion Group in June 2019, sharing knowledge about dairy farming practices and ideas about how best to continue to support individuals after release.

Waikeria Prison is not the only one of our sites to be garnering attention for industry achievements. Fonterra recently ranked the milk production from Otago Corrections Facility's dairy farm as being in the top two percent for quality and purity in 2018/19. Dairy farming is one of New Zealand's largest industries and we are proud to see all of the hard work put in by the individuals who are being trained at these sites, and the quality of our staff and farms recognised.



Our rehabilitation programmes

Our offence-focused rehabilitation programmes help people to understand factors related to their offences and break the cycle of offending.

> **Community Child Sex Offender Treatment Programme (community)**

This programme is delivered by expert providers and uses individual, group and family counselling to help individuals convicted of a child sex offence to make and maintain change.

> **High Risk Burglary Prevention Programme (prison)**

This programme uses an evidence-based, culturally responsive treatment framework to meet the rehabilitative and reintegrative needs of young men with theft or burglary convictions.

> **High Risk Personality Programme (prison)**

This programme provides intensive rehabilitation to men with complex needs who have remained at high or maximum security classifications and are struggling to reduce their classification due to behavioural issues.

> **Kimihia Violence Prevention Programme (prison)**

This intensive programme is designed to target the complex needs of women who have a history of violent behaviour.

> **Kowhiritanga (prison and community)**

This programme targets women who have a broad offending pattern and is designed to be responsive to the cultural needs of women and Māori.

> **Mauri Toa Rangatahi (community)**

This programme is targeted at young men and uses a range of activities to assist them in acknowledging their offending, and gaining an understanding of themselves, their future, and how to manage their feelings.

> **Mauri Tu, Mauri Ora (prison)**

This programme engages young men housed in a Youth Unit. The programme is delivered within the context of a structured day which includes therapeutic, educational, and cultural activities.

> **Mauri Tū Pae (prison)**

This programme is equivalent to the Medium Intensity Rehabilitation Programme, but is delivered by Māori service providers and uses a therapeutic framework based on kaupapa Māori principles.

> **Medium Intensity Rehabilitation Programme (prison and community)**

This programme targets offence-relevant thoughts, attitudes, and lifestyle factors in men and helps them to develop strategies for achieving life-long behavioural change.

> **Non-violence Programme for Perpetrators of Family Violence (community)**

This programme is delivered by contracted providers to help participants address the thoughts and feelings that lead to their violent behaviour. This programme has a focus on delivering rehabilitation in a culturally-responsive way.

> **Short Violence Prevention Programme (prison)**

This intensive skills-based programme targets men at risk of violent re-offending who are unable to complete a more intensive prison-based programme.

> **Saili Matagi (prison)**

This programme assists men to identify and change beliefs, attitudes and behaviours that have resulted in violent offending. Saili Matagi is run with men in the therapeutic environment of the Fale in the Pacific Focus Unit at Spring Hill Corrections Facility.

> **Short Intervention Programme (prison)**

This programme targets men who have been convicted of sexually motivated offences against children and who are at low or moderate risk of re-offending. Participants develop insight into their offending and plan for future risk management.

> **Short Rehabilitation Programme for men and women (prison and community)**

This programme provides a shorter rehabilitation option to the Medium Intensity Rehabilitation Programme, which includes a culturally-responsive wellbeing approach to assist men and women to develop positive thoughts, attitudes and behaviours.

> **Special Treatment Unit programmes**

The six prison-based Special Treatment Units deliver intensive, psychologist-led programmes within a 'community of change' environment. Special Treatment Unit programmes are targeted at men with complex offence-related rehabilitative needs, and deliver high quality, evidence-based interventions.

Special Treatment Units currently offer programmes for men convicted of sexual offences against adults or children, and serious violence or repeated serious offences.

> **Tai Aroha Residential Programme (community)**

This programme focuses on violence prevention and targets high risk men serving community sentences. Participants are supported in a therapeutic residential environment and receive post-programme guidance to support reintegration.

> **WHARE (prison and community)**

WHARE is for young men who have been convicted of burglary or other dishonesty charges. It incorporates a Te Whare Tapa Wha wellbeing approach, activity-based therapy, whānau engagement, and life skills.

Our Alcohol and Other Drugs Treatment programmes address the role of substance abuse in offending.

Our Alcohol and Other Drugs Treatment programmes range from brief interventions to intensive and residential treatment programmes that are designed to support men and women during their recovery.

> **Alcohol and Other Drugs Aftercare Worker Service (prison and community)**

This service offers aftercare support to graduates of drug treatment programmes and intensive treatment programmes. The service includes group and individual sessions, to support participants in maintaining the changes made during their treatment and avoiding triggers for relapse.

> **Community Residential Alcohol and Other Drugs Treatment Programme (community)**

This programme provides residential treatment beds in contracted facilities that are available to treat people with community-based sentences or orders (including defendants who would otherwise be in prison on remand) and former prisoners. The programmes are led by high-quality service providers and are targeted toward men and women with a high risk of substance use. Programmes vary in length from eight weeks to nine months.

> **Drug Treatment Programmes (prison)**

These programmes are delivered in specially designed units within the prison for three, six or 12-month periods. The programmes provide participants with

intensive treatment in a therapeutic community setting. Treatment includes addressing the links between substance use and offending, and the effect of substance use on family and whānau.

> **Intensive Treatment Programmes (prison)**

These programmes are eight week long, recovery-focused interventions that provide participants with the knowledge, attitudes and skills required to address their substance use. They are designed for people with a motivation to change, and incorporate a range of treatments including cognitive behavioural therapy, relapse prevention, and motivational interviewing.

> **Intensive Outpatient Alcohol and Other Drugs Programme (community)**

This programme is an eight week group programme designed to meet the needs of people with community-based sentences or orders who are unsuitable or unable to participate in residential treatment.

> **Meth and Me Group Intervention (prison)**

This programme is a four-hour group based educational intervention for men on remand who identify as methamphetamine users.

> **RecoverRing – Alcohol and Other Drugs Support Line (prison and community)**

This is a free 24 hour support line service that provides specialist advice, support and referrals to men and women under our care and their whānau.

> **Tamaua te Koronga (prison)**

This programme is a kaupapa Māori intensive alcohol and other drugs programme for young people. It takes a trauma-informed approach and is responsive to participants' mental health needs, with facilitators trained to recognise the symptoms of trauma and respond appropriately.

> **Te Ira Wahine (prison)**

This programme is a kaupapa Māori intensive alcohol and other drugs programme designed specifically to meet the needs of women in prison. It provides a trauma-informed approach to addressing substance use problems and is responsive to the mental health needs of women in prison.

Reducing re-offending through education and training

By providing education and training opportunities, we are giving offenders the skills they need to find employment and live a life free from crime.

By the time a person completes their sentence or order with Corrections, they should have the ability to obtain meaningful employment. This is why education and training are critical.

Corrections has a vast array of opportunities available to prisoners. These include intensive literacy and numeracy support, access to secure online learning facilities, vocational education in areas including construction and dairy farming, and vocational short courses.

At Corrections, we actively address prisoners' education and training needs.

Education tutors work with prisoners to identify their specific learning needs, find any gaps in their education and create custom learning pathways. These are used to match prisoners with education and training opportunities that we have available at Corrections.

In 2018/19, tutors undertook 9,185 education assessments and prepared 7,365 learning pathways.

Intensive literacy and numeracy support is available to those who need it.

Among prisoners, a lack of literacy and numeracy skills is a common barrier to rehabilitation and employment.

Te Wānanga o Aotearoa delivers intensive literacy and numeracy support in all our prisons and, in 2018/19, 1,483 prisoners received this level of support. Fifty percent of participants demonstrated a statistically significant gain as a result of the support.

We are teaching prisoners real life skills that help them to find employment.

Corrections has over 70 vocational short courses available for prisoners. These cover skill areas such as first aid, health and safety, scaffolding, and forklift operation. In the past year, over 2,500 prisoners participated in vocational short courses. Around 2,000 additional prisoners participated in industry qualification training.

External providers like polytechnics, wānanga and private training establishments also deliver a range of qualifications in prisons, covering primary industries, service industries, creative industries, construction and infrastructure, and manufacturing and technology. Nearly 2,300 prisoners participated in this type of training in 2018/19.

When prisoners fully engage in the education and training opportunities available to them in prison, they leave our care with a foundation from which they can build a life free from crime. This includes having more skills and qualifications that help them find employment in the community.

Every year, our efforts help thousands of offenders to gain qualifications.

In 2018/19, 2,017 prisoners achieved 3,003 qualifications, including 957 NZQA qualifications, and 2,044 short courses, licences and certifications.

The Duke of Edinburgh Awards programme is helping young people in prison turn their lives around.

In June 2019, Christchurch Women's Prison celebrated their first two prisoners receiving Duke of Edinburgh Hillary Bronze Awards.

The Duke of Edinburgh Award is a global framework of non-formal education which challenges young people to dream big, celebrate their successes and make a difference in the world.

The women completed a personal programme of activities in service (volunteering), physical recreation, skills and an expedition within the prison.

The Duke of Edinburgh Hillary Award programme has been available to young men in prison for some time, but this is the first time the programme has been available to young women.





Prison Industries and Vocational Education

As at 30 June 2019

A Northland Region Corrections Facility
 Region: Northern • Opened: 2005

Industry and training



B Auckland Prison
 Region: Northern • Opened: 1968

Industry and training



C Mt Eden Corrections Facility
 Region: Northern • Opened: 2011

Industry and training



D Auckland Region Women's Corrections Facility
 Region: Northern • Opened: 2006

Industry and training



E Auckland South Corrections Facility
 Region: Northern • Opened: 2015

Industry and training



F Spring Hill Corrections Facility
 Region: Central • Opened: 2007

Industry and training



G Waikeria Prison
 Region: Central • Opened: 1911

Industry and training



H Tongariro Prison
 Region: Central • Opened: 1978

Industry and training



I Whanganui Prison
 Region: Lower North • Opened: 1978

Industry and training



J Hawke's Bay Regional Prison
 Region: Lower North • Opened: 1989

Industry and training



K **Manawatu Prison**
 Region: Lower North • Opened: 1979

Industry and training



L **Rimutaka Prison**
 Region: Lower North • Opened: 1967

Industry and training



M **Arohata Prison**
 Region: Lower North • Opened: 1944

Industry and training



N **Christchurch Men's Prison**
 Region: Southern • Opened: 1915

Industry and training



O **Christchurch Women's Prison**
 Region: Southern • Opened: 1974

Industry and training



P **Rolleston Prison**
 Region: Southern • Opened: 1958

Industry and training



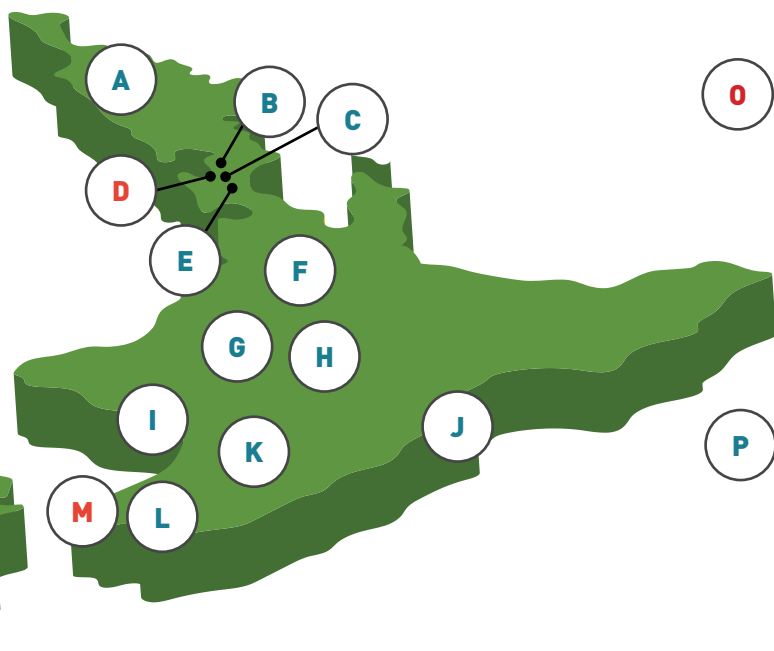
Q **Otago Corrections Facility**
 Region: Southern • Opened: 2007

Industry and training



R **Invercargill Prison**
 Region: Southern • Opened: 1910

Industry and training



Key:

Prison industry and training activities

Agriculture	Apiculture	Arboriculture	Automotive	Bakery	Barista	Carpentry	Construction
Dairy	Distribution	Engineering	Farm Maintenance	Farming	Forestry	Grounds Maintenance	Hospitality
Horticulture/Nursery	Joinery	Kitchen	Landscaping	Laundry	Light Assembly	Manufacturing	Painting
Piggery	Plastering	Plumbing/Gas Fitting	Pre-cast Concrete Operation	Printing/Design	Recycling	Silviculture	Small Motors
Textiles	Tiling	Timber/Wood Processing	Whakairo (Wood Carving)				

Our partnership with Housing New Zealand is helping prisoners to gain new skills and contribute to their communities.

As a result of Corrections' ongoing partnership with Housing New Zealand, prisoners at Spring Hill Corrections Facility and Rolleston Prison are building up to 100 new and refurbished houses in the next five years. The modern, dry and healthy houses will be made available for state housing tenants.

Prisoners involved in the programme will contribute to their communities, help to house some of New Zealand's most vulnerable people, and gain skills and industry qualifications in carpentry, painting and plumbing.

The house-building programme is just one of a number of initiatives our two organisations are working on together, which includes the joint delivery of transitional housing for offenders in the community.



Helping offenders transition after the end of their sentence or order

Case managers work with prisoners to prepare them for their return to the community.

Case managers prepare comprehensive release plans for long serving prisoners prior to their return to the community. These outline potential risks and safety strategies and identify the prisoner's reintegration needs (for example, accommodation, employment and skills for life) and how these will be met.

Guided Release is a programme that allows long-serving minimum security prisoners nearing the end of their sentence to leave prison for short periods to take part in meaningful reintegration activities.

These activities can include visiting accommodation providers, meeting with potential employers, going to Alcoholics Anonymous (AA) meetings and registering with their local General Practitioner (GP).

There are strict eligibility requirements and application processes in place for prisoners who wish to take part in Guided Release. Public safety is our top priority and all participants are electronically monitored, are searched on return to prison, and have their travel route and activities thoroughly planned.

In 2018/19, 1,340 prisoners participated in Guided Release. This is an increase from 848 prisoners in 2017/18.

Our contracted reintegration service partners assist thousands of offenders.

Our service providers help offenders in a variety of areas, from opening a bank account to providing wrap-around accommodation services and helping them into employment.

Corrections referred 6,130 offenders to these types of programmes in 2018/19, resulting in 3,896 programme starts.

A lack of stable accommodation can be a barrier to building a crime-free life. This is why we are expanding the provision of accommodation support in the community.

The majority of prisoners and people with community-based sentences or orders find and retain their own accommodation. However, sometimes this is neither possible nor appropriate. Corrections provides nearly 1,100 accommodation places every year to offenders in the community.

In Budget 2018, Corrections and Housing New Zealand received \$57.6 million of new funding over four years to establish new accommodation initiatives and expand existing ones. The initiatives include a resettlement centre for women and their whānau in Hamilton (in partnership with the Kiingitanga), an expansion of the Tai Aroha residential programme for violent offenders and an increase in the number of transitional housing places in the community.

This year we opened Te Korowai, a residence for offenders with high and complex needs.

Te Korowai is a residential facility on the grounds of Rimutaka Prison that offers safe and secure transitional accommodation for offenders who have a history of sexual offending.

Te Korowai is managed by Corrections staff, and offenders are required to comply with house rules (for example, alcohol is not allowed on the premises) and are subject to 24/7 electronic GPS monitoring. These rules are in addition to any conditions set by courts and the New Zealand Parole Board.

In partnership with Ngāti Kahungunu, we also launched Te Waireka, a residential reintegration programme for wāhine Māori.

Te Waireka is a 'for Māori by Māori' service, managed by Te Taiwhenua o Heretaunga. It helps women who have been released from prison to rebuild their lives in the community with individualised reintegration plans, wrap-around support to work towards goals, culturally appropriate reintegration programmes, help to access longer-term accommodation, and aftercare support.

By supporting offenders into employment we are giving them the opportunity to build a better life.

This Way for Work is a wrap-around employment service, managed by Corrections, that places offenders into work and supports them to maintain employment.

The foundation of the service is partnership – we have 165 memoranda of understanding with employers across New Zealand. Through our employment services we placed over 2,300 people into work last year.

This Way for Work also reduces the barriers to employment with Employer Starter Packs, which fund expenses like transport costs, work equipment, uniforms and training. In 2018/19, Corrections provided 207 Employer Starter Packs to businesses hiring offenders.

We are partnering with the Ministry of Social Development to improve outcomes for New Zealanders.

In 2018/19 Corrections and the Ministry of Social Development (MSD) launched Creating Positive Pathways. The programme provides more people with the stable accommodation and support they need to rebuild their lives.

Offenders not only have their accommodation needs met through the programme, they have in-person assistance to facilitate employment opportunities, education and training, health services, skills for life and pro-social support.

In 2018/19, Corrections and MSD also launched the Supporting Offenders into Employment trial – a joint pilot to improve the employment and re-offending outcomes of former prisoners. The trial includes 15 MSD case managers facilitating access to care and support for prisoners 10 weeks prior to their release and for up to one year post-release. Participating prisoners will also have access to externally contracted service providers who will help them to address their health, education, housing, cultural and financial needs.

Rimutaka Prison Gate to Plate

Every year Rimutaka Prison hosts Gate to Plate, their very own Visa Wellington on a Plate (WOAP) festival entry. Each year a group of men create and prepare an impressive four-course menu for 240 members of the public. Through this programme the men are taught catering and culinary skills from guest chefs and the Prison's catering instructors, which can assist them in gaining employment in the hospitality industry upon release.



Our reintegration and transition services

> **Community-Based Residential Services and Intensive Residential Services**

This service offers transitional accommodation and intensive reintegration support in a community residence for people who are high risk and have complex needs.

> **Emergency Accommodation**

This service has contracted emergency accommodation providers in each region who provide short-term emergency accommodation and basic case management support for high risk or high-needs people while they transition into suitable accommodation.

> **Employment and Accommodation Services**

This service takes a holistic approach by providing transitional accommodation with support to establish independent and long-term accommodation and to reconnect offenders with the community. Further support is provided in order to help people obtain and keep employment.

> **Employment Support Services**

This service provides up to six months of in-work support to those who have gained employment and require additional wrap-around support in order to maintain their employment.

> **Enhanced Employment and Accommodation Service**

This service supports former prisoners transitioning back to the community, by providing them with up to 26 weeks accommodation and case management support to develop skills and strategies to become contributing members of society. The service has a focus on employment.

> **Out of Gate Reintegration Services**

This service assists individuals to meet their reintegration needs prior to, and upon, release from prison. This can include assisting people in their interactions with government agencies and supporting them to find accommodation. We also offer the Out of Gate Enhanced Youth Service for young people with complex reintegration needs who are leaving prison.

> **PARS Support Services**

This service provides reintegration support and advice for people serving a prison sentence, or recently released from prison, and their families. PARS also support children to maintain contact with their parent in prison by administering the Child Travel Fund.

> **Reintegration Services for Returning Offenders**

This service provides navigational support to New Zealand citizens who who are deported back to New Zealand.

> **Reintegration Services for Returning Offenders (Intensive)**

This service is an intensive reintegration support programme which includes transitional accommodation for New Zealand citizens who are deported back to New Zealand.

> **Supported Accommodation Service**

This service is a case management programme, available to prisoners with high needs who are serving a sentence of two years or more. This includes up to 26-weeks accommodation and support after their release from prison.

> **Supported Accommodation Service for Women – Building Foundations**

This service is a supported accommodation and reintegration programme designed to meet women's needs. Women are offered up to six months accommodation when they are released from prison, and support to find long-term accommodation.

> **This Way for Work**

This service comprises of 27 regionally based offender recruitment consultants who place individuals with prior convictions into long-term, sustainable employment.

> **Tiaki Tangata**

This service is kaupapa Māori-based and focuses on accommodation, employment and reconnecting people with their whānau. The service provides transitional accommodation upon release for people serving a prison sentence.

> **Whare Oranga Ake**

This service is a residential pre-release programme that uses a kaupapa Māori approach to help people serving a prison sentence prepare for employment, and find work and accommodation on release.

> **Women's EM Bail – Community Alternatives**

This service provides safe and secure accommodation for women with accommodation needs who are eligible for electronically monitored bail. Each participant is provided with support to access services and participate in reintegration activities.

Measuring our impact on re-offending

Reducing re-offending is key to improving public safety. We measure our impact on re-offending rates so that we can be sure we are keeping our communities safe, changing lives, and investing in initiatives that work.

As part of our upcoming change programme, we will be reviewing how we build the evidence we need to make informed decisions on our programmes and services. At present, the Recidivism Index and the Rehabilitation Quotient are our core tools for measuring our impact on public safety.

When measuring re-offending rates, it is important to note that rates are impacted by factors both within, and outside of, Corrections' influence.

The Recidivism Index

The Recidivism Index measures the percentage of offenders in any given cohort who are reconvicted within a given period of time (either 12 or 24 months).

The Recidivism Index shows that 45 percent of people released from prison in 2017/18 were reconvicted of an offence that resulted in a sentence administered by Corrections within 12 months of leaving prison. Further, 26.3 percent of people who started a sentence in the community were reconvicted within a year of beginning their sentence. For full Recidivism Index results for 2018/19, see pages 153 to 156.

The reconviction rate for people serving any community-based sentence or order, within a 12 month follow-up period, was 25.3 percent. The proportion of offenders who committed a new offence while on home detention was 7.9 percent and for offenders on parole it was 19.9 percent. Additionally, 10.7 percent of offenders committed an 'against-the-person' offence while serving a community-based sentence or order.

The Rehabilitation Quotient

We undertake an annual assessment of our programmes and interventions by measuring the extent to which they reduce re-offending. This is done by comparing the rates of reconviction and reimprisonment of offenders who have participated in specific programmes, with the rates of similar offenders who have not.

In 2018/19, our Special Treatment Unit Rehabilitation Programmes continued to be the most effective programmes we have available for reducing the reconviction and reimprisonment rate of our highest risk offenders. Additionally, our Drug Treatment Programme (6 months) and the Alcohol and Other Drug Intensive Programme produced strong results in reducing reconvictions and reimprisonment, when participants were compared to similar prisoners that did not participate.

The Intensive Literacy and Numeracy Programme also achieved very good results in reducing reconviction and reimprisonment. This indicates that our efforts to assist people gain skills needed to reintegrate into society are successful.

For full Rehabilitation Quotient results for 2018/19, see pages 157 to 158.

Measuring the seriousness of re-offending

Our figure for measuring the seriousness of re-offending is derived from the Ministry of Justice's Seriousness of Offences Scale. The scale assigns a numeric score for every criminal offence according to its seriousness. For example, murder has a seriousness score of 12,000, while minor theft has a seriousness score of 70.

In 2018/19, re-offending by people on a community-based sentence or order had an average seriousness score of 176.8, while re-offending by people released from prison had an average seriousness score of 363.5.

Statement of Responsibility

Statement of Responsibility

I am responsible, as Chief Executive of the Department of Corrections for:

- > the preparation of Corrections' 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 provide reasonable assurance as to the integrity and reliability of financial reporting;
- > ensuring that end-of-year performance information on each appropriation administered by Corrections is provided in accordance with sections 19A to 19C of the *Public Finance Act 1989*, whether or not that information is included in this annual report; and
- > the accuracy of any end-of-year performance information prepared by Corrections, whether or not that information is included in the annual report.

In my opinion:

- > the financial statements fairly reflect the financial position of Corrections as at 30 June 2019 and its operations for the year ended on that date; and
- > the forecast financial statements fairly reflect the forecast financial position of Corrections as at 30 June 2020 and its operations for the year ending on that date.

Signed



Christine Stevenson
Chief Executive

Date: 26 September 2019

Independent Auditor's Report

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of Corrections annual report for the year ended 30 June 2019

The Auditor-General is the auditor of the Department of Corrections (the Department). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- > the financial statements of the Department on pages 99 to 141, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows and statement of trust monies for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- > the performance information prepared by the Department for the year ended 30 June 2019 on pages 35 to 64 and 75 to 97;
- > the statements of expenses and capital expenditure of the Department for the year ended 30 June 2019 on pages 150 and 151; and
- > the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 143 to 149 that comprise:
 - > the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2019;
 - > the schedules of expenses for the year ended 30 June 2019; and
 - > the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- > the financial statements of the Department on pages 99 to 141:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 Reporting Standards.
- > the performance information of the Department on pages 35 to 64 and 75 to 97:
 - presents fairly, in all material respects, for the year ended 30 June 2019:
 - 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 Department on pages 150 and 151 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the *Public Finance Act 1989*.
- > the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 143 to 149 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 2019; and
 - expenses for the year ended 30 June 2019.

Our audit was completed on 26 September 2019. 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 Department for preparing:

- > financial statements that present fairly the Department's financial position, financial performance, its cash flows, and trust monies 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 Department, 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 Department 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 Department for assessing the Department'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 Department, 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 Department's Statement of Intent 2018 – 2022, Estimates of Appropriation and Supplementary Estimates of Appropriation 2018 for Vote Corrections, and the 2018/19 forecast financial figures included in the Department's 2017/18 Annual Report.

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

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

- > We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 Department'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 Department'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 Department'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 Department 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 3 to 184, 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 Department 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 engagements in the areas of independent quality assurance over procurement and tender processes. Other than in our capacity as auditor and these engagements, we have no relationship with, or interests, in the Department.

Karen Young

Karen Young

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

*Department of Corrections
Annual Report – Part B*

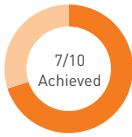




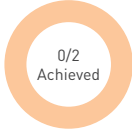



Statement of Performance

Statement of Performance 2018/19

For the year ended 30 June 2019

Performance framework

This section describes what we were funded to deliver in 2018/19. The information on pages 75 to 97 is audited and reports on what we achieved with each appropriation against the expectations set out in the Estimates of Appropriations 2018/19 for Vote Corrections.

Appropriation/Outcome	Output/Category	Performance Measures Achieved
1. Public Safety is Improved (MCA) ³ (\$1,359.4 million expenditure)	1.1 Prison-based Custodial Services	
	1.2 Sentences and Orders Served in the Community	
	1.3 Information and Administrative Services to the Judiciary and New Zealand Parole Board	
2. Re-offending is Reduced (\$243.1 million expenditure)		
3. Policy Advice and Ministerial Services (MCA) ³ (\$4.8 million expenditure)	3.1 Policy Advice	
	3.2 Ministerial Services	
4. Department of Corrections Capital Expenditure (PLA) ⁴ (\$560.4 million expenditure)		
5. Waikeria Corrections and Treatment Facility (\$7.4 million expenditure)		
6. Bail Support Services (\$1.8 million expenditure)		
7. Transfer of Auckland Prison Wastewater Assets (Nil expenditure)		

3. MCA - Multi Category Appropriation. An MCA consists of two or more categories of output expenses. MCAs can be used to provide increased flexibility across a number of categories of expenses that all contribute to a single overarching purpose, while preserving transparency about what is achieved with each category of an MCA.

4. PLA - Permanent Legislative Authority. PLAs are appropriations granted in Acts other than an Appropriation Act. PLAs are provided in limited and particular circumstances, such as where approval is needed for spending of a technical nature, such as departmental capital.

Appropriation 1 - Public Safety is Improved (MCA)

OVERARCHING PURPOSE STATEMENT

The single overarching purpose of this appropriation is to manage offenders serving custodial and community-based sentences in a manner so as to improve the safety of offenders, staff, victims and the public.

SCOPE OF APPROPRIATION

This is an MCA as detailed below:

1.1 Prison-based Custodial Services

This category is limited to the provision of custodial services including under long-term service contracts and Public Private Partnerships for offenders lawfully required to be detained in custody.

This includes remand prisoners (people awaiting trial and offenders convicted but not yet sentenced), those offenders sentenced to imprisonment, and any other offenders required to be lawfully detained in custody.

1.2 Sentences and Orders Served in the Community

This category is limited to the management and delivery of sentences and orders served in the community, and electronic monitoring of people on bail.

1.3 Information and Administrative Services to the Judiciary and New Zealand Parole Board (NZPB)

This category is limited to the provision of information about offenders to victims of crime, the judiciary and the New Zealand Parole Board and the provision of administrative, financial and secretariat services to the New Zealand Parole Board.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to:

- > enable Corrections to detain all prisoners in custody in a safe and humane way that protects the public and maintains the safety of all involved
- > enable safe management of sentences served in the community and the ability for offenders to be held to account for successfully completing their sentence or order, and
- > provide core services to the judiciary and New Zealand Parole Board that enable informed sentencing and parole decisions to be made in a timely manner, and notification of offenders and victims regarding the outcomes of the judicial process.

1.1 Prison-based Custodial Services

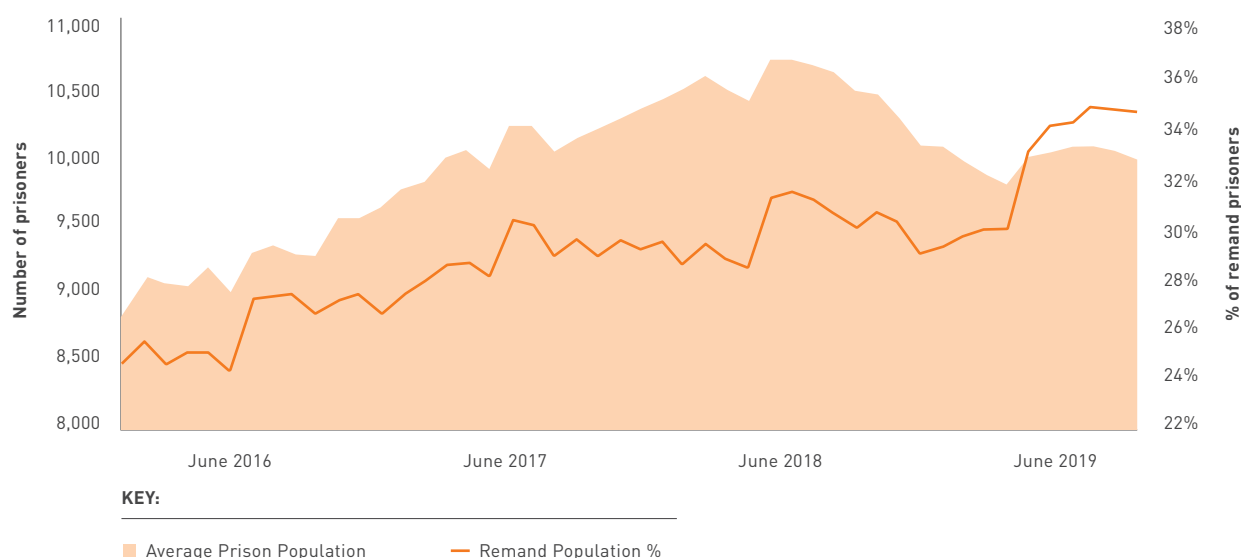
Operating context

Corrections has a statutory obligation to accommodate all prisoners as directed by the judiciary. The volume is influenced by factors such as legislation, the efficiency and function of the judicial system, judicial decisions, crime levels and policing.

After three years of substantial increases, the prison population reduced and plateaued in 2018/19. The average prison population for 2018/19 was 10,037, a reduction of 4.5% from the 2017/18 average.

The prison population is made up of a combination of remand and sentenced prisoners. As illustrated in the chart below, prison population trends have seen a marked increase in the number and proportion of remand prisoners, which on average account for 32% of the prison population in 2018/19 (peaking at 35% at 30 June 2019). Pressures in the judicial system having to deal with continuing growth in cases entering the system involving serious offending, and more frequent not-guilty pleas, are causing an increase in the number of events required to dispose of cases. This means that the average length of time spent on remand remains at unusually high levels. Corrections is working with the Ministry of Justice and Police on ways to alleviate some of this pressure.

Prison Population Trend



How Corrections performed

The following table outlines Corrections' performance against our current performance measures, and indicates changes made to the structure of performance measures in this area.

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of breakout escapes ⁵	-	-	New measure for 2019	Nil	Nil	Nil
The number of non-breakout escapes ⁶	-	-	New measure for 2019	4	Less than or equal to 5	Less than or equal to 5
The proportion of general random drug tests undertaken by prisoners that have a positive result	3.4%	3.6%	3.6%	3.6%	Less than 5%	Less than 5%
The number of unnatural deaths	11	1	7	1	Nil	Nil
The percentage of Death in Custody reports for unnatural deaths, that are completed by the Office of the Inspectorate within six months of the death occurring	-	-	New measure for 2019	100%	Greater than 80%	Greater than 80%
The rate of prisoner on prisoner assaults that are serious, per 100 prisoners ⁷	-	-	New measure for 2019	0.46	Less than or equal to 0.50	Less than or equal to 0.50
The rate of prisoner on staff assaults that are serious, per 100 prisoners ⁷	-	-	New measure for 2019	0.29	Less than or equal to 0.20	Less than or equal to 0.20
The proportion of all complaints received to the Office of the Inspectorate that are acknowledged within 10 working days of receipt	-	-	New measure for 2019	100%	100%	100%
The proportion of all complaint investigations completed by the Office of the Inspectorate within three months of being received	-	-	New measure for 2019	100%	Greater than 80%	Greater than 80%
The percentage of Health Centres in prisons that retained their Cornerstone accreditation status following completion of an annual review	100%	100%	94%	83%	100%	100%

5. A breakout escape is when a prisoner breaches the area contained by the outermost security fence of a prison or if there is no such fence, from the prison building.

6. Corrections has three categories of non-breakout escapes: from escort; absconding; breach of temporary release conditions.

7. Serious assaults are acts of violence which include: sexual assault of any form where police charges have been laid; bodily harm that requires intervention by medical staff followed by overnight hospitalisation; or bodily harm that requires extended periods of ongoing medical intervention. For 2018/19 Corrections changed to reporting assaults as a rate per 100 prisoners as it allows for fluctuations in the prison population, thereby providing a more comparable result.

Explanation of budgeted performance measures not achieved

Unnatural deaths

During the 2018/19 financial year there was one unnatural death in New Zealand prisons. This death was due to an apparent suicide, which is the most common cause of unnatural death in prisons. Our custodial staff devote significant time and resources to care for those vulnerable to self-harm or suicide, and are vigilant in identifying and assessing prisoner risk, and taking steps to protect prisoner safety.

A new prison-wide model of care has been developed and is currently being piloted which will transform the way we support prisoners who are vulnerable to self-harm or suicide. The new model of care will enable staff to take a more therapeutic and long-term approach with vulnerable prisoners. The programme of work underway includes staff training, process reviews, and embedding practice changes in the Intervention and Support Units.

Prisoner on staff assaults

There were 625 non-serious/ no injury assaults on staff recorded across the prison network this financial year, an increase of 12% over 2017/18. On occasion, incidents can result in a serious injury and this financial year there were 29 victims of serious prisoner on staff assaults (0.29 victims per 100 prisoners), compared to 12 victims (0.11 victims per 100 prisoners) in 2017/18.

Corrections manages some of New Zealand's most difficult and challenging people, many of whom have long histories of violence and anti-social behaviour. With over 80% of our prison population having a current or prior conviction for violence there is a risk that offenders will resort to violent behaviour as a means of resolving issues and expressing themselves.

The growing number of remand prisoners places additional pressure on the network as they can have complex needs and are dealing with the uncertainty of being removed from their normal life circumstances. This financial year, approximately half of the prisoners involved in serious assaults on staff were on remand. Another factor that may have impacted the number of assaults that occurred in 2018/19 was a larger number of prisoner transfers, as prisoners may be at higher risk of assaulting others when they first enter a new prison environment.

Prisoners who engage in violence are held to account. Prisoners who are subject to disciplinary action have their charges heard by a hearing adjudicator or by a visiting justice who will determine the appropriate sanction. This can include loss of privileges, forfeiture of earnings, cell confinement and referring the matter to Police.

Health centre accreditation

To demonstrate that the level of care in prison meets the standards of care that are available in the community, all health centres are required to be accredited under the Cornerstone® process. The accreditation process demonstrates that prison health centres meet the Royal New Zealand College of General Practitioners (RNZCGP) Aiming for Excellence Standards for New Zealand general practice.

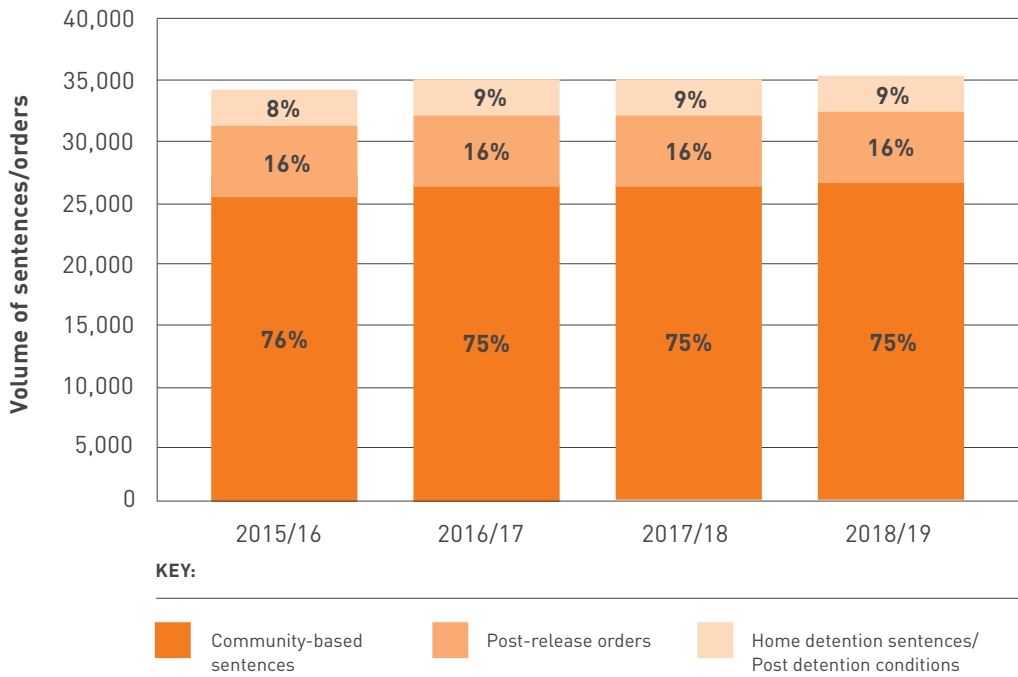
All 18 prisons are actively engaged in the Cornerstone® accreditation process, with 15 having retained their accreditation status for the 2018/19 financial year. As at 30 June 2019, 13 prisons were accredited with the Aiming for Excellence Standard, another two prisons had completed all assessments and have since received confirmation of renewal. Of the remaining three prisons, one had completed both the self-assessment and external assessment and was awaiting the final report and renewal confirmation, another was in the final stages of completing all the requirements, and the final prison was waiting for the RNZCGP to review information submitted following the external assessment.

1.2 Sentences and Orders Served in the Community

Operating context

Approximately three quarters of the offenders who Corrections manage are in the community. We employ over 1,500 probation officers and community work staff who manage approximately 30,000 individual offenders serving over 35,000 sentences or orders across the country (one offender may be serving multiple sentences or orders in the community at the same time).

Breakdown of average number of sentences and orders being served in the community⁸



8. We have improved our processes to report unique sentences and orders being served in the community. Prior years' figures have been restated to reflect this improvement.

How Corrections performed

The table below outlines Corrections' performance against our current performance measures.

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of community-based offenders who successfully complete their sentence or order	78%	77%	76%	75%	Greater than 75%	Greater than 75%
The proportion of community-based offenders being held to account by probation staff for non-compliance	90%	94%	96%	97%	90%	90%

Explanation of budgeted performance measure not achieved

Proportion of community-based offenders who successfully complete their sentence or order

Corrections manages a variety of sentences and orders in the community. Our probation staff work with offenders in the community to ensure that they adhere to the conditions of their sentence or order and are held to account if they fail to do so. In 2018/19, 97% of offenders were held to account by probation staff where an act of non-compliance occurred.

1.3 Information and Administrative Services to the Judiciary and New Zealand Parole Board

Operating context

As part of the information and administrative services Corrections provides, our probation staff are required to attend court. The number of court attendance hours has increased by approximately 3% from last year.

The number of EM Bail applications submitted to court has increased 10% from last year (27% over the last two years) and we are expecting further growth in 2019/20 as we continue to expand the use of electronic monitoring as an alternative to being remanded in custody.

How Corrections performed

The table below outlines Corrections' performance against our current performance measures, and indicates changes made to the structure of performance measures in this area.

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The percentage of pre-sentence reports provided to court within agreed timeframes before sentencing: ⁹						
- Probation reports	88%	95%	96%	97%	95%	Not a measure for 2020
- Psychological reports	99%	95%	98%	97%	95%	
The percentage of parole reports provided to agreed timeframes pursuant to New Zealand Parole Board requirements: ¹⁰						
- Parole assessment reports	92%	100%	100%	100%	90%	Not a measure for 2020
- Parole progress reports	95%	100%	100%	100%	95%	
- Psychological reports	93%	100%	100%	100%	95%	
The percentage of offenders who are notified as per New Zealand Parole Board requirements ¹¹	100%	100%	100%	100%	98%	98%
The percentage of victims who are notified as per New Zealand Parole Board requirements ¹²	100%	100%	100%	100%	98%	98%
The percentage of all cases heard by the New Zealand Parole Board that are scheduled within the timeframes specified by the <i>Parole Act 2002</i> ¹³	100%	100%	100%	100%	98%	98%
The number of justified complaints about notification services received from registered victims ¹⁴	2	Nil	3	6	Nil	Nil

9. Probation reports are completed to timeframes as set out in the Integrated Practice Framework. Specific timeframes are provided for each of the individual report types that are included under the heading of 'probation reports' or times are agreed with the court. Psychological reports are provided to court at least two working days before sentencing where a request is received.

10. Result based on confirmation received from the New Zealand Parole Board advising that Corrections has met agreed timeframes for the year ended 30 June 2019.

11. Offenders are notified of an impending hearing and of a New Zealand Parole Board decision within agreed timeframes.

12. Victims are notified of an impending hearing and of a New Zealand Parole Board decision within agreed timeframes.

13. The *Parole Act 2002* specifies that parole hearings are scheduled 16 weeks ahead of the parole eligibility date in order to give the various parties involved sufficient time to prepare. This measure is calculated on a random sample of 15% of offenders who have had cases heard in the reporting period.

14. The *Victims' Rights Act 2002* imposes clear obligations on specified agencies to provide information and offer assistance to victims of offences. This measure demonstrates that Corrections is meeting its legislative requirements and providing victims with notification of events relating to those who offended against them.

Explanation of budgeted performance measure not achieved

Justified complaints from registered victims

Corrections has a statutory obligation to notify registered victims in specific circumstances in accordance with the *Victims' Rights Act 2002*. As at 30 June 2019, there were a total of 3,667 active registered victims of which 1,574 were new registered victims this financial year. Six justified complaints were received from registered victims this financial year. Details of the six justified complaints received from victims are outlined on page 172.

At present, letters are the main form of communication with victims, which can lead to information not being received in a timely manner. Corrections has commenced development of a victims phone application that will improve the victims' experience when engaging with Corrections and the New Zealand Parole Board and will support the achievement of criminal justice reform by improving the responsiveness of the justice sector to victims. The application is expected to be available during the next financial year.

How much did it cost?

For the year ended 30 June 2019

	2018	2019	2019	2019	2020
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	1,251,079	1,360,909	1,333,306	1,368,285	1,402,224
Departmental	1,076	1,555	595	914	-
Other	5,022	4,621	3,194	3,722	3,194
Total revenue	1,257,177	1,367,085	1,337,095	1,372,921	1,405,418
EXPENSES					
- Prison-based Custodial Services	960,144	1,029,830	1,034,448	1,065,501	1,080,157
- Sentences and Orders Served in the Community	226,494	250,806	236,424	239,736	252,220
- Information and Administrative Services to the Judiciary and New Zealand Parole Board	67,140	78,800	66,223	67,684	73,041
Total expenses	1,253,778	1,359,436	1,337,095	1,372,921	1,405,418
Net surplus	3,399	7,649	-	-	-

Personnel costs are a significant cost associated with this appropriation as Corrections employs almost 10,000 people, 90% of which are deployed in frontline roles.

Corrections is an asset intensive agency. The nationwide network includes 18 prisons and around 100 Community Corrections sites. A significant amount of expenditure therefore relates to costs associated with the ownership, management and operation of these assets including depreciation, asset management and capital charge. Total expenditure also includes payments made to SecureFuture Wiri Limited for the operation and maintenance of the Auckland South Corrections Facility, and to Next Step Partners LP for the maintenance of Auckland Prison.

Actual expenditure was \$105.7 million higher than 2018 actual, mainly due to:

- > \$60.5 million increase in personnel costs mainly due to an increase in the number of employees (9,759 employees at 30 June 2019, 5% more than 30 June 2018 the majority of which relates to frontline roles), the impact of salary increases and *Holidays Act 2003* remediation costs
- > \$21.7 million increase in asset ownership costs, in particular depreciation, amortisation and capital charge costs, and
- > \$19.1 million increase in finance costs relating to the commencement of Auckland Prison unitary charge payments.

Actual expenditure was \$22.3 million higher than Budget mainly due to *Holidays Act 2003* remediation costs (\$7.8 million), higher net depreciation, amortisation and capital charge costs (\$6.8 million) and costs in relation to the Waikeria Prison construction project agreement.

Actual expenditure was \$13.5 million lower than Supplementary Estimates mainly due to lower *Holidays Act 2003* remediation costs resulting in a net surplus for this appropriation, and pre-approved in-principle expense transfers.

Appropriation 2 - Re-offending is Reduced

SCOPE OF APPROPRIATION

This appropriation is limited to the provision of rehabilitation interventions and reintegration services to offenders serving custodial and community-based sentences that address the underlying causes of criminal offending and reduce re-offending.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve a reduction in re-offending rates. It provides for the timely assessment of the rehabilitative and reintegrative needs of offenders in the community and those remanded in custody. This appropriation ensures identified offender needs are addressed through rehabilitation, education, employment and reintegration activities.

How Corrections performed

The following table outlines Corrections' performance against our current performance measures, and indicates changes made to the structure of performance measures in this area.

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of offenders entitled to receive an offender plan that received one within Standards of Practice timeframes: ¹⁵						
- Prisoners ¹⁶	69%	61%	53%	70%	65%	Not a measure
- Community-based offenders	New measure for 2017	75%	78%	87%	80%	for 2020
The proportion of offenders with an identified rehabilitation activity on their offender plan who have a matching scheduled placement for a Departmental programme:						
- Prisoners	76%	78%	77%	80%	80%	80%
- Community-based offenders	50%	47%	49%	47%	45%	45%

15. *Corrections Act 2004* – Section 51 Management Plans. This section applies to every prisoner who is sentenced to imprisonment for a term of more than two months, or is in custody for a continuous period of more than two months on remand.

16. This financial year Corrections' has changed the methodology for calculating this measure to include all prisoners entitled to receive an offender plan. Previously only those who had been assigned a case manager were assessed for timeliness. Prior years' actuals as well as the Budget 2019 target have been restated for comparability.

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of prisoners who have completed an intensive literacy and numeracy programme who demonstrate statistically significant gains	42%	47%	52%	50%	35%	35%
The percentage of offenders who start and complete a rehabilitation programme:						
- Prisoners	81%	86%	89%	89%	85%	85%
- Community-based offenders	57%	63%	66%	68%	65%	65%
The total number of referrals made to reintegration service providers	5,780	6,267	7,439	6,130	5,000	5,000
The total number of referrals made to reintegration service providers that resulted in a programme start	3,258	3,670	4,290	3,896	4,000	4,000
All public prisons to be achieving on average 100% engagement for eligible prisoners	16 prisons 75% engagement	17 prisons 91% engagement	17 prisons 93% engagement	17 prisons 96% engagement	17 prisons 100% engagement	Not a measure for 2020

Explanation of budgeted performance measures not achieved

Reintegration service provider referrals that resulted in a programme start

In 2018/19 Corrections has been trialing different service provision models which has temporarily impacted on the number of programme starts through a period of transition. We have however, achieved an increase of six percentage points in the referral-to-start conversion rate to 64% for the year, indicating higher quality referrals to ensure people in our care receive appropriate reintegration services.

Prisoner engagement

The intent of engaging prisoners in education and industry training is to provide the skills and opportunities they need to take greater control of their lives, with the aim of leading crime-free lives on release. All prisoners are considered eligible for work and are assessed for suitability as part of their induction. Corrections encourages prisoners to be engaged in a 40 hour week, however, this is not always practicable for those in remand, in high or maximum security, segregated or medically unfit. Engagement includes focused employment (industry), education and training (learning), programme participation (treatment) and constructive activities that are intended to increase a prisoner's motivation to attend available interventions.

Engagement attributed to unit employment, self-directed learning and constructive activities is restricted to predefined limits to encourage participation in more structured interventions. Unit employment hours are capped at five hours per day, self-directed learning at three hours per day and constructive activity hours are capped at 15% of a prisoner's target. These limits are applied by Corrections to acknowledge the difficulty in corroborating unit activities. The overall percentage has an accepted margin of uncertainty of +/- 2.1%. This is due to some system limitations and judgment applied by staff when recording engagement hours.

How much did it cost?

For the year ended 30 June 2019

	2018	2019	2019	2019	2020
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	182,449	211,040	201,269	214,742	259,417
Departmental	1,642	300	115	483	-
Other	28,426	29,125	26,945	31,345	26,945
Total revenue	212,517	240,465	228,329	246,570	286,362
Total expenses	215,676	243,102	231,078	249,319	289,111
Net deficit	(3,159)	(2,637)	(2,749)	(2,749)	(2,749)

Actual expenditure was \$27.4 million higher than 2018 actual. The increased year-on-year expenditure included new funding for Housing and Support Services for People Managed by Corrections, increased investment in mental health support services and various alcohol and other drug related initiatives, as well as higher rehabilitation intervention delivery costs.

Actual expenditure was \$12.0 million higher than Budget mainly due to new funding for Housing and Support Services for People Managed by Corrections, and funding transferred from 2017/18 relating to the Enhanced Mental Health Support Services initiative and various alcohol and other drug related initiatives predominantly.

Actual expenditure was \$6.2 million lower than Supplementary Estimates mainly reflecting pre-approved in-principle expense transfers.

Appropriation 3 – Policy Advice and Ministerial Services (MCA)

OVERARCHING PURPOSE STATEMENT

The single overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

SCOPE OF THE APPROPRIATION

This is an MCA as detailed below:

3.1 Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

3.2 Ministerial Services

This category is limited to department responses to ministerial correspondence and parliamentary questions.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to enable Corrections to respond to ministerial requests and parliamentary questions with a high standard of service. It allows the Department to provide policy advice to support decision-making by Ministers on government policy matters.

This MCA provides core services to co-ordinate information provided to government and the public as well as developing policy that improves outcomes for New Zealand communities.

How Corrections performed

The tables below outline Corrections' performance against our current performance measures.

Policy Advice and Ministerial Services (MCA)

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The office of the Minister of Corrections is satisfied with the level of quality of policy advice, and of draft ministerial correspondence, provided by the Department (determined by an annual survey of satisfaction)	94%	92%	93%	98%	85%	85%

Policy Advice

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 90% ¹⁷	72%	74%	74%	74%	At least an average of 70%	Benchmark set at the end of 2020 ¹⁸
The office of the Minister of Corrections is satisfied with the quality of policy advice provided, including quality of the written material and quality of the advice provided (measured through an annual survey) ¹⁹	82%	70%	80%	90%	80%	Benchmark set at the end of 2020 ²⁰
Total cost per output hours of professional staff time devoted to policy advice and other policy functions	\$98	\$91	\$102	\$105	\$105	Not a measure for 2020

17. This indicator provides a standardised score for the policy technical quality reviews undertaken by the third party assessor, in this case the New Zealand Institute of Economic Research.

18. The standard will be identified based on the refreshed Policy Quality Framework and updated in the Supplementary Estimates. All government agencies are required to use the refreshed Policy Quality Framework from 2019/20 to assess the quality of their policy advice papers. The refreshed framework provides the policy community with a common set of standards that specify what good quality advice looks like. Agencies can use the standards to hold themselves accountable for the quality of their advice, and support better government decision-making.

19. This indicator is a quantitative representation of the Minister of Corrections' satisfaction with the policy advice provided by Corrections against the following standards: completeness/ alignment, timeliness, robustness, value for money, likelihood to recommend, overall satisfaction and possible improvements in the delivery of policy advice.

20. The standard will be identified based on the revised Ministerial Satisfaction Survey and updated in the Supplementary Estimates. All government agencies are required to use the refined Ministerial Satisfaction Survey from 2019/20 to assess ministerial satisfaction with the policy service. The Ministerial Satisfaction Survey contains a common set of questions that agencies use to assess their ministers' satisfaction with the services provided by the policy advice function.

Ministerial Services

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The percentage of ministerial draft correspondence that is signed without changes	97%	99%	100%	100%	Greater than 95%	Greater than 95%
The percentage of all responses to parliamentary questions that are completed within five working days	81%	100%	100%	100%	Greater than 98%	Greater than 98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	99%	98%	100%	Greater than 98%	Greater than 98%

How much did it cost?

For the year ended 30 June 2019

	2018	2019	2019	2019	2020
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	4,541	4,842	4,541	4,861	4,861
Departmental	-	-	5	5	-
Total revenue	4,541	4,842	4,546	4,866	4,861
EXPENSES					
- Policy Advice	2,403	2,652	2,559	2,559	2,556
- Ministerial Services	1,978	2,190	1,987	2,307	2,305
Total expenses	4,381	4,842	4,546	4,866	4,861
Net surplus	160	-	-	-	-

Expenses within this appropriation are primarily staff related costs incurred in providing policy advice and responses to ministerial and parliamentary questions, and Official Information Act (OIA) requests.

In 2018/19, Corrections received over 10,400 pieces of correspondence (an increase of 41% when compared to 2017/18) from offenders, media, members of the public, parliamentarians and government agencies (half of these requests were OIAs, not including media enquiries).

The number of requests received by Corrections under the OIA has continued to increase year-on-year, reflecting a general desire of New Zealanders to live in a society where government agencies are committed to openness and transparency in the provision of public services, and where government data and information is readily accessible.

Appropriation 4 - Department of Corrections Capital Expenditure (PLA)

SCOPE OF APPROPRIATION

This appropriation is limited to the purchase or development of assets by and for the use of the Department of Corrections, 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 renewal and replacement of assets in support of the provision of Corrections' outputs. Corrections has a capital programme of work that is focused on upgrading its assets, providing resilience to respond to changing demand and service needs and ensuring sufficient capacity to accommodate the current and expected prison population.

Operating context

As an investment intensive agency, Corrections manages over \$3.6 billion of non-current assets including 17 publicly managed prisons and one privately managed prison, around 100 Community Corrections sites and a large fleet of over 1,800 cars, utility vehicles and mobile plant.

How Corrections performed

	2016	2017	2018	2019	2019	2020
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
Number of new Community Corrections sites and existing site refurbishments	-	New measure for 2018	5	4	8	6
Prison Capacity Programme – permanent beds added ²¹	-	New measure for 2018	493	131 ²²	503	1,238

Explanation of budgeted performance measures not achieved

Community Corrections sites

Outside the prison, Corrections completed a number of projects to ensure our facilities are fit-for-purpose. This financial year, although missing target due to a shortage of available sites and contractors within the property market, we constructed two new Community Corrections sites and refurbished a further two existing sites. The upgraded Community Corrections sites create a more welcoming environment with improved safety and security.

21. Permanent beds include emergency beds.

22. This was a new performance measure for 2018. Corrections has added a total of 1,102 beds since 2016.

Prison Capacity Programme – permanent beds added

In 2017/18 the Prison Capacity Portfolio was established in direct response to increasing pressure on prison capacity. A suite of programmes was developed, ranging from re-commissioning end-of-life units to building new facilities. This financial year we progressed the large-scale construction of capacity at Mt Eden Corrections Facility and Waikeria Prison, and eight modular builds at five prisons.

Corrections added 131 of the 503 budgeted new beds. This was primarily done through the Agile Programme, focusing on immediate solutions such as double bunking and small-scale builds. The budget shortfall is due to delays in the Modular Build Programme. Programme delivery will continue throughout 2019/20.

How much did it cost?

For the year ended 30 June 2019

	2018	2019	2019	2019	2020
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
CAPITAL EXPENSES					
Property, plant and equipment	193,688	534,531	364,504	572,743	407,583
Intangibles	14,937	25,866	28,500	35,564	31,600
Other	52,161	-	-	-	-
Total appropriation	260,786	560,397	393,004	608,307	439,183

Actual expenditure was \$299.6 million higher than 2018 actual, mainly due to increased Prison Capacity Programme spend including \$211.5 million on the development of Waikeria Prison.

Actual expenditure was \$167.4 million higher than Budget mainly due to the continued development of Waikeria Prison.

Actual expenditure was \$47.9 million lower than Supplementary Estimates mainly due to delays in the Modular Build Programme.

Appropriation 5 - Waikeria Corrections and Treatment Facility

SCOPE OF APPROPRIATION

This appropriation is limited to infrastructure improvements that are either a condition of the designation or otherwise necessary to enable the development of the Waikeria Corrections and Treatment Facility.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve safety and access improvements on the local road leading to Waikeria Corrections and Treatment Facility and continuation of design of infrastructure improvements required to enable the development of the Waikeria Corrections and Treatment Facility.

Operating context

Whilst the capital expenditure for the development of Waikeria Prison is covered under the Capital Expenditure Appropriation, this Non-Departmental Appropriation focuses on the accessibility leading to the new facility and the infrastructure design improvements required to enable the development of the facility.

How Corrections performed

	2018	2019
Assessment of performance	Actual	Actual
Completion of safety and access improvements on the local road leading to Waikeria Corrections and Treatment Facility	<p>Corrections, on behalf of the Crown, has worked with Otorohanga District Council to complete the widening of Waikeria Road and made safety enhancements to several private driveways alongside.</p> <p>Construction of the duplicate bridge is almost complete with the remainder of work to be done during the first quarter of 2018/19.</p>	<p>Corrections, on behalf of the Crown, has completed the widening of Waikeria Road and the new bridge leading to Waikeria Prison.</p>
Continuation of design of infrastructure improvements required to enable the development of Waikeria Corrections and Treatment Facility	<p>Environment Court approved the plan to amend the existing designation of Waikeria Prison to allow additional prisoners on site, subject to 146 conditions.</p> <p>Corrections, on behalf of the Crown, signed a memorandum of understanding with the Waipa District Council for detailed design and construction delivery of the wastewater treatment system.</p>	<p>Corrections, on behalf of the Crown, has worked with the Waipa District Council to complete detailed design of the upgrades to the wastewater network. Upgrade works are expected to be completed before December 2020.</p> <p>Corrections, on behalf of the Crown, has also completed safety improvements to the intersection of SH3 and Waikeria Road and worked with New Zealand Transport Authority to design a grade separated interchange at the intersection.</p>

How much did it cost?

For the year ended 30 June 2019

	2018	2019	2019	2019	2020
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
EXPENSES					
Waikeria Corrections and Treatment Facility	6,667	7,411	-	12,800	33,082
GST input expense	1,000	698	-	1,920	4,962
Total expenses	7,667	8,109	-	14,720	38,044

Actual expenditure (excluding GST) was \$5.4 million lower than Supplementary Estimates, mainly due to the project encountering design delays as a result of the descaled capacity of the new facility.

Budget for this financial year was approved after the preparation of the Estimates of Appropriations 2018/19.

Appropriation 6 - Bail Support Services

SCOPE OF APPROPRIATION

This appropriation is limited to providing support services to defendants on bail.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve end-to-end support to defendants by providing a plan on how any identified needs would be met if bail is granted.

Operating context

Bail Support Services were launched as a pilot in November 2018 as part of the High Impact Innovation Programme.

Defendants who 'opt in' to the service have their needs assessed and a plan prepared that outlines how to address their needs if granted bail. Needs may include but are not limited to accommodation, income, education or health. Bail support officers then work with the defendant in the community to support them to comply with their conditions and remain offence-free.

How Corrections performed

	2018 Actual	2019 Actual
Assessment of performance		
The number of defendants who received bail support services in courts	New measure for 2019	Bail support officers supported 804 defendants in court
The number of defendants who received bail support services in the community	New measure for 2019	Bail support officers supported 532 defendants in the community

How much did it cost?

For the year ended 30 June 2019

	2018 Actual \$000	2019 Actual \$000	2019 Budget (unaudited) \$000	2019 Supp. estimates (unaudited) \$000	2020 Forecast (unaudited) \$000
REVENUE					
Crown	-	1,756	-	2,160	-
Total revenue	-	1,756	-	2,160	-
EXPENSES					
Bail Support Services	-	1,756	-	2,160	-
Total expenses	-	1,756	-	2,160	-
Net surplus/(deficit)	-	-	-	-	-

A separate one-off appropriation was established for the 2018/19 financial year with revenue and expenses being included within the Re-offending is Reduced appropriation for 2019/20.

Budget for this financial year was approved after the preparation of the Estimates of Appropriations 2018/19.

Appropriation 7 - Transfer of Auckland Prison Wastewater Assets

SCOPE OF APPROPRIATION

This appropriation is limited to the transfer of Auckland Prison Wastewater Assets to Watercare Services Limited.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to facilitate the transfer of wastewater assets to Watercare Services Limited.

How Corrections performed

	2018 Actual	2019 Actual
Assessment of performance		
Execution of the agreement relating to the transfer of wastewater assets to Watercare Services Limited	New measure for 2019	The Heads of Agreement was signed on 10 June 2019 with an asset transfer date of 1 July 2019

How much did it cost?

For the year ended 30 June 2019

	2018 Actual \$000	2019 Actual \$000	2019 Budget (unaudited) \$000	2019 Supp. estimates (unaudited) \$000	2020 Forecast (unaudited) \$000
EXPENSES					
Transfer of Auckland Prison Wastewater Assets	-	-	-	9,100	-
Total expenses	-	-	-	9,100	-

There was no expenditure in the 2018/19 financial year as the final agreement, signed on 10 June 2019, confirmed an asset ownership transfer date of 1 July 2019. An in-principle expense transfer of \$9.1 million to 2019/20 has been pre-approved to align with the contractual asset ownership transfer date.

*Department of Corrections
Annual Report – Part C*

Annual Financial Statements

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2019

2018			2019	2019	2019	2020
Actual	Note		Actual	Budget	Supp. estimates	Forecast ²³
			(unaudited)	(unaudited)	(unaudited)	(unaudited)
\$000			\$000	\$000	\$000	\$000
REVENUE						
1,438,069		Revenue Crown	1,578,547 ²⁴	1,539,116	1,590,048	1,666,502
2,718		Departmental revenue	1,855	715	1,402	-
33,152	2	Other revenue	33,698	30,139	35,067	30,139
296		Dividend revenue	48	-	-	-
1,474,235		Total operating revenue	1,614,148	1,569,970	1,626,517	1,696,641
EXPENSES						
684,507	3	Personnel costs	758,476	723,695	752,111	798,326
427,737	4	Operating costs	448,270	453,720	491,983	473,729
182,957		Depreciation and amortisation	201,034	187,000	193,000	214,989
146,308	5	Capital charge	149,967	157,000	149,968	161,119
32,326	8	Finance costs	51,389	51,304	51,304	51,227
1,473,835		Total operating expenses	1,609,136	1,572,719	1,638,366	1,699,390
400		Net operating surplus/(deficit)²⁵	5,012	(2,749)	(11,849)	(2,749)
REMEASUREMENTS						
219	10	Unrealised gain/(loss) in fair value of biological assets	(150)	-	-	-
(645)		Unrealised loss in fair value of shares	(1,851)	-	-	-
(716)		Unrealised loss in fair value in discount rates for retiring and long service leave	(4,280)	-	-	-
(22,579)	20	Unrealised loss in fair value of derivative financial instruments	(189,990)	-	(79,048)	348
(23,721)		Total remeasurements	(196,271)	-	(79,048)	348
(23,321)		Net deficit	(191,259)	(2,749)	(90,897)	(2,401)
OTHER COMPREHENSIVE REVENUE AND EXPENSE						
-	16	Revaluation gains on land and buildings	368,422	-	-	-
-		Total other comprehensive revenue and expense	368,422	-	-	-
(23,321)		Total comprehensive revenue and expense	177,163	(2,749)	(90,897)	(2,401)

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 22.

23. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

24. Actual Crown Revenue was recognised below entitlement (Supplementary Estimates) reflecting the transfer of funding to out-years relating to pre-approved in-principle expense transfers.

25. Corrections obtained approval to run output class deficits relating to an expected shortfall in offender employment activity revenue.

Statement of Changes in Taxpayers' Funds

FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual	Note	2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Forecast ²⁶ (unaudited)
\$000		\$000	\$000	\$000	\$000
2,446,990		2,500,034	2,504,308	2,500,036	2,684,419
(23,321)		(191,259)	(2,749)	(90,897)	(2,401)
Adjustments for flows to and from the Crown					
81,900		295,280	272,100	295,280	27,350
(5,135)		(62,300)	(20,000)	(20,000)	(40,000)
-		368,422	-	-	-
(400)		(7,649)	-	-	-
76,365		593,753	252,100	275,280	(12,650)
2,500,034		2,902,528	2,753,659	2,684,419	2,669,368

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 22.

26. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

Statement of Financial Position

AS AT 30 JUNE 2019

2018 Actual	Note	2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Forecast ²⁷ (unaudited)
\$000		\$000	\$000	\$000	\$000
ASSETS					
Current assets					
103,246		72,203	50,000	50,000	50,000
7,501		23,429	3,025	3,025	3,025
366,785	6	447,996	372,116	417,860	421,526
4,017		4,254	4,000	4,000	4,000
1,614	7	662	-	-	-
483,163	Total current assets	548,544	429,141	474,885	478,551
Non-current assets					
6,700		4,888	7,346	6,700	6,700
2,821,875	8	3,542,503	3,039,383	3,223,415	3,430,889
71,139	9	75,435	85,814	85,720	85,493
8,888	10	8,506	8,229	8,888	8,888
2,908,602	Total non-current assets	3,631,332	3,140,772	3,324,723	3,531,970
3,391,765	Total assets	4,179,876	3,569,913	3,799,608	4,010,521
LIABILITIES					
Current liabilities					
136,415	11	162,424	100,000	135,000	135,000
109,432	12	125,705	91,363	110,000	110,000
9,139	15	10,292	7,583	7,583	8,757
10,234	13	8,957	6,000	6,000	6,000
400	14	7,649	-	-	-
265,620	Total current liabilities	315,027	204,946	258,583	259,757
Non-current liabilities					
17,802	12	20,518	17,256	17,256	17,256
608,309	15	941,803	594,052	839,350	1,064,140
626,111	Total non-current liabilities	962,321	611,308	856,606	1,081,396
891,731	Total liabilities	1,277,348	816,254	1,115,189	1,341,153
TAXPAYERS' FUNDS					
1,668,840	16	1,702,912	1,922,465	1,853,225	1,838,174
831,194	16	1,199,616	831,194	831,194	831,194
2,500,034	Total taxpayers' funds	2,902,528	2,753,659	2,684,419	2,669,368
3,391,765	Total liabilities and taxpayers' funds	4,179,876	3,569,913	3,799,608	4,010,521

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 22.

27. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual	Note	2019 Actual	2019 Budget	2019 Supp. estimates	2020 Forecast ²⁸
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
\$000		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
1,363,654	Receipts from Crown	1,502,473	1,495,344	1,540,585	1,663,314
1,924	Receipts from departments	1,841	715	5,445	-
30,679	Receipts from other revenue	33,351	30,139	36,076	30,139
1,529	GST payable (net)	1,136	-	(2,151)	(2)
Cash disbursed to:					
(666,389)	Payments for employees	(745,044)	(706,730)	(753,188)	(787,591)
(410,409)	Payments to suppliers	(445,106)	(484,079)	(495,750)	(474,274)
(146,308)	Payments for capital charge	(149,967)	(155,043)	(149,968)	(161,065)
174,680	Net cash flows from operating activities	198,684	180,346	181,049	270,521
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
296	Receipts from interest and dividends	33	-	-	-
935	Receipts from sale of physical, biological and intangible assets	246	-	-	-
1	Receipt from sale of shares	-	-	-	-
Cash disbursed to:					
(192,029)	Purchase of physical and biological assets	(381,543)	(364,504)	(414,772)	(168,036)
(14,937)	Purchase of intangible assets	(24,847)	(28,501)	(35,564)	(26,601)
(205,734)	Net cash flows from investing activities	(406,111)	(393,005)	(450,336)	(194,637)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash provided from:					
81,900	Capital injections	295,280	272,100	295,280	27,350
Cash disbursed to:					
(5,135)	Return of capital	(60,000)	(20,000)	(20,000)	(40,000)
(32,396)	Interest payment	(49,608)	(31,857)	(51,304)	(54,477)
(5,332)	Repayment of financial liabilities	(8,888)	(7,584)	(7,535)	(8,757)
-	Return of surplus	(400)	-	(400)	-
39,037	Net cash flows from financing activities	176,384	212,659	216,041	(75,884)
7,983	Net increase/(decrease) in cash	(31,043)	-	(53,246)	-
95,263	Cash at the beginning of the year	103,246	50,000	103,246	50,000
103,246	Cash at the end of the year	72,203	50,000	50,000	50,000

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 22.

28. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

Statement of Commitments

AS AT 30 JUNE 2019

2018		2019
Actual		Actual
\$000		\$000
CAPITAL COMMITMENTS		
203,890	Buildings	747,793
447	Motor vehicles	1,049
170	Plant and equipment	315
2,700	Intangibles	4,723
207,207	Total capital commitments	753,880
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
14,875	Less than one year	13,378
30,342	One to five years	35,088
25,996	More than five years	28,621
71,213	Total non-cancellable operating lease commitments	77,087
278,420	Total commitments	830,967

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of buildings, service concession arrangements, motor vehicles, plant and equipment, and intangible assets that have not been paid for or not recognised as a liability at balance date.

Non-cancellable operating lease commitments

Corrections leases premises at many locations throughout New Zealand. The annual lease rentals are subject to regular reviews, usually ranging from two years to three years. The amounts disclosed above as future commitments are based on current rental rates.

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets

AS AT 30 JUNE 2019

Unquantifiable contingent liabilities

Parole Act 2002

In September 2016 the Supreme Court of New Zealand ruled that Corrections had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* Corrections is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. Corrections has made an initial assessment of the number of persons affected by the ruling. However, only one matter has reached a court determination as to compensation in respect of the period of unlawful detention. A number of other claims have been received, many of which have been settled. Corrections has made an assessment of potential liability by applying ruling principles and recognised a provision where appropriate. Additional claims may be received in the future. However, no provision has been made as there is no reliable way to calculate potential liability.

In 2018:

Corrections had made an initial assessment of the number of persons affected by the ruling. However, only one matter had reached a court determination as to compensation in respect of the period of unlawful detention. A number of other claims had been received but had not reached a court determination. Corrections had made an assessment of potential liability by applying ruling principles and recognised a provision where appropriate. It was considered that additional claims may be received in the future. However, no provision was made for these as there was no reliable way to calculate potential liability.

Entitlements under the Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the *Holidays Act 2003*. Over a period of time, Corrections has actively engaged with the Ministry of Business, Innovation and Employment and has been proactive in identifying areas of potential non-compliance. Corrections had entered into an Enforceable Undertaking under the *Employment Relations Act 2000* to modify Corrections' payroll system and calculate any liabilities due and owing to current and past employees. In 2019, this obligation is quantifiable as Corrections has reliably estimated the amount due and owing to current and past employees and has recognised this amount as a provision (refer to Note 12).

In 2018:

Corrections' liability could not be reliably estimated at this time and therefore no provision was recognised at 30 June 2018.

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets (continued)

Quantifiable contingent liabilities

2018		2019
Actual		Actual
\$000		\$000
409	Related to offenders	302
743	Employees and contractors	650
1,152	Total quantifiable contingent liabilities	952

Legal proceedings

As at 30 June 2019 Corrections was defending 30 court claims and proceedings which were assessed and had a value for contingent liability (2018: 37). Filed mostly by prisoners, the proceedings included applications for Judicial Review and claims for breach of the *New Zealand Bill of Rights Act 1990*, and sought compensation or other redress for perceived/alleged instances of wrongful action or decision-making by Corrections and individuals.

Personal grievances

Corrections was defending 11 employment and contractor-related claims, made mostly by staff members as at 30 June 2019 (2018: 14).

Contingent assets

Corrections has no contingent assets as at 30 June 2019 (2018: Nil).

Statement of Trust Monies

FOR THE YEAR ENDED 30 JUNE 2019

	As at 1 July 2018 \$000	Contribution \$000	Distribution \$000	As at 30 June 2019 \$000
Trust accounts	1,994	19,877	(19,748)	2,123
Total trust accounts	1,994	19,877	(19,748)	2,123

Trust accounts mainly represent funds held in trust on behalf of prisoners, to account for prisoner earnings, reduced by purchases while in prison and other receipts/ withdrawals of prisoner funds.

Other trust accounts represent funds held in trust on behalf of the residents subject to either Substantive Detention Order or Interim Detention Order, to account for resident earnings and/ or benefits, reduced by purchases and other receipts/ withdrawals of resident funds.

Money held in trust is not included in Corrections' reported bank balances. Trust money is held on behalf of prisoners and residents in the bank accounts maintained by each prison (one bank account per prison) and residence respectively.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Department of Corrections (Corrections) is a government department as defined by section 2 of the *Public Finance Act 1989* (PFA). It is domiciled and operates in New Zealand. The relevant legislation governing Corrections' operations includes the *Public Finance Act 1989*, the *Corrections Act 2004*, *Corrections Regulations 2005*, the *State Sector Act 1988*, the *Sentencing Act 2002*, the *Parole Act 2002*, the *Public Safety (Public Protection Orders) Act 2014*, the *Bail Act 2000*, and the *Returning Offenders (Management and Information) Act 2015*.

Corrections is a wholly owned entity of the New Zealand Crown whose primary objective is to administer New Zealand's corrections system in a way that is designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society.

In addition, Corrections has reported on Crown activities that it administers in the non-departmental statements and schedules on pages 142 to 149.

Statutory authority

The financial statements for Corrections have been prepared in accordance with the requirements of the *Public Finance Act 1989* (PFA). For the purposes of financial reporting, Corrections is classified as a Public Benefit Entity (PBE).

Reporting period

The reporting period for these financial statements is the year ended 30 June 2019 with comparative figures for the year ended 30 June 2018.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 26 September 2019.

Basis of preparation

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

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with Public Sector Public Benefit Entity (PBE) Accounting Standards (PBE accounting standards) – Tier 1. These standards are based on International Public Sector Accounting Standards (IPSAS).

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain non-current assets, actuarial valuations of certain liabilities, and the fair value measurement of certain financial instruments.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars (\$000).

The functional currency is New Zealand dollars.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)**Changes in accounting policies*****Financial Instruments***

The Crown has elected to early adopt *PBE IFRS 9 Financial Instruments* in preparing the 30 June 2019 Financial Statements of the Government (FSG). In line with the FSG, Corrections has elected to early adopt *PBE IFRS 9 Financial Instruments* in its 2018/19 Annual Report.

In adopting *PBE IFRS 9*, Corrections has applied transitional relief and elected not to restate the information for previous years. Differences arising from the adoption of *PBE IFRS 9* in relation to classification, measurement, and impairment are recognised in opening equity at 1 July 2018.

Further information on Corrections' adoption of *PBE IFRS 9* is contained in Note 23 Adoption of *PBE IFRS 9 Financial Instruments*.

Comparative period information

Certain prior period amounts have been reclassified to align with the current period presentation. Where the impact is considered material to an understanding of the current period, further information is provided within the relevant note to the financial statements.

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

Standards and amendments issued that are not yet effective, and have not been early adopted, and which are relevant to Corrections are:

Impairment of Revalued Assets

The Impairment of Revalued Assets (amendments to *PBE IPSAS 21* and *PBE IPSAS 26*) standard is effective for annual financial statements covering periods beginning on or after 1 January 2019. Under the amendment, a revalued asset can be impaired without having to revalue the entire asset class to which the asset belongs. This amendment will be available to Corrections during its 2019/20 financial year.

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to *PBE IPSAS 2 Statement of Cash Flows* requires entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. Corrections does not intend to early adopt the amendment.

PBE IPSAS 34 to PBE IPSAS 38

PBE IPSAS 34 to PBE IPSAS 38 replace the existing standards for interests in other entities (*PBE IPSAS 6 to PBE IPSAS 8*). These new standards are effective for annual periods beginning on or after 1 January 2019. Corrections will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE IPSAS 41 Financial Instruments

The XRB issued *PBE IPSAS 41 Financial Instruments* in March 2019. This standard supersedes *PBE IFRS 9 Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although Corrections has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to *PBE IFRS 9*.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of *PBE IPSAS 1* and is effective for reporting periods beginning on or after 1 January 2021. Corrections has not yet determined how application of *PBE FRS 48* will affect its statement of performance.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

Critical judgments and estimates

The preparation of financial statements in conformity with PBE accounting standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retiring and long service leave

An independent actuarial valuation is undertaken annually to estimate the present value of long service and retiring leave liabilities. The calculations are based on:

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

Note 12 provides an analysis of the exposure and assumptions in relation to estimates and uncertainties surrounding these liabilities.

Revaluation of land and buildings

Critical judgments in determining the remaining useful lives of land and buildings have been made by Corrections. Assessing the appropriateness of useful lives and residual values of land and buildings requires consideration of a number of factors such as the physical condition, expected period of use by Corrections, and expected proceeds from any disposal.

Any property revaluations are certified by an appropriately qualified valuer.

Budget and forecast figures

The budget figures are for the year ended 30 June 2019 and were published in the 2017/18 Annual Report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2019, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the 2018/19 Supplementary Estimates.

The forecast figures are for the year ending 30 June 2020, and are consistent with the best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) 2019 for the 2019/20 year.

The forecast financial statements have been prepared as required by the *Public Finance Act 1989* 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 forecast figures have been prepared in accordance with *PBE FRS 42 Prospective Financial Statements*.

The forecast financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 12 April 2019. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Budget and forecast figures (continued)*****Significant assumptions used in preparing the forecast financials**

The forecast figures contained in these financial statements reflect Corrections' purpose and activities and are based on a number of assumptions regarding what may occur during the 2019/20 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the budget was finalised.

The main assumptions adopted as at 12 April 2019 were as follows:

- > Corrections' activities and output expectations will remain substantially the same as the previous year, focusing on the Government's priorities
- > personnel costs reflect planned capacity increases and Collective Employment Agreement price changes for the coming year
- > remuneration is based on current wages and salary costs, adjusted for anticipated remuneration changes
- > operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances and are Corrections' best estimate of future costs that will be incurred
- > no impact of the revaluation of land and buildings has been forecast
- > capital commitments are expected to be realised as planned
- > service concession assets for Auckland South Corrections Facility and Auckland Prison are operating in accordance with unitary charge profiles and priced into the forecast. The new facility at Waikeria Prison service concession asset is still under construction and will be operational in 2021/22
- > prison population/ demand levels are consistent with the latest Justice Sector Forecast projection.

Significant accounting policies***Revenue*****REVENUE – EXCHANGE TRANSACTIONS****Revenue - Department and third party**

Revenue earned in exchange for the provision of outputs (products or services) to third parties is recorded as operating revenue.

Revenue from the supply of services is measured at the fair value of consideration received, recognised on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (usually on delivery of the goods), when the amount of revenue can be measured reliably, and it is probable that the economic benefit or service potential associated with the transaction will flow to the entity.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Dividend revenue

Dividend revenue relates to investments arising from Corrections' business dealings with companies in the farming industry. Dividend revenue is recognised when the right to receive payment has been established.

Rental revenue

Rental revenue arising from residential property leases is accounted for on a straight-line basis over the lease term and included in revenue.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

Revenue (continued)

REVENUE – NON-EXCHANGE TRANSACTIONS

Revenue Crown

Revenue from the Crown is measured based on Corrections' 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, Corrections 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.

Donated or subsidised assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue when control of the asset is transferred to Corrections.

Insurance proceeds

Insurance proceeds are recognised when a settlement agreement has been reached which establishes the right to receive payment.

Capital charge

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

Finance costs

Finance costs are incurred in relation to the repayment of service concession arrangement asset design and construction costs over the contract term. Finance costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised under the allowed alternative treatment method.

Finance costs that are directly attributable to the construction of a service concession arrangement asset are capitalised as part of the cost of the asset during the construction period.

Derivative financial instruments

Corrections enters into interest rate swap derivative financial instruments with the New Zealand Debt Management Office (NZDMO). These instruments are used to manage Corrections' exposure to fluctuating market interest rates that arise from its Public Private Partnership arrangements.

Derivatives are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised within remeasurements in surplus or deficit. The fair value of derivatives is determined using the New Zealand Dollar swap curve that is based on the New Zealand Official Cash Rate, bank bill rates and swap rates.

An interest rate swap derivative is classified as current if the contract is due to mature within 12 months of balance date. Otherwise, the full fair value is classified as non-current.

Cash and cash equivalents

Cash includes cash on hand, cash held in bank accounts and deposits with a maturity of no more than three months. Corrections is required by the Treasury to maintain a positive balance in its bank accounts at all times.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Debtors and other receivables***

Debtors and other receivables comprise the Debtor Crown together with non-Crown trade debtors and other receivables balances where Corrections has an entitlement to receive payment within 12 months following balance date.

Other than Debtor Crown, which is a statutory receivable, the non-Crown debtors and other receivables are financial assets governed by various contractual arrangements and include amounts due to Corrections from other entities within the Crown Reporting Group.

The Debtor Crown represents the balance of Crown appropriation available to Corrections and is recognised as at the nominal amount receivable.

Non-Crown Debtors and other receivables are recognised at the nominal amount due, less an allowance for credit losses. Corrections applies the simplified expected credit loss model of recognising lifetime expected credit losses for debtors and other receivables.

Previous accounting policy for impairment of receivables (applicable to 2018 reporting)

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

Inventories

Inventories held for resale are measured at the lower of cost (calculated using the weighted average method) and net realisable value. Inventories consumed in providing a service are measured at cost or replacement cost.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. The amount of any write-down for the loss of service potential, or from cost to net realisable value, is charged to surplus or deficit in the period of the write-down.

Corrections' inventory consists of supplies that are available for prisoner purchases, operational supplies and inventory held for use in prisoner employment. No inventories are pledged as security for liabilities.

All inventories are expected to be realised within 12 months and are therefore classified as current.

Non-current assets held for sale

Non-current assets 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 fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been 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.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

Property, plant and equipment

Items of property, plant and equipment are recognised at cost or valuation, less accumulated depreciation and impairment losses.

Land and buildings

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, except for prison buildings, which are valued at optimised depreciated replacement cost. Land and buildings are revalued at least every three years or whenever the carrying amount differs materially to fair value. Additions between revaluations are initially recorded at cost.

Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to surplus or deficit for the asset class, the gain is credited to surplus or deficit. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class, any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Comprehensive Revenue and Expense.

Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Other property, plant and equipment

Other property, plant and equipment assets are recognised at cost less accumulated depreciation and accumulated impairment losses.

Disposals

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Service concession arrangements

Service concession arrangements are recognised as assets under construction within property, plant and equipment until the in-service date. Such service concession arrangement assets are capitalised under each asset class to which the nature of the asset relates in accordance with Corrections' policies, which comply with *PBE IPSAS 17 Property, Plant and Equipment*.

Service concession assets are recognised initially at cost being the fair value of the amount owed to the concession operator for the construction of the asset at the time the asset becomes operational.

Subsequently, service concession assets are measured in accordance with Corrections' policy relevant to each class of asset.

Payments made to the contractor for the provision of services are recognised as an expense as incurred. Payments relating to the capital component reduce the financial liability when they are made. Finance costs are incurred in relation to the repayment of the service concession liability over the contract term and are recognised as an expense in the period in which they are incurred.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Property, plant and equipment (continued)*****Depreciation**

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any residual value, over its estimated useful life. Motor vehicles that have been classified as non-heavy duty have a residual value of 20%.

Typically, the depreciation rates for classes of property, plant and equipment are as follows:

Class of asset	Useful life	Residual value
Land	Not depreciated	Not applicable
Buildings ²⁹	3 - 85 years	Nil
Plant and equipment	3 - 10 years	Nil
Furniture and fittings	3 - 5 years	Nil
Computer hardware	3 - 10 years	Nil
Motor vehicles	5 - 8 years	20%

The useful life of buildings is reassessed following any revaluation.

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

Intangible assets**Software acquisition and development**

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

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

Direct costs that are associated with the development of software for internal use by Corrections are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of the relevant indirect costs.

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 Statement of Comprehensive Revenue and Expense.

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

Class of asset	Useful life	Residual value
Acquired/ internally generated software	3 - 10 years	Nil

Biological assets

Corrections' biological assets consist of sheep, beef and dairy cattle, and pigs farmed at various locations throughout New Zealand.

Biological assets are recorded at fair value less costs associated with the sale or disposal of those assets. Gains or losses due to changes in the per head value of livestock and changes in livestock numbers, are recognised in the Statement of Comprehensive Revenue and Expense.

29. As at 30 June 2019 three buildings have an original useful life which exceeds 85 years.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

Investments

Investments comprise listed and unlisted equity investments that arise from Corrections' business arrangements with entities in the farming sector, principally shares in Fonterra Co-Operative Group Limited.

Investments are initially and subsequently measured at their fair value with gains and losses from changes in fair value recognised in surplus or deficit.

When sold, any gain or loss on sale is recognised in surplus or deficit.

Impairment of non-financial assets

Cash-generating assets

Corrections does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Corrections holds some commercial assets with the primary objective of providing employment-training opportunities to prisoners as part of rehabilitation and reintegration programmes.

Non-cash-generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when 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 or 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 is not primarily dependent on the asset's ability to generate net cash inflows and where Corrections would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other similar benefits are recognised in the Statement of Comprehensive Revenue and Expense when they accrue to employees.

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

The liability for long-term employee entitlements is reported as the present value of estimated future cash outflows.

Termination benefits

Termination benefits are recognised in the Statement of Comprehensive Revenue and Expense only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits expected to be settled within 12 months are reported at the amount expected to be paid. Termination benefits not expected to be settled within 12 months are reported as the present value of the estimated future cash outflows.

Defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expense as they are incurred.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Employee entitlements (continued)*****Parental leave**

Corrections provides an ex-gratia payment to employees (approximating six weeks' pay) who return to Corrections for a period of time (as specified in contracts, typically three to six months) after being on parental leave. Corrections anticipates that this provision will be realised within 12 months.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of these transactions are recognised in the Statement of Comprehensive Revenue and Expense.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange spot rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Comprehensive Revenue and Expense.

Financial instruments

Corrections is a party to various types of financial instrument as part of its usual operations. These financial instruments comprise cash and cash equivalents, debtors and other receivables, investments, creditors and other payables, and other financial liabilities.

Financial instruments are held in order to collect contractual cash flows and not for trading purposes.

Initial measurement

All financial instruments are initially recognised at their fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case any associated transaction costs are recognised in surplus or deficit.

Subsequent measurement

After initial recognition, financial assets that give rise to receipts of principal and interest only are measured at amortised cost less an allowance for expected credit losses where there is a risk that these may arise. Corrections' financial assets that are subsequently measured at amortised cost comprise cash and cash equivalents, debtors and other receivables.

Investments are subsequently measured at fair value through surplus or deficit.

Creditors and other payables and service concession arrangement liabilities maturing within 12 months following the balance date are measured at amortised cost.

Service concession arrangement liabilities maturing later than 12 months after balance date are subsequently measured at amortised cost using the effective interest rate method.

Financial instrument derivatives are measured at fair value through surplus or deficit.

Financial assets impairment

Corrections recognises a loss allowance for expected credit losses when it considers that the credit risk on a financial asset has increased significantly since initial recognition.

Changes in the amount of the loss allowance are recognised as an impairment gain or loss in surplus or deficit.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

Provisions

Corrections 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;
- > it is probable that an outflow of resources embodying economic benefits or service potential 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 net deficits from future operating activities. 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. Any increases in the provision due to the passage of time would be recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

Corrections belongs to the ACC Accredited Employer Programme whereby Corrections accepts the management and financial responsibility of work-related illnesses and accidents of employees.

Under the programme, Corrections is liable for the costs of all claims for a period of five years. At the end of the five year period, Corrections pays a premium to ACC for the value of residual claims, and the liability for ongoing claims passes to ACC from that point.

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

Onerous contracts

When the expected benefits or service potential to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract, a provision is recognised. The provision is measured at the present value of the future net cash outflows expected to be incurred in respect of the contract.

Taxation

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 statements are GST exclusive, except for creditors and other payables and debtors and other receivables within the Statement of Financial Position. These amounts are shown as GST inclusive.

The net amount of GST payable to, or recoverable from, Inland Revenue at balance date is included in creditors or debtors as appropriate. The net amount of GST paid to, or received from Inland Revenue including GST relating to investing and financing activities is classified as an operating cash flow in the Statement of Cash Flows.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Operating leases***

Leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

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

Commitments

Future expenses and liabilities to be incurred on capital contracts and non-cancellable operating leases that have been entered into at balance date are disclosed as commitments to the extent they represent unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

Contingent assets

Contingent assets are disclosed in the Statement of Contingent Assets at the point at which an inflow of economic benefits or service potential is probable.

Cost allocation accounting policies

Corrections has determined the costs of outputs using the cost allocation system outlined below.

Costs that are driven by prisoner or offender related activities are recognised as direct costs and assigned to outputs. Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances, which are reviewed at regular intervals.

Indirect costs are driven by organisational support functions and are not directly related to prisoner or offender activities. Indirect costs are allocated to outputs based on appropriate resource consumption and/ or activity analysis.

Changes in cost allocation accounting policies

There have been no changes in cost allocation accounting policies during the period.

NOTE 2: OTHER REVENUE

2018		2019
Actual		Actual
\$000		\$000
28,128	Sale of goods	29,077
3,079	Board and rents	3,418
645	Profit on sale of assets	465
467	Gain on biological assets	-
833	Revenue other	738
33,152	Total other revenue	33,698

Sale of goods mainly comprises revenue from offender employment activities such as farming, distribution and other industries.

NOTE 3: PERSONNEL COSTS

2018		2019	2019	2020
Actual		Actual	Budget	Forecast³⁰
\$000		\$000	(unaudited)	(unaudited)
			\$000	\$000
662,398	Salaries and wages	737,548	701,823	773,735
1,045	ACC Partnership Programme	2,337	129	2,189
271	Government Superannuation Fund contribution expense	296	279	177
17,832	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	19,490	20,056	21,505
2,961	Retiring and long service leave	(1,195)	1,408	720
684,507	Total personnel costs	758,476	723,695	798,326

NOTE 4: OPERATING COSTS

2018		2019	2019	2020
Actual		Actual	Budget	Forecast³⁰
\$000		\$000	(unaudited)	(unaudited)
			\$000	\$000
18,221	Operating lease rentals	19,071	19,253	27,285
395	Audit fees for annual audit	427	410	480
28	Fees to auditors for other services ³¹	11	-	-
80,231	Facilities maintenance	83,799	84,582	83,589
62,333	Offender management costs	60,636	66,496	81,138
38,700	Information technology costs	45,642	40,115	45,124
98,635	Contract management	108,608	110,052	126,512
32,883	Administration	24,925	35,916	29,508
11,465	Inventory expenses	11,714	7,928	7,355
84,738	Other operating costs	92,169	88,968	72,722
108	Loss on sale of assets	1,268	-	16
427,737	Total operating costs	448,270	453,720	473,729

30. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

31. Total fees to auditors for other services in 2019 for independent quality assurance over procurement and tender processes totals \$19,000 of which \$8,000 has been capitalised.

NOTE 5: CAPITAL CHARGE

Corrections pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2019 was 6% per annum (2018: 6% per annum).

NOTE 6: DEBTORS AND OTHER RECEIVABLES

2018 Actual \$000		2019 Actual \$000
	CURRENT PORTION	
	Exchange transactions	
3,737	Trade debtors – external	3,523
424	Employee advances	547
(2)	Less provision for impairment	(47)
4,159	Trade debtors - external and employees	4,023
6,649	Trade debtors - other government entities	511
6,649	Trade debtors - other government entities	511
	Non-exchange transactions	
355,977	Debtor Crown	443,462
355,977	Debtor Crown	443,462
366,785	Total debtors and other receivables	447,996

The carrying value of trade debtors approximates their fair value.

The Debtor Crown of \$443.5 million (2018: \$356.0 million) consists of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

There is minimal credit risk with respect to external receivables. Corrections' standard terms of credit are that payment is due on the 20th of the month following the date of invoice.

Corrections classifies Debtor Crown as current because it can be realised in cash within three working days.

As at 30 June 2019 and 30 June 2018, all overdue receivables were assessed for impairment and appropriate expected credit loss provisions applied.

The expected credit loss rates for receivables at 30 June 2019 and 1 July 2018 are based on historical credit losses experienced across the two years prior to the measurement date and adjusted for any known economic factors that may affect their recoverability.

NOTE 6: DEBTORS AND OTHER RECEIVABLES (continued)

The allowance for credit losses at 30 June 2019 and 1 July 2018 was determined as follows:

30 June 2019	Debtors and other receivables days past due					Total
	Current	1-30 days	31-60 days	61-90 days	More than 90 days	
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	7.7%	-
Gross carrying amount (\$000)	446,993	342	79	17	612	448,043
Lifetime expected credit loss (\$000)	-	-	-	-	47	47

1 July 2018	Debtors and other receivables days past due					Total
	Current	1-30 days	31-60 days	61-90 days	More than 90 days	
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.5%	-
Gross carrying amount (\$000)	366,149	190	43	9	396	366,787
Lifetime expected credit loss (\$000)	-	-	-	-	2	2

Movements in the provision for impairment of debtors and other receivables are as follows:

2018		2019
Actual		Actual
\$000		\$000
23	Balance at 1 July	2
(21)	Provisions (released)/made during the year	45
2	Balance at 30 June	47

NOTE 7: NON-CURRENT ASSETS HELD FOR SALE

2018		2019
Actual		Actual
\$000		\$000
Non-current assets held for sale comprise:		
906	Buildings	-
708	Land	-
-	Wastewater assets	662
1,614	Total non-current assets held for sale	662

During the year, certain land and wastewater assets adjoining Auckland Prison were approved for sale in order to reduce future maintenance costs and strengthen the focus on core assets. Settlement for these assets was completed in July 2019.

In 2018, four properties owned by Corrections were identified as surplus to requirements. Transfer of these properties to Land Information New Zealand was completed in July 2018.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Beca Limited (Beca), performed the most recent valuation of freehold land and buildings effective as at 30 June 2019. The opinion of value has been arrived at by Ian Clarkson, Registered Valuer (FAPI CPV, MRICS, MPINZ). The total fair value of freehold land and buildings assessed by Beca at 30 June 2019 was \$2,843.5 million. In line with Corrections' accounting policy, the next valuation will be effective as at 30 June 2022 unless the current carrying value of Corrections' land and/or buildings assets is considered to differ materially from their fair value, in which case a revaluation will be undertaken at that time. Until the earlier of these revaluation events, the valuation undertaken in 2019 is considered to be fair and reasonable.

The valuation undertaken by Beca was completed in accordance with *PBE IPSAS 17 Property, Plant and Equipment* with reference to the *International Valuation Standards IVS 103 Reporting and PINZ Guidance Note* and *NZVTIP2 Valuations of Real Property, Plant & Equipment* for use in New Zealand Financial Reports.

In completing the valuation, assets which have a known and visible market have been valued using the following appropriate methods:

- > Community Corrections site land and buildings have been valued in accordance with Income and Market valuation approaches. Community Corrections site buildings without a land component have been valued using a Cost approach. Seismic strength of the buildings has been an important consideration in assessing the value of these properties.
- > Prison complex assets that are considered to be specialised assets have been valued using a Cost approach with the land component valued using a Market approach. Restrictions on title have been reflected in the valuation through making allowances based on comparable sales.

Corrections currently holds residential properties that were purchased in the 1960s within its property portfolio. These properties are held to provide accommodation to staff working in prisons in rural areas or for future operational purposes. The rental revenue that is received from these properties is incidental, as opposed to being held for investment purposes. The net carrying amount of these properties is \$2.2 million (2018: \$2.9 million).

Corrections constructs prison buildings, including associated items of property, plant and equipment, which are classified as assets under construction during the construction period and are capitalised to the appropriate property, plant and equipment class at the in-service date. Assets under construction include buildings \$585.3 million (2018: \$533.1 million), leasehold improvements \$8.8 million (2018: \$9.1 million), and other assets \$14.5 million (2018: \$8.3 million).

Corrections classifies property, plant and equipment assets expected to be sold in the next 12 months as assets held for sale. There were four assets held for sale as at 30 June 2019 (2018: four) (Refer to Note 7).

Heritage assets

Corrections holds the old prison at Mt Eden Corrections Facility as a heritage asset. This is currently disused and no value has been attributed to it in the Beca valuation. However, it is insured under the Corrections' material damage policy for an estimated total reinstatement value of \$114.9 million (2018: \$114.9 million).

There are other heritage classified buildings within Corrections' property portfolio. Where the buildings are in use, they have been valued by Beca on a depreciated cost basis.

Restrictions on title

Corrections has land holdings that are subject to Treaty of Waitangi claims and therefore there may be restrictions on disposal. No adjustment has been made to the value of Corrections' land holdings to reflect these restrictions.

There are no other restrictions over the title of Corrections' property, plant and equipment, nor are there any property, plant and equipment assets pledged as security for liabilities.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)**Public Private Partnership (PPP) arrangements****Auckland South Corrections Facility**

Operations at the 960 bed Auckland South Corrections Facility (ASCF) commenced in May 2015. The facility was designed, financed and built through a PPP with SecureFuture Wiri Limited (SFWL) as contractor. Under the agreement, Corrections provided existing department owned land, adjacent to Auckland Region Women's Corrections Facility, to SFWL on which to build the prison. SFWL will continue to operate and maintain the prison for a period of 25 years, after which responsibility for on-going maintenance and operations will revert to Corrections. The Chief Executive of the Department of Corrections will be responsible for the safe, secure and humane containment of prisoners on that site.

The carrying values of PPP assets relating to ASCF comprise land \$12.7 million (2018: \$12.7 million), buildings \$326.1 million (2018: \$288.7 million), plant and equipment \$3.6 million (2018: \$4.7 million) and other equipment \$2.2 million (2018: \$4.5 million).

Under this agreement Corrections pays a monthly unitary charge to SFWL from service commencement. This charge covers, and is allocated between:

- > Construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession arrangement liability. Repayment of the service concession arrangement liability will be over a term of 25 years from service commencement at an effective interest rate of 8.79% per annum. Certain major capital expenditure incurred (such as re-roofing, replacement of heating units) during the term of the agreement is paid for by Corrections at the time it is provided by SFWL, and the unitary charge is adjusted at this time for these amounts.
- > Finance costs – finance costs are repriced every five years and the amount Corrections pays to SFWL is adjusted. Finance charges are recognised as an expense using the effective interest rate method.
- > Service costs – these costs cover operation of the facility as well as routine repairs and maintenance required to keep the facility operational and in good condition. A portion of these costs is indexed to the Consumer Price Index and the Labour Cost Index. This portion can be reset at year five and year 15 of the agreement. Any change in these service costs will result in a change to the amount Corrections pays to SFWL. Service costs are recognised as an expense in the period incurred.
- > Lifecycle costs – this is additional to routine repairs and maintenance carried out during the contract lifetime, which is agreed upfront.

The agreement provides for cancellation under certain circumstances, including for specified non-performance. There is no right of renewal at the end of the contracted 25 year term.

Due to favourable current market conditions, SFWL and Corrections had refinanced the debt component to ensure improved debt terms and reduced base rates. This is two years ahead of the scheduled refinancing and incurred no additional cost to Corrections. The service concession liability will become a floating rate liability on 12 August 2019. Corrections has contracted an interest rate swap with NZDMO to mitigate exposure to interest rate risk (refer Notes 15 and 20).

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)***Public Private Partnership (PPP) arrangements (continued)******Auckland Prison***

Construction of the new maximum security facility at Auckland Prison was completed during the 2019 financial year. While the total maximum prisoner capacity has remained unchanged, the new modern facility will continue to ensure the safe containment of prisoners and allow prisoners who have high and complex needs to receive care in an environment that supports them and the delivery of high quality rehabilitative and reintegrative services.

The facility was designed, financed, built, and will be maintained through a PPP with Next Step Partners LP (NSP) as contractor. Under the agreement, Corrections continues to undertake custodial operations and NSP will maintain the prison, including the integrated Auckland West facility, for a period of 25 years following construction completion. After this, responsibility for ongoing maintenance will revert to Corrections.

The land under the new maximum security facility was provided by Corrections. The carrying values of PPP assets relating to Auckland Prison comprise land \$3.2 million, buildings \$344.3 million, plant and equipment \$7.2 million, and other equipment \$4.1 million (2018: assets under construction \$353.8 million).

Under the agreement Corrections pays a monthly unitary charge to NSP from service commencement. This charge covers, and is allocated between:

- > Construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession liability. Repayment of the service concession liability will be over a term of 25 years from service commencement at an effective interest rate of 5.90% per annum.
- > Finance costs – finance costs are repriced every five years and the amount Corrections pays to NSP is adjusted. Finance charges are recognised as an expense using the effective interest rate method. Corrections has contracted an interest rate swap with NZDMO to mitigate exposure to interest rate risk (refer Notes 15 and 20).
- > Service costs – these costs cover maintenance of the facility required to keep the facility operational and in good condition. A portion of these costs is indexed to the Consumer Price Index and the Labour Cost Index. Any change in these service costs will result in a change to the amount Corrections pays to NSP. Service costs are recognised as an expense in the period incurred.
- > Lifecycle costs – this is additional to routine repairs and maintenance carried out during the contract lifetime, which is agreed upfront.

The agreement provides for cancellation under certain circumstances, including for specified non-performance. There is no right of renewal at the end of the contracted 25 year term.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)***Public Private Partnership (PPP) arrangements (continued)******New Facility at Waikeria Prison***

Construction on the new facility at Waikeria Prison commenced in September 2018. Built on Corrections land adjacent to the existing Waikeria Prison, the new facility will develop an additional 600 beds, including 100 beds in a dedicated mental health treatment unit aimed at delivering a more effective and resilient prison network, and increased capability and capacity for mental health treatment.

The facility was designed, financed, built, and will be maintained through a PPP with Cornerstone Infrastructure Partners LP (CIP) as contractor. Under the agreement, custodial operations will continue to be carried out by Corrections and CIP will maintain the new facility for a period of 25 years following construction completion. After this, responsibility for ongoing maintenance will revert to Corrections.

The land under the new facility is owned by Corrections. The carrying value of PPP assets relating to the new facility at Waikeria Prison within assets under construction is \$211.5 million (2018: \$Nil).

Under the agreement Corrections pays a monthly unitary charge to CIP from service commencement. This charge covers, and is allocated between:

- > Construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession liability. Repayment of the service concession liability will be over a term of 25 years from service commencement at an effective interest rate of 6.15% per annum.
- > Finance costs – finance costs are repriced every five years and the amount Corrections pays to CIP is adjusted. Finance charges are recognised as an expense using the effective interest rate method. Corrections has contracted an interest rate swap with NZDMO to mitigate exposure to interest rate risk (refer Notes 15 and 20).
- > Service costs – these costs cover maintenance of the facility required to keep the facility operational and in good condition. A portion of these costs is indexed to the Consumer Price Index and the Labour Cost Index. Any change in these service costs will result in a change to the amount Corrections pays to CIP. Service costs are recognised as an expense in the period incurred.
- > Lifecycle costs – this is additional to routine repairs and maintenance carried out during the contract lifetime, which is agreed upfront.

The agreement provides for cancellation under certain circumstances, including for specified non-performance. There is no right of renewal at the end of the contracted 25 year term.

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Computer hardware	Motor vehicles	Assets under construction	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance at 1 July 2017	178,338	2,114,032	40,143	80,819	23,468	52,584	46,405	371,536	2,907,325
Additions	-	25,184	1,006	2,924	114	2,859	6,718	207,044	245,849
Disposals/ write-offs	-	-	-	(329)	(26)	-	(4,164)	-	(4,519)
Transfers ³²	(708)	16,226	147	7,820	195	1,279	1,539	(28,112)	(1,614)
Revaluation increase	-	-	-	-	-	-	-	-	-
Cost or valuation at 30 June 2018	177,630	2,155,442	41,296	91,234	23,751	56,722	50,498	550,468	3,147,041
Add: Movements									
Additions	-	23,000	2,174	13,002	941	2,069	6,627	486,718	534,531
Disposals/ write-offs	-	(246)	(135)	(4,771)	-	(2)	(3,736)	(586)	(9,476)
Transfers ³³	-	410,827	3,306	8,957	982	3,591	132	(427,987)	(192)
Revaluation increase	7,480	69,337	-	-	-	-	-	-	76,817
Cost or valuation at 30 June 2019	185,110	2,658,360	46,641	108,422	25,674	62,380	53,521	608,613	3,748,721
Accumulated depreciation and impairment losses									
Balance at 1 July 2017	-	-	(23,400)	(50,224)	(14,305)	(49,678)	(29,941)	-	(167,548)
Depreciation expense	-	(138,208)	(4,462)	(8,166)	(3,134)	(2,607)	(5,160)	-	(161,737)
Disposals/ write-offs	-	-	-	299	26	-	3,794	-	4,119
Transfers	-	-	-	475	-	-	(475)	-	-
Revaluation increase	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 30 June 2018	-	(138,208)	(27,862)	(57,616)	(17,413)	(52,285)	(31,782)	-	(325,166)
Add: Movements									
Depreciation expense	-	(152,956)	(4,551)	(10,495)	(3,418)	(4,284)	(4,782)	-	(180,486)
Disposals/ write-offs	-	245	135	4,684	-	2	3,449	-	8,515
Transfers	-	-	-	21	-	-	(21)	-	-
Revaluation increase	-	290,919	-	-	-	-	-	-	290,919
Accumulated depreciation and impairment losses at 30 June 2019	-	-	(32,278)	(63,406)	(20,831)	(56,567)	(33,136)	-	(206,218)
Carrying amounts per asset class									
At 30 June 2019	185,110	2,658,360	14,363	45,016	4,843	5,813	20,385	608,613	3,542,503
At 30 June 2018	177,630	2,017,234	13,434	33,618	6,338	4,437	18,716	550,468	2,821,875

32. The balance against transfers for 2017/18 refers to assets now shown under non-current assets held for sale (Note 7).

33. The balance against transfers for 2018/19 refers to assets now shown under non-current assets held for sale (Note 7), and to computer hardware assets transferred from intangible assets (Note 9).

NOTE 9: INTANGIBLE ASSETS

	Acquired software	Internally generated software	Assets under construction	Total intangible assets
	\$000	\$000	\$000	\$000
Cost or valuation				
Balance at 1 July 2017	42,751	113,672	28,637	185,060
Additions	1,613	2,271	11,053	14,937
Disposals/write-offs	-	-	-	-
Transfers	4,393	23,184	(27,577)	-
Cost or valuation at 30 June 2018	48,757	139,127	12,113	199,997
Add: Movements				
Additions	1,094	3,907	20,865	25,866
Disposals/write-offs	-	-	(552)	(552)
Transfers ³⁴	653	3,714	(4,837)	(470)
Cost or valuation at 30 June 2019	50,504	146,748	27,589	224,841
Accumulated amortisation and impairment losses				
Balance at 1 July 2017	(32,521)	(75,117)	-	(107,638)
Amortisation expense	(5,356)	(15,864)	-	(21,220)
Accumulated amortisation and impairment losses at 30 June 2018	(37,877)	(90,981)	-	(128,858)
Add: Movements				
Amortisation expense	(4,514)	(16,034)	-	(20,548)
Accumulated amortisation and impairment losses at 30 June 2019	(42,391)	(107,015)	-	(149,406)
Carrying amounts				
At 30 June 2019	8,113	39,733	27,589	75,435
At 30 June 2018	10,880	48,146	12,113	71,139

Corrections develops and maintains internally generated software, which is classified as an asset under construction and capitalised at the in-service date.

There are no restrictions over the title of Corrections' intangible assets, nor are any intangible assets pledged as security for liabilities.

34. The total balance against transfers relates to the transfer of computer hardware assets under construction from intangible assets to property, plant and equipment upon capitalisation.

NOTE 10: BIOLOGICAL ASSETS

2018 Actual \$000		2019 Actual \$000
	Cost or valuation	
8,229	Balance at 1 July	8,888
171	Purchases	278
6,570	Net gain/(loss) due to; regeneration, maturation, and changes in unit values	6,519
(6,082)	Sales/harvest	(7,179)
8,888	Cost or valuation at 30 June	8,506
659	Net change	(382)
440	Change due to movement in quantity	(232)
219	Change due to movement in fair value	(150)
8,888	Carrying amounts at 30 June	8,506

Corrections farms sheep, beef and dairy cattle, and pigs at various locations throughout New Zealand.

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers.

There are no restrictions over the title of Corrections' biological assets, nor are any biological assets pledged as security for liabilities.

Corrections has assessed the impact of Mycoplasma Bovis on its biological assets. Based on testing to date there is a very low risk of stock being impacted and therefore no adjustments to the carrying value of these assets is necessary.

NOTE 11: CREDITORS AND OTHER PAYABLES

2018 Actual \$000		2019 Actual \$000
	CURRENT PORTION	
	Exchange transactions	
28,306	Trade creditors	26,261
95,960	Accrued expenditure	122,878
	Non-exchange transactions	
12,149	GST payable	13,285
136,415	Total creditors and other payables	162,424

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

Corrections classifies creditors and other payables that are expected to be settled within 12 months as current.

NOTE 12: EMPLOYEE ENTITLEMENTS

2018 Actual \$000		2019 Actual \$000
	Current liabilities	
30,610	Retiring and long service leave	30,980
70,055	Annual leave	77,511
2,877	Sick leave	2,877
5,306	Accrued salaries and wages	6,501
584	Parental leave ³⁵	836
-	Holidays Act 2003 provision	7,000
109,432	Total current portion	125,705
	Non-current liabilities	
17,802	Retiring and long service leave	20,518
17,802	Total non-current portion	20,518
127,234	Total employee entitlements	146,223

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

Corrections classifies employee entitlements as current:

- > that are expected to be settled within 12 months after the balance date; and
- > where Corrections does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Retiring and long service leave

The present value of the retiring and long service leave obligations depends on multiple factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Independent valuer Chris Sissons (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver valued the retiring and long service leave as at 30 June 2019 and 30 June 2018.

The major assumptions used in the 30 June 2019 valuation are that future salary growth rates are 3% (2018: 3%) per annum and discount rates ranged from 1.14% to 2.42% (2018: 1.79% to 3.91%) per annum. The discount rates and salary inflation factors used are those advised by Treasury.

If the discount rate were to increase/ decrease by 1% from Corrections' estimates, with all other factors held constant, the carrying amount of the liability and the surplus/ deficit would be an estimated \$3.1 million lower/ \$3.5 million higher respectively.

If the salary inflation factor were to increase/ decrease by 1% from Corrections' estimates, with all other factors held constant, the carrying amount of the liability and the surplus/ deficit would be an estimated \$3.4 million higher/ \$3.1 million lower respectively.

35. The Parental leave provision was reclassified to employee entitlements. This was previously disclosed in Note 13: Provisions.

NOTE 12: EMPLOYEE ENTITLEMENTS (continued)***Holidays Act 2003 provision***

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the *Holidays Act 2003* (the Act). Over a period of time Corrections has actively engaged with the Ministry of Business, Innovation and Employment and has been proactive in identifying areas of non-compliance. Corrections has worked to comply with an Enforceable Undertaking (EU) issued under the *Employment Relations Act 2000* to modify our payroll system to be fully compliant (completed in November 2018) and is nearing completion of work in calculating any liabilities that are due and owing to current and past employees (remediation).

Corrections has estimated the amount of the obligation under the Act and recognised a provision in the financial statements. The provision as at 30 June 2019 represents Corrections' best estimate of remediation costs, and Corrections has received specific appropriation to fully cover this provision amount. Corrections expects to complete the calculation testing and refinement in the coming months, with respect to the final quantum for impacted employees, the effect of compounding or other liability unknowns, and the impact on KiwiSaver or other related entitlements.

Corrections expects that the remediation payments will commence from November 2019 for the first tranche of existing employees.

NOTE 13: PROVISIONS

2018		2019	2019	2019
Total provisions		Employee accidents	Other provisions	Total provisions
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
	Current provisions			
5,477	Balance at 1 July	5,593	4,641	10,234
5,655	Additional provisions made during the year	2,337	953	3,290
(898)	Charged against provision for the year	(230)	(4,265)	(4,495)
-	Provision reversed during the year	-	(72)	(72)
10,234	Total current provisions	7,700	1,257	8,957
10,234	Total provisions	7,700	1,257	8,957

Employee accidents

The provision relates to the estimation of Corrections' outstanding claims liability under the Accident Compensation Corporation Partnership Programme. An independent valuer, Craig Lough (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver, provided an estimate of the outstanding claims liability as at 30 June 2019 and 30 June 2018.

Key assumptions

The key assumptions used in determining the value of outstanding claims are:

- > the development pattern of claims payments is the same for all loss periods. That is, the future claims pattern will reflect that which occurred in the past
- > the assumed loss ratios were determined by considering the observed loss ratios for developed loss quarters
- > the discount rates were based on government bond yields published by the Reserve Bank of New Zealand
- > Corrections will remain in the ACC Accredited Employer's Programme (ACC AEP) for the foreseeable future. If Corrections were to exit immediately, a risk margin of approximately 11.6% (2018: 12.8%) per annum would be added by ACC.

The estimated ACC AEP outstanding claims liability as at 30 June 2019 included a provision for future claims handling expenses of 9.0% (2018: 9.1%) per annum of expected future claim costs.

NOTE 13: PROVISIONS (continued)**Employee accidents (continued)**

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

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

Other provisions**Parole Act 2002**

In September 2016 the Supreme Court of New Zealand ruled that Corrections had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* Corrections is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. This provision relates to 31 (2018: 31) claims received and assessed.

NOTE 14: PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2018 Actual \$000		2019 Actual \$000
(23,321)	Net deficit	(191,259)
	Add/(less)	
22,579	Unrealised loss in fair value of derivative financial instruments	189,990
(742)	Adjusted net deficit	(1,269)
-	Total return of operating surplus	-
400	Return underspend of specific funding	7,649
400	Provision for repayment of surplus to the Crown	7,649

The return of any surplus to the Crown is required to be paid by 31 October of each year.

In 2019, the full amount of surplus repayable to the Crown is the return of underspend of specific funding for *Holidays Act 2003* compliance (refer to Note 12).

NOTE 15: OTHER FINANCIAL LIABILITIES

2018		Note	2019
Actual			Actual
\$000			\$000
583,672	Service concession arrangements	20	728,329
33,776	Derivative financial instruments	20	223,766
617,448	Total other financial liabilities		952,095
9,139	Current other financial liabilities		10,292
608,309	Non-current other financial liabilities		941,803
617,448	Total other financial liabilities		952,095

Service concession arrangements

Other financial liabilities include Corrections' liabilities under service concession arrangements.

Each liability will be repaid over a term of 25 years from its service commencement. Service concession arrangement liabilities that Corrections expects to be settled within 12 months of balance date are classified as current.

Corrections has no securities against other financial liabilities.

Derivative financial instruments

Corrections uses derivative financial instruments in the form of interest rate swaps entered into with the New Zealand Debt Management Office (NZDMO) to manage its exposure to fluctuating market interest rates arising from its Public Private Partnership (PPP) arrangements.

At 30 June 2019 the total notional principal amount outstanding for Corrections' interest rate swap derivatives was \$1,246.1 million (2018: \$524.7 million).

Corrections has three (2018: two) interest rate swaps with the NZDMO and these derivatives are classified as non-current.

For the arrangement with Next Step Partners the interest rate swap derivative is calculated at a fixed rate of 4.78% per annum and the maturity dates range from 2022 to 2041.

For the arrangement with SecureFuture Wiri Limited the interest rate swap derivative is calculated at a fixed rate of 3.78% per annum and the maturity dates range from 2019 to 2039.

During the year, a new interest rate swap derivative was entered into with NZDMO for the new PPP arrangement with Cornerstone Infrastructure Partners. This interest rate swap derivative is calculated at a fixed rate of 3.91% per annum and the maturity dates range from 2023 to 2046.

These derivatives are measured at fair value determined as at the balance date using the New Zealand Dollar swap curve, which is made up of the New Zealand Official Cash Rate, bank bill rates and swap rates.

As a result of a lower interest rate environment, and entering into the new interest rate swap derivative, the present value of the liability has increased. The resulting unrealised loss in fair value of derivative financial instruments between 30 June 2018 and 30 June 2019 of \$190.0 million (2018: unrealised loss \$22.6 million) is recognised within remeasurements in the net surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Derivatives are reported in the Statement of Financial Position as assets when their fair value is positive and as a liability when their fair value is negative.

NOTE 16: TAXPAYERS' FUNDS

Taxpayers' funds comprise general funds and revaluation reserves.

2018 Actual \$000	Note	2019 Actual \$000
GENERAL FUNDS		
1,615,796	Balance at 1 July	1,668,840
(23,321)	Net deficit	(191,259)
81,900	Capital injections from the Crown	295,280
(5,135)	Capital cash returned to the Crown	(62,300)
53,444	Total movement in general funds	41,721
(400)	Provision for repayment of surplus to the Crown	(7,649)
1,668,840	Balance at 30 June	1,702,912
REVALUATION RESERVES		
831,194	Balance at 1 July	831,194
-	Revaluation gains	368,422
831,194	Balance at 30 June	1,199,616
2,500,034	Total taxpayers' funds at 30 June	2,902,528
Revaluation reserves		
Land		
122,326	Revaluation reserve at 1 July	122,326
-	Revaluation gains	7,575
122,326	Revaluation reserve at 30 June	129,901
Buildings		
708,868	Revaluation reserve at 1 July	708,868
-	Revaluation gains	360,847
708,868	Revaluation reserve at 30 June	1,069,715
831,194	Total revaluation reserves at 30 June	1,199,616

Corrections has no restricted reserves.

36. The 2018 actuals were restated to reflect the impact of the amendments in PBE IPSAS 32 which require service concession assets to be reported within the corresponding asset classes.

NOTE 17: RECONCILIATION OF NET (DEFICIT)/SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2018		2019
Actual		Actual
\$000		\$000
(23,321)	Net deficit	(191,259)
	<i>Add/(less) non-cash items</i>	
182,957	Depreciation and amortisation	201,034
22,579	Derivative financial instrument decrease	189,990
546	Non-current employee entitlements	2,716
206,082	Total non-cash items	393,740
	<i>(Increase)/decrease in working capital</i>	
(92,590)	Debtors and other receivables	(81,211)
(129)	Inventories	(237)
(4,602)	Prepayments	(15,928)
39,401	Creditors and other payables	26,009
4,811	Provisions	(1,861)
13,477	Employee entitlements	16,857
(39,632)	Working capital movements – net	(56,371)
	<i>Add/(less) items classified as investing or financing activities</i>	
(659)	Biological assets revaluation decrease/(increase)	150
645	Shares fair value decrease	1,851
(296)	Interest and dividends received	(33)
(535)	Net (gain)/loss on sale or disposal of non-current assets	998
32,396	Interest on other financial liabilities	49,608
31,551	Total investing or financing activity items	52,574
174,680	Net cash flow from operating activities	198,684

NOTE 18: RELATED PARTY DISCLOSURE

Corrections is a wholly owned entity of the New Zealand Crown. The government significantly influences the strategic direction, operating intentions and business operations of Corrections as well as being its major source of revenue.

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 Corrections would have adopted in dealing with the party at arms' 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.

Corrections has determined key management personnel as the Chief Executive and the individual members of the Executive Leadership Team. Remuneration applicable to key management personnel is disclosed under Note 19.

There were no related party transactions or commitments to disclose (2018: Nil).

The Treasury advises that responsible Minister Hon Kelvin Davis has certified that he has no related party transactions for the year ended 30 June 2019 (2018: Minister Hon Kelvin Davis – Nil).

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

Corrections' key management personnel are the nine members of the Executive Leadership Team, which includes the Chief Executive, seven Deputy Chief Executives and the National Commissioner (2018: nine - Chief Executive, seven Deputy Chief Executives and the National Commissioner).

2018 Actual \$000		2019 Actual \$000
3,460	Executive Leadership Team remuneration	3,476
3,460	Total key management personnel compensation	3,476

NOTE 20: FINANCIAL INSTRUMENTS**Categories of financial instruments**

Corrections is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash and cash equivalents, investments, debtors and other receivables, creditors and other payables, and other financial liabilities.

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

2018 Actual \$000		Note	2019 Actual \$000
FINANCIAL ASSETS			
Financial assets measured at amortised cost			
103,246	Cash and cash equivalents		72,203
366,785	Debtors and other receivables	6	447,996
470,031	Total financial assets measured at amortised cost		520,199
Financial assets mandatorily measured at fair value through surplus or deficit			
6,700	Investments		4,888
476,731	Total financial assets		525,087
FINANCIAL LIABILITIES			
Financial liabilities measured at amortised cost			
136,415	Creditors and other payables	11	162,424
583,672	Service concession arrangements	15	728,329
720,087	Total financial liabilities measured at amortised cost		890,753
Financial liabilities mandatorily measured at fair value through surplus or deficit			
33,776	Derivative financial instruments	15	223,766
753,863	Total financial liabilities		1,114,519

The liability for the repayment of surplus to the Crown is not a financial liability, as defined by *PBE IPSAS 28 Financial Instruments: Presentation*, as the obligation to pay arises from statute.

NOTE 20: FINANCIAL INSTRUMENTS (continued)***Fair value hierarchy***

Corrections uses various methods in estimating the fair value of a financial instrument. Fair values are determined according to the following hierarchy:

- > Level 1: Quoted market price – financial instruments with quoted market prices for identical instruments in active markets.
- > Level 2: Valuation technique using market observable inputs – 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 all significant inputs are observable.
- > Level 3: Valuation technique with significant non-observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

	2018				2019		
	Note	Valuation technique			Valuation technique		
		Quoted market price	Significant non-observable inputs	Total	Quoted market price	Significant non-observable inputs	Total
		Level 1	Level 3		Level 1	Level 3	
	\$000	\$000	\$000	\$000	\$000	\$000	
Financial assets							
Cash and cash equivalents	103,246	-	103,246	72,203	-	72,203	
Investments	6,700	-	6,700	4,888	-	4,888	
Total financial assets	109,946	-	109,946	77,091	-	77,091	
Financial liabilities							
Derivative financial instruments	15	-	33,776	-	223,766	223,766	
Total financial liabilities	-	33,776	33,776	-	223,766	223,766	

Valuation techniques with significant non-observable inputs (level 3)

The fair values of Corrections' financial assets and liabilities classified in level 3 (being the interest rate swaps with New Zealand Debt Management Office) are calculated using valuation techniques based on significant inputs that are not based on observable market data.

Market inputs used for these swaps are NZD-SWAP and ICAP Australia as a pricing source for the 1-20 year portion of the NZD-SWAP curve. However, as there is no market data beyond 20 years for NZD-SWAP point, the valuation technique uses smooth continuous extrapolation techniques out to 50 years.

The table below provides a reconciliation from the opening balance to the closing balance for fair value measurements in level 3:

2018		Note	2019
Actual			Actual
\$000			\$000
11,197	Balance at 1 July	15	33,776
22,579	Losses recognised in surplus or deficit		189,990
33,776	Balance at 30 June	15	223,766

NOTE 20: FINANCIAL INSTRUMENTS (continued)**Financial instrument risk****Market risk****Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Corrections is exposed to other price risk on its investments that are held to facilitate some of its farming supply arrangements, principally with Fonterra. These investments are held in support of continuing business operations and not for trading purposes, and the shareholdings are not a significant proportion of total financial assets. Therefore, while Corrections is fully exposed to short-term fluctuations in the fair value of its investments, the resulting gains or losses are unrealised and are expected to be immaterial in aggregate across the long-term investment holding duration.

Currency risk

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

Corrections engages in few overseas transactions, and has no foreign currency assets or liabilities at balance date (2018: Nil). Therefore, Corrections has a negligible exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Corrections' other financial liabilities mainly relate to its service concession arrangements which are interest bearing.

For the arrangement with Next Step Partners LP the effective interest rate is fixed at 5.90% until 26 August 2022, and the interest rate becomes floating thereafter. Corrections has entered into an interest rate swap with New Zealand Debt Management Office (NZDMO) to mitigate its interest rate risk exposure. The interest rate on the swap is fixed at 4.78%.

For the arrangement with SecureFuture Wiri Limited the effective interest rate is fixed at 8.79% until 12 August 2019, and the interest rate becomes floating thereafter. Corrections has entered into an interest rate swap with NZDMO to mitigate its interest rate risk exposure. The interest rate on the swap is fixed at 3.78%.

For the arrangement with Cornerstone Infrastructure Partners LP, the effective interest rate is fixed at 6.15% until 25 August 2023, the interest rate becomes floating thereafter. Corrections has entered into an interest rate swap with NZDMO to mitigate its interest rate risk exposure. The interest rate on the swap is fixed at 3.91%.

Corrections has obtained ministerial approval for borrowing in relation to its service concession arrangements and to enter into its interest rate swap derivatives with the NZDMO.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date.

The table below sets out the difference in net surplus/ (deficit) had interest rates been 1% higher or lower than the year-end market rate, with all other variables remaining constant.

Any change in the net surplus/ (deficit) for the period would result in a corresponding movement in the financial liability at balance date.

2018³⁷		Change in interest rate (basis points)	2019
Impact on net surplus/(deficit)			Impact on net surplus/ (deficit)
\$000			\$000
46,380	Interest rate swap derivatives	+100	139,779
(52,540)	Interest rate swap derivatives	-100	(160,378)

37. These figures have been restated to align with the 2019 calculation methodology.

NOTE 20: FINANCIAL INSTRUMENTS (continued)**Financial instrument risk (continued)****Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In the normal course of business, Corrections is exposed to credit risk from trade debtors, transactions with financial institutions and the NZDMO.

Corrections is only permitted to deposit funds with Westpac New Zealand Limited, or with the NZDMO, as these entities have high credit ratings. For other financial instruments, Corrections does not have significant concentrations of credit risk.

Corrections' maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount presented in the Statement of Financial Position.

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

2018 Actual \$000		Note	2019 Actual \$000
Cash and cash equivalents			
103,246	AA-		72,203
103,246	Total cash and cash equivalents		72,203
Debtors and other receivables			
355,977	AA+		443,462
10,808	Counterparties without credit rating		4,534
366,785	Total debtors and other receivables	6	447,996
Investments			
6,700	A+		4,888
6,700	Total investments		4,888

Debtors and other receivables

Debtors and other receivables are mainly comprised of Debtor Crown (NZDMO - Standard and Poor's credit rating of AA+), receivables from external parties and other government entities. For its receivables from external parties and other government entities, Corrections does not have significant concentrations of credit risk.

NOTE 20: FINANCIAL INSTRUMENTS (continued)**Financial instrument risk (continued)****Liquidity risk**

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

In meeting its liquidity requirements, Corrections closely monitors its forecast cash requirements with expected cash drawdowns from the NZDMO. Corrections maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below shows Corrections' financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2018		Note	2019
Actual			Actual
\$000			\$000
	Creditors and other payables	11	
124,266	Less than six months		149,139
	Other financial liabilities	15	
9,139	Less than one year		10,292
97,622	One to five years		306,441
510,687	More than five years		635,362
617,448	Total cash flows for other financial liabilities		952,095
741,714	Total contractual cash flows		1,101,234

NOTE 21: CAPITAL MANAGEMENT

Corrections' capital is its taxpayers' funds, which comprise general funds and revaluation reserves. Taxpayers' funds are represented by net assets.

In accordance with the *Public Finance Act 1989* (PFA) Corrections manages its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public.

Corrections has in place asset management plans for major classes of assets detailing renewal and maintenance programmes.

The PFA requires Corrections to make adequate and effective provision in its long-term capital expenditure plans and act in accordance with financial delegations from Cabinet to the Chief Executive through the responsible Minister. The PFA also requires that Corrections complies with the requirements of the *State Sector Act 1988*, Treasury Instructions and any other legislation governing its operations, when incurring any capital expenditure.

The objective of managing taxpayers' funds is to ensure Corrections effectively achieves the goals and objectives for which it was established, while remaining a going concern.

NOTE 22: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variances from Corrections' budget are as follows:

Statement of Comprehensive Revenue and Expense

Revenue from the Crown was higher than budget by \$39.4 million mostly due to funding received for *Holidays Act 2003* compliance, the new facility at Waikeria Prison project agreement execution, Housing and Support Services for People Managed by Corrections and various other initiatives.

Personnel costs were higher than budget by \$34.8 million reflecting a continued investment in probation and corrections staff and the impact of salary increases, higher annual leave provision and *Holidays Act 2003* compliance costs.

Operating costs were lower than budget by \$5.5 million mainly due to a decrease in offender management costs as a result of the decreased prison population.

Depreciation and amortisation were higher than budget by \$14.0 million, this includes depreciation on the new Auckland East facility.

Capital charge was lower than budget by \$7.0 million mainly due to the timing of capital injections and an unrealised fair value loss on the interest rate swap derivatives entered into with the New Zealand Debt Management Office (NZDMO) to manage Corrections' interest rate risk under its Public Private Partnership (PPP) arrangements.

The unrealised loss in fair value of derivative financial instruments of \$190.0 million was not budgeted and was due to a combination of factors. First, a reduction, as at balance date, of forward interest rates across the interest rate swaps' maturity profiles. Secondly, an increase in the notional derivative amounts that now include the interest rate swap entered into during the year for the new facility at Waikeria Prison PPP. Further information on Corrections' derivative financial instruments is contained in Notes 15 and 20.

Statement of Financial Position

Cash and cash equivalents were higher than budget by \$22.2 million due to the timing of vendor payments.

Prepayments were higher than budget by \$20.4 million. This includes advanced unitary charge payments of \$16 million to Cornerstone Infrastructure Partners LP in relation to the Waikeria PPP.

Debtors and other receivables were higher than budget by \$75.9 million mainly due to an increase in Debtor Crown, as a consequence of Corrections requiring less cash due to payments for capital and operating expenditure being lower than expected.

Creditors and other payables were higher than budget by \$62.4 million mainly due to accruals relating to investment in prison capacity projects.

Employee entitlements were higher than budget by \$37.6 million mainly due to changes in actuarial valuations, increased personnel and higher rates of remuneration.

Other financial liabilities were higher than budget by \$350.5 million. This relates to Corrections' service concession arrangement liabilities and the interest rate swap derivatives entered into with the NZDMO. The increase is mainly due to construction commencement of the new facility at Waikeria Prison under a PPP arrangement and unrealised fair value losses on the interest rate swap derivatives.

The provision for repayment of surplus to the Crown of \$7.6 million represents the return of funding in relation to *Holidays Act 2003* compliance, which was over and above Corrections' current estimate of remediation costs as provided for as at 30 June 2019.

General funds were lower than budget by \$219.6 million. This was mainly due to unbudgeted remeasurement losses of \$196.3 million predominantly related to unrealised fair value movements on the interest rate swap derivatives. Net capital contributions were \$19.1 million lower than budget mainly due to Corrections returning surplus capital reserves to the Crown earlier than anticipated.

Reserves were higher than budget by \$368.4 million due to the recognition of revaluation gains on Corrections' land and building assets in 2018/19.

NOTE 23: ADOPTION OF PBE IFRS 9 FINANCIAL INSTRUMENTS

In accordance with the transitional provisions of *PBE IFRS 9*, Corrections has elected not to restate the information for previous years to comply with *PBE IFRS 9*. Adjustments arising from the adoption of *PBE IFRS 9* are recognised in opening equity at 1 July 2018.

Accounting policies have been updated to comply with *PBE IFRS 9*. The main update is in regards to debtors and other receivables where the accounting policy has been updated to reflect that the impairment of these financial assets is now determined by applying an expected credit loss model.

On the date of initial application of *PBE IFRS 9*, being 1 July 2018, the classification of financial instruments under *PBE IPSAS 29* and *PBE IFRS 9* is as follows:

The measurement categories and carrying amounts for financial liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to *PBE IFRS 9*.

	Measurement category		Carrying amount		
	Original Category (PBE IPSAS 29)	New Category (PBE IFRS 9)	Closing balance at 30 June 2018 (PBE IPSAS 29)	Adoption of PBE IFRS 9 adjustment	Opening balance at 1 July 2018 (PBE IFRS 9)
			\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	Loans and receivables (amortised cost)	Amortised cost	103,246	-	103,246
Debtors and other receivables	Loans and receivables (amortised cost)	Amortised cost	366,785	-	366,785
Investments	Fair value through surplus or deficit	Fair value through surplus or deficit	6,700	-	6,700

NOTE 24: POST-BALANCE DATE EVENTS

Auckland Prison PPP variation

In July 2019 Corrections entered into a Deed of Variation with Next Step Partners LP in relation to the new Auckland East Prison Project Agreement. This variation was to reflect a delay in works completion and shift of the senior debt repayment profile. An additional, incremental, derivative was entered into between Corrections and NZDMO to ensure Corrections' interest rate position remained fully covered.

Interest rate swap derivatives

Subsequent to balance date the Reserve Bank reduced the Official Cash Rate (OCR) on 7 August to 1.0% and market interest rates have reduced. This will reduce interest costs on floating rate borrowings and increase the cash outflows for the existing fixed for floating interest rate swaps. As the future cash outflows are determined by market pricing at the future swap re-pricing dates, an estimate of the financial effect on these cash outflows cannot be made at this time. Refer to Note 20 for information on the sensitivity of Corrections' interest rate swap derivatives to movements in interest rates.

Non-Departmental Statements and Schedules

For the year ended 30 June 2019

Schedule of Non-Departmental Expenses

FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual		2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Forecast ³⁸ (unaudited)
\$000		\$000	\$000	\$000	\$000
EXPENSES					
6,667	Waikeria Corrections and Treatment Facility	7,411	-	12,800	33,082
1,000	GST input expense	698	-	1,920	4,962
7,667	Total non-departmental operating expenses	8,109	-	14,720	38,044

Schedule of Non-Departmental Assets

AS AT 30 JUNE 2019

2018 Actual	Note	2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Forecast ³⁸ (unaudited)
\$000		\$000	\$000	\$000	\$000
CURRENT ASSETS					
8,625	Cash and cash equivalents	9,195	-	6,800	6,800
8,625	Total current assets	9,195	-	6,800	6,800
8,625	Total non-departmental assets	9,195	-	6,800	6,800

Schedule of Non-Departmental Liabilities

AS AT 30 JUNE 2019

2018 Actual	Note	2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Forecast ³⁸ (unaudited)
\$000		\$000	\$000	\$000	\$000
CURRENT LIABILITIES					
7,667	Creditors and other payables	2,584	-	6,800	6,800
7,667	Total current liabilities	2,584	-	6,800	6,800
7,667	Total non-departmental liabilities	2,584	-	6,800	6,800

38. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

Schedule of Non-Departmental Commitments

AS AT 30 JUNE 2019

Corrections, on behalf of the Crown, has no non-departmental commitments as at 30 June 2019 (2018: Nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

AS AT 30 JUNE 2019

Contingent liabilities

Corrections, on behalf of the Crown, has no non-departmental contingent liabilities as at 30 June 2019 (2018: Nil).

Contingent assets

Corrections, on behalf of the Crown, has no non-departmental contingent assets as at 30 June 2019 (2018: Nil).

Notes to the Non-Departmental Schedules

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

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

Basis of preparation

The non-departmental schedules have been prepared in accordance with the accounting policies of the consolidated FSG, 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 Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Changes in accounting policies

Financial instruments

The Crown has elected to early adopt *PBE IFRS 9 Financial Instruments* in preparing the 30 June 2019 FSG. In line with the FSG, Corrections has early adopted *PBE IFRS 9 Financial Instruments* in its reporting of financial instruments within these 2018/19 non-departmental schedules.

In adopting *PBE IFRS 9*, Corrections, on behalf of the Crown, has applied transitional relief and elected not to restate the information for previous years. There are no differences arising from the adoption of *PBE IFRS 9* in relation to the carrying amounts of financial instruments reported in these non-departmental schedules.

Further information on Corrections' adoption of *PBE IFRS 9* in these non-departmental schedules is contained in Note 5: Adoption of *PBE IFRS 9 Financial Instruments*.

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

Standards and amendments that are not yet effective, and have not been early adopted, and that are relevant to these non-departmental schedules are:

PBE IPSAS 41 Financial Instruments

The XRB issued *PBE IPSAS 41 Financial Instruments* in March 2019. This standard supersedes *PBE IFRS 9 Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although Corrections, on behalf of the Crown, has not yet assessed the effect of the new standard in relation to these non-departmental schedules, it does not expect any significant changes as the requirements are similar to *PBE IFRS 9*.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)***Significant accounting policies******Goods and Services Tax***

All items in the non-departmental schedules are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. GST is returned on revenue received on behalf of the Crown, where applicable. However, 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 on consolidation into the FSG.

Budget figures

The 2019 budget figures are for the year ended 30 June 2019, which are consistent with the best estimate financial information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2019.

Cash and cash equivalents

Cash includes cash on hand and cash held in bank accounts and deposits with a maturity of no more than three months. Corrections, on behalf of the Crown, is required by the Treasury to maintain a positive balance in its bank accounts at all times. Corrections, on behalf of the Crown, and in relation to these non-departmental funds, maintains a single bank account with Westpac New Zealand Limited solely in relation to these funds.

Financial Instruments

Corrections, on behalf of the Crown, is party to financial instruments as part of its normal operations. These financial instruments consist of cash and cash equivalents that are held in order to collect contractual cash flows and not for trading purposes, and creditors and other payables

All financial instruments are recognised in the schedule of non-departmental assets and the schedule of non-departmental liabilities, initially at their fair value plus any transaction costs and subsequently at amortised cost. All revenue and expenses in relation to financial instruments are recognised in the schedule of non-departmental expenses.

Financial assets impairment

Corrections, on behalf of the Crown, recognises a loss allowance for expected credit losses when it considers that the credit risk on a financial asset has increased significantly since initial recognition.

NOTE 2: CREDITORS AND OTHER PAYABLES

2018 Actual \$000		2019 Actual \$000
	Exchange Transactions	
5,740	Creditors	-
1,927	Accrued expenses	2,584
7,667	Total creditors and other payables	2,584

NOTE 3: FINANCIAL INSTRUMENTS

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

2018 Actual \$000		2019 Actual \$000
	FINANCIAL ASSETS	
	Financial assets measured at amortised cost	
8,625	Cash and cash equivalents	9,195
8,625	Total financial assets	9,195
	FINANCIAL LIABILITIES	
	Financial liabilities measured at amortised cost	
7,667	Creditors and other payables	2,584
7,667	Total financial liabilities	2,584

Fair value

The fair value of financial assets and liabilities is equivalent to the carrying amount disclosed in the schedule of non-departmental assets and the schedule of non-departmental liabilities.

Market risk**Other price, currency and interest rate risks**

Corrections, on behalf of the Crown, has no exposure to interest rate risk, other price risk or currency risk on its financial instruments, as there were no foreign currency balances at balance date and Corrections, on behalf of the Crown, does not hold any interest bearing financial instruments or financial instruments subject to other price risk.

NOTE 3: FINANCIAL INSTRUMENTS (continued)**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In relation to these funds managed by Corrections on behalf of the Crown, credit risk arises solely on the cash and cash equivalents balance deposited with banks.

It is a requirement of the Crown that funds must be deposited with Westpac New Zealand Limited (Westpac Bank), a registered bank in New Zealand.

The maximum credit exposure for the cash and cash equivalents class of financial instruments is represented by the total carrying amount. There is no collateral held as security against these financial instruments. All credit risk exposure is to Westpac Bank.

Credit quality of financial assets

Westpac Bank has an AA- Standard and Poor's credit rating (2018: AA- Standard and Poor's) and, as a registered bank in New Zealand, is also subject to the Reserve Bank of New Zealand prudential oversight and regulatory reporting regime. It is therefore considered low risk for the purposes of assessing expected credit losses and accordingly, no loss allowance has been provided for on cash and cash equivalents balances.

Standard and Poor's credit ratings against cash and cash equivalents carrying amounts are as follows:

2018 Actual \$000		2019 Actual \$000
8,625	AA-	9,195
Cash and cash equivalents		

Liquidity risk

Liquidity risk is the risk that Corrections, on behalf of the Crown, will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Corrections, on behalf of the Crown, closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. Corrections, on behalf of the Crown, maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below shows Corrections' non-departmental financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2018 Actual \$000		Note	2019 Actual \$000
7,667	Less than six months	2	2,584
7,667	Total contractual cash flows		2,584
Creditors and other payables			

NOTE 4: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for major variances from Corrections non-departmental budget figures are as follows:

Schedule of non-departmental expenses

Funding was not received until the October baseline update, hence the variance to budget.

Schedule of non-departmental assets and liabilities

Funding was not received until the October baseline update, hence the variance to budget.

NOTE 5: ADOPTION OF PBE IFRS 9 FINANCIAL INSTRUMENTS

In accordance with the transitional provisions of *PBE IFRS 9*, Corrections has elected not to restate the information for previous years to comply with *PBE IFRS 9*. There have been no adjustments to the measurement or carrying values of financial instruments arising from the adoption of *PBE IFRS 9*.

Accounting policies have been updated to comply with *PBE IFRS 9*. The main update reflects that impairment of financial assets is now determined by applying an expected credit loss model.

On the date of initial application of *PBE IFRS 9*, being 1 July 2018, the classification of financial instruments under *PBE IPSAS 29* and *PBE IFRS 9* is as follows:

	Measurement category		Carrying amount		
	Original Category (PBE IPSAS 29)	New Category (PBE IFRS 9)	Closing balance at 30 June 2018 (PBE IPSAS 29) \$000	Adoption of PBE IFRS 9 adjustment \$000	Opening balance at 1 July 2018 (PBE IFRS 9) \$000
Financial assets					
Cash and cash equivalents	Loans and receivables (amortised cost)	Amortised cost	9,195	-	9,195
Financial liabilities					
Creditors and other payables	Other financial liabilities (amortised cost)	Amortised cost	2,584	-	2,584

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

FOR THE YEAR ENDED 30 JUNE 2019

2018 Expenditure after remeasure- ments \$000		2019 Expenditure before remeasure- ments \$000	2019 Remeasure- ments \$000	2019 Expenditure after remeasure- ments \$000	2019 Supp. estimates (unaudited) \$000	2020 Forecast ³⁹ (unaudited) \$000
	VOTE: CORRECTIONS					
	Departmental output expenditure					
960,144	- Prison-based Custodial Services	1,224,100	(194,270)	1,029,830	1,065,501	1,080,157
226,494	- Sentences and Orders Served in the community ⁴⁰	250,806	-	250,806	239,736	252,220
67,140	- Information and Administrative Services to the Judiciary and New Zealand Parole Board ⁴⁰	78,800	-	78,800	67,684	73,041
1,253,778	Total Public Safety is Improved MCA	1,553,706	(194,270)	1,359,436	1,372,921	1,405,418
215,676	Re-offending is Reduced⁴¹	245,103	(2,001)	243,102	249,319	289,111
2,403	- Policy Advice ⁴⁰	2,652	-	2,652	2,559	2,556
1,978	- Ministerial Services	2,190	-	2,190	2,307	2,305
4,381	Total Policy Advice and Ministerial Services MCA	4,842	-	4,842	4,866	4,861
-	- Bail Support Services ⁴¹	1,756	-	1,756	2,160	-
-	- Transfer of Auckland Prison Wastewater Assets	-	-	-	9,100	-
1,473,835	Total departmental output expenditure	1,805,407	(196,271)	1,609,136	1,638,366	1,699,390
	Departmental capital expenditure					
260,786	Corrections Capital Expenditure - Permanent Legislative Authority	560,397	-	560,397	608,307	439,183
260,786	Total departmental capital expenditure	560,397	-	560,397	608,307	439,183
	Non-departmental other expenses					
6,667	Waikeria Corrections and Treatment Facility	7,411	-	7,411	12,800	33,082
6,667	Total non-departmental other expenses	7,411	-	7,411	12,800	33,082

Refer to Part B: Statement of Performance for detailed performance against each category (pages 74 to 97).

39. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2019.

40. With Multi-Category Appropriations (MCAs), a single appropriation covers more than one category. As such, Corrections is permitted to reallocate resources between categories within a MCA without seeking further parliamentary approval. Despite some categories incurring a net deficit for the year, the respective MCA was within approved levels.

41. For Bail Support Services, a separate one-off appropriation was established for the 2018/19 financial year. 2019/20 forecast expenditure is included within the Re-offending is Reduced appropriation for 2019/20.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations (continued)

Changes in appropriation structure

There have been no changes to appropriation structure in 2019. In 2018 the sole change was the creation of a non-departmental other expenses appropriation.

Statement of Capital Injections

FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual		2019 Actual	2019 Budget (unaudited)	2019 Supp. estimates (unaudited)	2020 Budget (unaudited)
\$000		\$000	\$000	\$000	\$000
81,900	VOTE: CORRECTIONS Capital Injections	295,280	272,100	295,280	27,350

Statement of Capital Injections Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2019

Corrections has not received any capital injections during the year without, or in excess of, authority (2018: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2019

Corrections has no expenses and capital expenditure incurred without appropriation or other authority or in excess of an existing appropriation or other authority, in relation to our activities (2018: Nil).

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Appendices

Appendix One: Recidivism Index

The Recidivism Index (RI) measures Corrections' performance in reducing re-offending as a whole.

The Recidivism Index is the percentage of offenders in any given cohort who are reconvicted within a given period of time (the follow-up period), and who receive either a prison sentence (reimprisonment) or any Corrections-administered sentence (reconviction). Corrections' RI figures are produced on a monthly basis, using a 12-month follow up period.

When RI rates are reported, they relate to offenders who were released from prison or started a community sentence over a 12-month period, ending 15 months ago. The difference in time between the offender release or sentence start period and the reporting of the re-offending rate is to allow for the follow-up period, and to ensure that conviction for new offences have been recorded by the courts.

RECIDIVISM INDEX – 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2017/18

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2017/18)		29.8	45.0	4.9	26.3
Gender	Female	22.5	40.4	3.0	22.9
	Male	30.6	45.6	5.4	27.2
Ethnicity	Māori	33.6	49.8	6.7	31.9
	European	25.0	40.0	3.9	25.5
	Pacific	24.8	37.7	3.7	21.1
	Other (incl. Asian)	19.4	28.4	2.7	16.4
Age (at prison release or start of community sentence)	Less than 20 years	40.0	64.0	4.4	35.3
	20-24 years	34.8	53.0	5.0	30.0
	25-29 years	32.6	49.7	5.6	29.1
	30-39 years	32.4	48.9	5.9	26.9
	40 and above	20.8	30.9	3.2	17.7
Gang Affiliate	Active	39.5	55.4	16.6	46.3
	Not recorded	24.8	39.8	3.7	24.4
Offence Group (most serious for original sentence)	Breaches	40.0	55.8	11.4	33.3
	Burglary	36.2	54.6	7.2	34.2
	Dishonesty	41.0	59.8	7.5	34.5
	Drugs	14.7	25.1	4.0	22.2
	Property Damage	30.8	50.4	6.4	34.3
	Sexual	10.4	15.6	2.6	8.2
	Traffic	20.0	37.6	2.5	22.5
	Violence	26.1	40.4	4.2	23.4
	Weapons	31.7	52.5	6.0	30.0
	Other offence	34.0	48.2	5.4	27.4
Community Sentence	Community Work	n/a	n/a	5.1	28.1
	Supervision	n/a	n/a	5.0	24.9
	Intensive Supervision	n/a	n/a	7.7	32.3
	Community Detention	n/a	n/a	0.8	22.3
	Home Detention	n/a	n/a	5.9	20.3

RECIDIVISM INDEX – 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2017/18

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2017/18)		29.8	45.0	4.9	26.3
Prisoner Security Classification (at release)	Maximum	42.3	65.4	n/a	n/a
	High	48.0	61.0	n/a	n/a
	Low Medium	40.3	57.1	n/a	n/a
	Low	29.4	47.0	n/a	n/a
	Minimum	13.0	25.2	n/a	n/a
Release Type	Parole	14.7	24.3	n/a	n/a
	Released on Conditions	33.2	50.2	n/a	n/a
Sentence Length	6mths or less	37.4	54.9	3.3	23.3
	>6mths to 1yr	32.4	50.1	5.5	25.2
	>1 to 2yrs	27.0	40.8	7.8	31.5
	>2 to 3yrs	13.1	25.2	n/a	n/a
	>3 to 5yrs	12.6	20.2	n/a	n/a
	More than 5yrs	10.8	16.8	n/a	n/a
All (2016/17)		32.2	46.8	5.7	27.5

RECIDIVISM INDEX – 24 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2016/17

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2016/17)		43.3	62.1	8.2	40.3
Gender	Female	30.5	50.8	4.8	33.2
	Male	44.8	63.4	9.0	42.1
Ethnicity	Māori	47.6	66.7	11.0	47.9
	European	38.2	56.7	6.9	39.2
	Pacific	39.6	59.0	6.8	39.3
	Other (incl. Asian)	22.7	34.0	5.7	31.6
Age (at prison release or start of community sentence)	Less than 20 years	54.7	79.1	9.0	54.4
	20-24 years	47.9	70.0	8.5	46.4
	25-29 years	47.8	68.6	9.3	43.8
	30-39 years	47.4	66.1	9.2	40.7
	40 and above	29.8	43.6	5.6	26.8
Gang Affiliate	Active	61.5	77.6	25.7	67.6
	Not recorded	34.8	54.8	6.7	38.0
Offence Group (most serious for original sentence)	Breaches	50.7	69.6	17.7	52.8
	Burglary	53.6	73.0	11.7	54.0
	Dishonesty	55.2	73.8	12.3	47.7
	Drugs	23.6	38.1	6.1	32.4
	Property Damage	39.2	61.7	10.4	47.8
	Sexual	16.4	25.5	3.2	14.7
	Traffic	30.2	52.4	4.5	34.2
	Violence	41.0	61.3	6.7	38.1
	Weapons	53.9	73.3	11.6	47.8
	Other offence	47.5	65.8	9.8	41.8
Community Sentence	Community Work	n/a	n/a	8.5	41.9
	Supervision	n/a	n/a	8.8	38.4
	Intensive Supervision	n/a	n/a	11.0	46.6
	Community Detention	n/a	n/a	2.1	37.5
	Home Detention	n/a	n/a	10.1	34.2
	Prisoner Security Classification (at release)	Maximum	85.2	88.9	n/a
	High	69.3	83.4	n/a	n/a
	Low Medium	54.6	71.9	n/a	n/a
	Low	43.5	65.1	n/a	n/a
	Minimum	21.2	39.7	n/a	n/a
Release Type	Parole	26.1	39.7	n/a	n/a
	Released on Conditions	48.2	68.2	n/a	n/a

RECIDIVISM INDEX – 24 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2016/17

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2016/17)		43.3	62.1	8.2	40.3
Sentence Length	6mths or less	49.9	70.9	6.0	38.2
	>6mths to 1yr	47.9	67.3	8.9	38.6
	>1 to 2yrs	41.5	60.0	12.4	43.2
	>2 to 3yrs	25.5	42.2	n/a	n/a
	>3 to 5yrs	25.2	36.7	n/a	n/a
	More than 5yrs	19.1	27.0	n/a	n/a
All (2015/16)		43.2	60.9	9.1	41.6

Appendix Two: Rehabilitation Quotient

The Rehabilitation Quotient (RQ) measures the effect of a specific intervention in reducing re-offending.

The RQ indicates the extent to which re-offending is reduced by comparing rates of reconviction and reimprisonment amongst offenders who completed a specific rehabilitation intervention, with the rates observed amongst similar offenders (matched on a range of risk-related factors) who had no involvement with that particular intervention.

RQ scores are calculated separately for programmes delivered in prison and in the community. Results for the most recent annual analysis of outcomes are represented in the following table. These results are for interventions involving prisoners released within a 12-month period (from 1 April 2017 to 31 March 2018), and offenders who completed a programme while serving a community sentence within the same 12-month period (ending 31 March 2018). The follow-up period, during which any new offending is counted, is 12 months from the date of each individual offender's prison release, or 12 months from the date of programme completion for those on a community sentence.

RQ scores in the right-hand columns are percentage-point reductions in either reimprisonment or reconviction, indicating differences between 'treated' and equivalent 'untreated' offender groups. For example, a score of -5.0 would indicate that if the rate of re-offending amongst the 'untreated' group was 35 percent, the corresponding rate for matched 'treated' offenders was 30 percent. In the table the darker shading indicates that the difference between the 'treated' and 'untreated' groups was statistically significant at the 95 percent level. The lighter shading indicates statistical significance just below the 95 percent threshold, where a programme effect is considered highly likely.

Reductions in reimprisonment and reconviction are recorded for most of the interventions evaluated, which is a good outcome. This general trend supports confidence in the general positive impact of our wider rehabilitative efforts.

As noted in previous years, the Special Treatment Unit Rehabilitation Programmes (STURP) continues to generate the largest effect sizes. While these effects are not as strong for 2018/19 as reported in the previous year, achieving reductions of this magnitude with the most challenging group of offenders we manage - high risk violent offenders serving long prison sentences - continues to place this programme on a par with the best programmes of this type in the world.



Our Alcohol and Other Drug Treatments continue to produce excellent results, with both the six month Drug Treatment Programme and the AOD Intensive Treatment Programme showing strong effects on reducing reconvictions and reimprisonments.

Results in Offender Employment continue to be positive, with reductions recorded across most of these interventions. Though modest, the overall impacts were statistically significant. Our educational interventions have produced some very good results with Intensive Literacy and Numeracy producing excellent effect sizes.

This Way for Work, an employment placement service for recently released prisoners, also performed well. Although lower than last year, the 5.4 percentage-points reduction in reimprisonment is a very good achievement for a reintegrative service. The result is based on outcomes for all individuals referred to the service and who engaged with one of the recruitment consultants. The effect size attests to the robust relationship between employment and the reduced likelihood of re-offending.

Following similar trends to those seen for prison-based interventions, the community results are slightly down on last year's results. However, the Short Rehabilitation Programme has registered a 4.2 percentage-point reduction in reconvictions, and the Short Motivational Programme has produced a solid 5.7 percentage point impact.

REHABILITATION QUOTIENT		
Interventions in prison	Reimprisonment	Reconviction
Offender Employment, average across activities ⁴²	-2.6	-4.9
Special Treatment Unit Rehabilitation Programme	-8.5	-13.2
Child Sex Offender Special Treatment Unit Programme	-5.2	-6.1
Medium Intensity Rehabilitation Programme	-2.5	-4.0
Drug Treatment Programme (6 months) ⁴³	-5.7	-6.8
Alcohol and Other Drug Intensive Treatment Programme	-4.5	-6.5
Kowhiritanga Programme	-0.1	-4.0
Saili Matagi Programme	-6.3	-5.7
Individual psychological treatment	-1.0	-6.9
Short Rehabilitation Programme	-3.4	-3.9
Short Motivational Programme	-3.4	-2.8
Intensive Literacy and Numeracy Programme	-7.0	-7.9
Release to Work	-1.7	-2.5
Out of Gate	-3.1	-3.7
Supported Accommodation Service	-4.1	-3.3
Whare Oranga Ake	-2.5	-5.0
This Way for Work	-5.4	-6.4
Interventions in the community	Reimprisonment	Reconviction
Individual psychological treatment	-5.3	0.0
Short Motivational Programme	-1.8	-5.7
Short Rehabilitation Programme	-1.4	-4.2
Alcohol and Other Drug Programme	-1.3	-2.3
This Way for Work	-1.7	0.0

	Statistically significant at 95% level
	Approaching 95% statistical significance

42. Offender employment (in prison) is broken down into different employment types (engineering, timber, construction and so on). The figures here are the average effect across the multiple offender employment activities.

43. This programme includes the previous Drug Treatment Unit Programme (6 months).

Appendix Three: Report under section 190 of the Corrections Act 2004

Section 190(1)(A) of the Corrections Act 2004

A report on how the chief executive has carried out their functions under section 8(1)(K) and prison directors have carried out their functions under section 12(D), of ensuring that processes are established and maintained to identify communities significantly affected by policies and practices in the corrections system, and giving opportunity for those communities to give their view on those policies and practices, and ensuring those views are taken into account.

Corrections has a responsibility to identify the communities significantly affected by its policies and practices, to give these communities the opportunity to share their views with Corrections, and to take these views into account. In 2018/19, Corrections identified and consulted communities across New Zealand on matters such as the placement of offenders in the community, our new strategy for improving outcomes with and for Māori, and the impact of ongoing construction projects. Corrections has nine dedicated staff across the country who engage communities on the placement of offenders.

In August 2018, Corrections opened Te Korowai, a transitional residence for offenders with a history of child sex offences. Te Korowai is based on the grounds of Rimutaka Prison and can accommodate up to 11 men at any one time. Prior to opening Te Korowai, Corrections spoke with 21 schools and provided information to over 40 early childhood centres in Upper Hutt and Stokes Valley. We also spoke with representatives from local community groups, service providers, local Police, and Upper Hutt City Council.

We established the Rautaki Māori (Māori Strategy) team in 2017/18 specifically to build our strategy for working with and for Māori, and for improving our engagement with Māori communities. In 2018/19 we launched Te Waireka a 'by Māori for Māori' service that was developed in collaboration with Taiwhenua o Heretaunga. We also established the Kawenata Governance Board, which includes representatives from Corrections, Housing New Zealand and the Kiingitanga. The Kawenata Governance Board has oversight of the initiatives that are outlined in our Kawenata (accord) with the Kiingitanga, which was signed in 2017.

Throughout 2018/19, Corrections developed Hōkai Rangī, our strategy for delivering great outcomes with and for Māori. The Minister launched Hōkai Rangī on 19 August 2019, after extensive consultation with internal and external stakeholders. Corrections' Rautaki Māori team had face-to-face discussions with leadership at Corrections, the Māori Services team, Māori staff across all regions, teams of staff at National Office, and Te Poari Hautū Rautaki Māori (the Māori Leadership Board). Insights were also gathered from Māori service providers, academics, iwi partners, and community groups.

In June 2018, the Minister of Corrections announced that the Government would build a world-leading 600-bed facility at Waikeria Prison, which includes 100 dedicated mental health beds, to replace the aging high security facilities on that site. In developing the new facility, we have been building our relationships with key project partners including Raukawa Charitable Trust Board, Maniapoto Māori Trust Board, and health experts from the Ministry of Health and the Waikato District Health Board. Our first hui with our project partners was hosted at Whakamārama Marae in July 2019.

Outside of the major projects outlined above, the majority of Corrections' governance committees have external members that provide independent input and oversight. For example, the Major Outsourced Contracts Advisory Board, Audit and Risk Committee, Health, Safety and Wellbeing Risk Governance Group, the Prisoner Welfare Advisory Board, Te Poari Hautū Rautaki Māori and the Kawenata Governance Board all have independent members who are not employees of Corrections. For more information on Corrections' governance arrangements, see pages 27 to 28.

Section 190(1)(B) of the Corrections Act 2004

A report on the work undertaken by the inspectors of Corrections, including statistical information about the disposition of complaints made by people under control or supervision and comment on issues arising from complaints or visits.

Mā te titiro me te whakarongo ka puta mai te māramatanga

By looking and listening, we will gain insight

Our vision

That prisoners and offenders are treated in a fair, safe, secure and humane way.

Our values

We acknowledge the Department of Corrections' values: Rangatira (leadership), Manaaki (respect), Wairua (spirituality), Kaitiaki (guardianship) and Whānau (relationships). We also have our own values, specific to the work we do:

- > **Respect** – We are considerate of the dignity of others
- > **Integrity** – We are ethical and do the right thing
- > **Professionalism** – We are competent and focused
- > **Objectivity** – We are open-minded and do not take sides
- > **Diversity** – We are inclusive and value difference

Introduction

The Office of the Inspectorate (the Inspectorate) is a critical part of the independent oversight of the corrections system, and was established and operates under the *Corrections Act 2004* and the *Corrections Regulations 2005*.

The Inspectorate has a wide mandate and provides assurance that prisoners and offenders are treated in a fair, safe, secure and humane way in the corrections system. This in turn strengthens the Department of Corrections' focus on respect for human rights and maintaining dignity.

While part of Corrections, the Inspectorate is independent from operational activities and management which is necessary to ensure objectivity and integrity.

Inspectorate staff have a detailed knowledge and understanding of Corrections' core business. Inspectors have unrestricted access to all staff, facilities, information, documentation, files, records and property under Corrections' care or control.

Functions of the Inspectorate include the investigation of complaints from prisoners and offenders in the community, prison inspections, the investigation of all deaths in custody, and special investigations.

In early 2017 the Inspectorate was significantly enhanced to provide better support and oversight. This enhancement included, in the 2018/19 year, the substantive appointment of a specialist health practitioner in acknowledgement that much of the Inspectorate's work has health-related components. Health also forms a major focus of prison inspections, and complaints often have a health aspect.

In the 2018/19 period the Inspectorate dealt with 3,375 cases. These included complaints, statutory reviews of Visitor Prohibition Orders and misconduct charges, death in custody investigations and special investigations. The Inspectorate's 0800 telephone number received 2,671 calls, and 430 letters or emails were also received.

In 2018/19 the Inspectorate met or exceeded all its key performance indicators.

Complaints

The Inspectorate receives complaints including from prisoners, community offenders, lawyers and members of the public. This year the Inspectorate dealt with 2,666 complaints; 98 percent related to prisons and two percent to Community Corrections. Not surprisingly, the majority of complaints came from larger prison sites and 56 percent of all complaints came from five sites. Twelve frequent complainants submitted 10 percent of all complaints to the Inspectorate.

The most frequent complaint categories were prisoner property, sentence management, the complaints process, prisoner transfers and movements, and staff conduct and attitude. Fifty-nine percent of complaints received fell into these categories.

The expectation is that complaints should be resolved at the lowest level possible. The Inspectorate therefore generally investigates complaints that have already gone through the internal complaints system (that is, the PC.01 system for prisoners and the Complaints Response Desk) and where the complainant is not satisfied. In cases of urgency or safety, a complaint can be made directly to the Inspectorate. Offenders in the community can also escalate a complaint to the Inspectorate.

The Inspectorate's website (<https://inspectorate.corrections.govt.nz/>) outlines in detail how to make a complaint, and also has information in five languages aimed at people for whom English is not their first language.

Additionally, the Inspectorate has developed brochures and posters outlining how to make a complaint, which have been sent to all prisons and Community Corrections sites nationally.

The Inspectorate also monitors the most serious IR.07 complaints, which are complaints made by prisoners about staff members. In the 2018/19 period, the Inspectorate considered 185 IR.07 complaints and monitored 33 of them.

Prison inspections

Inspections provide a 'window into prisons', giving early warning of emerging risks and challenges, and highlighting areas of innovation and good practice that other prisons are encouraged to follow.

In 2018/19 the Inspectorate concluded its 20-month programme of inspections of each of the 18 prisons across New Zealand. Inspection reports have now been published for Auckland Prison, Auckland South Corrections Facility, Hawke's Bay Regional Prison, Invercargill Prison, Manawatu Prison, Mt Eden Corrections Facility, Otago Corrections Facility, Rimutaka Prison and Waikeria Prison. The inspection reports for the remaining nine prisons will be published in the 2019/20 financial year. All released reports are published on the Inspectorate website and printed copies are sent to all prison libraries.

Each prison was assessed against a Healthy Prisons framework, based on the United Nation's Standard Minimum Rules for the Treatment of Prisoners.

Prisons are assessed under four guiding principles:

- > **Safety:** Prisoners are held safely
- > **Respect:** Prisoners are treated with respect for human dignity
- > **Rehabilitation:** Prisoners are able, and expect, to engage in activity that is likely to benefit them
- > **Reintegration:** Prisoners are prepared for release into the community, and helped to reduce their likelihood of re-offending.

The Healthy Prison framework has been updated and is now known as the Inspection Standards. It now includes gender-responsive standards specifically for women and transgender prisoners. The Inspection Standards derive from the updated United Nations Standard Minimum Rules (SMR) for the Treatment of Prisoners ('the Nelson Mandela Rules'), HM Inspectorate of Prisons Expectations (England's equivalent criteria for assessing the treatment of and conditions for men in prisons), the United Nations Rules for the Treatment of Women Prisoners and Non-custodial Measures for Women Offenders ('the Bangkok Rules') and the Yogyakarta Principles (related to sexual orientation and gender identity).

The Inspectorate acknowledges that Māori are over-represented in New Zealand prisons compared with other ethnic groups. Specific standards and indicators have been introduced that take the needs of Māori into account.

The Inspection Standards require inspectors to consider 10 areas of prison life: reception and admission, first days in custody, escorts and transfers, duty of care, health, environment, good order, purposeful activity, reintegration and prison staff.

In May 2019 the Inspectorate began a programme of announced and unannounced follow-up inspections across the prison estate with the aim of building on progress made to date and ensuring prisoners are consistently treated in a fair, safe and humane way.

Additionally, a programme of thematic inspections has also begun, with the first theme being older prisoners. The purpose of this thematic inspection is to understand the age-related needs of older prisoners to support their quality of life, identify the challenges for Corrections with managing a growing number of older prisoners, and to consider older prisoners' preparation for release and on-going support required in the community.

Death in custody investigations

The Inspectorate investigates all deaths in New Zealand prisons and the reports to the Chief Executive are submitted as evidence at subsequent Coronial inquiries.

Comprehensive investigations are carried out into unnatural deaths and those where serious concerns have been raised. Natural deaths are generally investigated with a focus on the adequacy of access to, and provision of, medical care. Investigations are informed by health and other experts, as required.

In 2018/19, 17 death in custody investigations were completed and 114 recommendations were made to Corrections (of these, 107 were fully accepted by the National Commissioner and four were partially accepted).

Conclusion

The Inspectorate's operational independence and increased capability means it is able to provide detailed, evidence-based reports to the Chief Executive that enables Corrections to respond, thus helping to ensure the health and wellbeing of prisoners.

Along with the new responsibilities of the Inspectorate enhancement came more visibility and accessibility. With a wider focus, the Inspectorate aims to demonstrably add value to Corrections' assurance processes and influence change early. By taking a broader lens over the operation of prisons in particular, the Inspectorate aims to lift awareness about what is happening at sites and work in partnership with Corrections to bring about continuous improvement.

The long-term aim of lifting and sustaining standards and strengthening the rehabilitation pathway, will help promote a corrections system which has more engaged prisoners, a reduced potential for violence and a reduction in re-offending.

Section 190(1)(C)(D)(E) of the Corrections Act 2004

A report on the processes and systems in place to supervise and control the monitoring of prisoner phone calls, including statistics on the proportion of prisoner calls monitored (otherwise than merely by being recorded) and the number and percentage of calls disclosed under section 117(1) and (2):

- > to any person other than an employee of the chief executive or a contractor
- > to an employee of the chief executive or a contractor
- > of those disclosed, the number of proceedings against a person for a disciplinary offence in which a recording of any of those calls was used in evidence.

Legislative authority for Corrections to monitor prisoners' telephone calls is provided under section 113 of the *Corrections Act 2004*.

Prisoners in all New Zealand prisons have access to the use of payphones to maintain contact with their loved ones and conduct their personal affairs. They can use these by purchasing a prepaid phone card or by purchasing minutes (for Auckland Prison only) to use to contact approved phone numbers. Each prisoner is allowed a maximum of 10 approved phone numbers. In order to be added to the approved list, the prison must contact the recipient and confirm their identity and willingness to speak with the caller. Each phone call has a maximum time limit of 15 minutes.

While the majority of phone calls made from prison are for legitimate purposes, it is important that Corrections monitors these phone calls, in order to maintain the safety of prisoners, staff and the public.

Prisoners are made aware that phone calls will be recorded and that a portion of these phone calls will be monitored. The exceptions to this are calls made to legal representatives, the Office of the Ombudsman, Crimestoppers, government departments and Members of Parliament, which are exempt from monitoring.

In 2018/19, the total number of calls monitored in publicly-managed prisons was 73,525. This is an increase of more than 1,800 calls from the previous year. [2017/18: 71,701]

The information Corrections gathers from these phone calls is used to prevent and detect crime such as threats of violence, contraband introductions, breaches of non-contact conditions and coercion of witnesses. Corrections also shares relevant information from these calls with partner agencies, such as New Zealand Police where appropriate.

We do not centrally record the number of phone calls that are disclosed externally (for example, to Police) under sections 117(1) and 117(2) of the *Corrections Act 2004*. Nevertheless, we take care when disclosing any such phone calls and know that these disclosures often result in the prevention of crime and the prosecution of perpetrators (including prisoners, visitors, and members of the community). Sharing this information with our partners also enables us to identify visitors who may pose a threat to staff and prisoners, and has led to the discovery of drugs and other contraband.

Section 190(1)(F) of the Corrections Act 2004

A report on:

- > **the measures taken to reduce drug and alcohol use by those prisoners**
- > **the effectiveness of those measures**
- > **random-testing programmes, including a summary of results of those programmes.**

Alcohol and other drug abuse is a substantial issue for many of the people we work with. Research undertaken by Corrections indicates that around 87 percent⁴⁴ of people in prisons have met the diagnostic criteria for a substance use disorder at some point in their life, and at least 47 percent would have met the criteria within the last 12 months.

For many of those under our management, substance abuse forms both a driver for their offending and a barrier to their rehabilitation. To support people in breaking the cycles of behaviour that have led them to offend, Corrections continues to invest in the development and delivery of interventions and aftercare services. These services, which are delivered in prisons and the community, aim to encourage long-lasting change for participants and help them develop the knowledge and skills to live healthier, offence-free lives.

Interventions in prisons and the community present different challenges for treatment. Prisoners can experience higher levels of boredom or stress as a result of their incarceration and isolation from friends and family, both of which can complicate their recovery from substance use. Conversely, withdrawing from the habits and people which reinforce their substance use, prisoners may be more motivated to change, especially where their imprisonment has been a result of their substance use.

Prisons

Treatment and intervention

Drug Treatment Programmes

Drug Treatment Programmes are offered in most of our prisons and provide alcohol and other drug treatment over the course of three to 12 months. The programmes are offered in a therapeutic community environment, and are delivered by experienced addiction counsellors. Through the programmes participants develop an understanding of the links between their substance use and their offending, as well as the impact these have on their whānau. With the support of counsellors, participants develop a plan which helps manage the risk factors for their substance use and offending. Those engaged in a Drug Treatment Programme can also choose to participate in an elective around mental health and wellbeing, designed to address potential barriers to wellness and teach self-help techniques.

In 2018/19, 754 individuals completed a three, six or 12-month Drug Treatment Programme.

Intensive Treatment Programmes

Intensive Treatment Programmes are eight week long recovery-focused interventions, providing participants with the knowledge, attitudes and skills required to address their substance use. Corrections currently offers two Intensive Treatment Programmes, Te Whare Tapa Wha Alcohol and Other Drug Intensive Treatment Programme and the Salvation Army Intensive Treatment Programme.

Te Whare Tapa Wha Alcohol and Other Drug Intensive Treatment Programme is available at Northland Region Corrections Facility and incorporates a Tikanga Māori approach, built around the Te Whare Tapa Wha wellbeing framework.

The Salvation Army Intensive Treatment Programme is delivered in Auckland Region Women's Corrections Facility, Spring Hill Corrections Facility, Manawatu Prison and Christchurch Women's Prison. The programme includes comprehensive assessment and aftercare components to ensure participants remain supported.

In 2018/19, 257 individuals completed Intensive Treatment Programmes.

44. Comorbid substance use disorders and mental health disorders among New Zealand prisoners - https://www.corrections.govt.nz/_data/assets/pdf_file/0011/846362/Comorbid_substance_use_disorders_and_mental_health_disorders_among_NZ_prisoners_June_2016_final.pdf

Gender-responsive and youth programmes

Launched in 2017/18, Corrections offers Te Ira Wahine - a gender-responsive treatment programme, and Tamaua te Koronga - a youth-focused treatment programme, which are designed to meet the alcohol and other drug treatment needs of women and youth in prisons. The programmes are designed and delivered using a trauma-informed approach by kaupapa Māori providers.

In 2018/19, 17 individuals completed Te Ira Wahine and 28 individuals completed Tamaua te Koronga.

Methamphetamine screening and intervention

Screening, Brief Intervention, and Referral to Treatment (SBIRT) was introduced as a pilot at Mt Eden Corrections Facility in September 2017, and expanded to include Christchurch Men's Prison in June 2018. The intervention enables the early identification of individuals remanded in prison who have methamphetamine use issues and facilitates their referral to an appropriate treatment programme. Corrections' methamphetamine treatment options include the 'Meth and Me' Group Intervention, and The Methamphetamine Elective for participants undertaking Drug Treatment Programmes. Both programmes educate participants about the long-term effects of methamphetamine use, withdrawal symptoms, making healthy, drug-free choices and relapse prevention strategies.

In 2018/19, 1,355 individuals were assessed through the SBIRT pilot, of which 1,058 individuals were referred to, and chose to participate in, a subsequent treatment programme.

Drug Testing

Under section 124(2)(B) of the *Corrections Act 2004*, prisoners may be required to submit to drug or alcohol testing under a random testing programme.

Drug detection programmes are in place in prison to prevent the supply of drugs into prison, and reduce re-offending by reducing drug use in prison and on release.

The criteria for the general random testing programme are applicable to prisoners who have spent 30 continuous days in prison and have more than 10 days to serve.

Prisoners who meet the criteria may be required to submit to a random drug test, to detect whether or not they have used drugs or alcohol or both.

Corrections carried out 4,514 drug tests in prisons under the general random drug testing regime during 2018/19 (2017/18: 4,700). The proportion of drug tests returning a positive result was 3.6 percent (2017/18: 3.6%).

Community

Treatment and intervention

Corrections provides community-based alcohol and other drugs treatment through residential treatment and intensive outpatient treatment programmes.

Community Residential Alcohol and Other Drug Treatment Programme

Corrections purchases placements in residential treatment programmes across New Zealand. The programmes are led by high-quality service providers, and targeted toward people in our care with a high risk of substance use. The programmes vary in length from eight weeks to nine months, based on provider.

In 2018/19, Corrections expanded services to 21 places nationally.

Intensive Outpatient Alcohol and Other Drug Programme

The Intensive Outpatient AOD Programme is designed to provide a treatment option for community-based participants with a high risk of dependence or issues arising from dependence, and who are unable to participate in a residential treatment programme due to other commitments, such as childcare arrangements or employment obligations. The programme is eight weeks long and runs in Auckland and Whangarei.

In 2018/19, 57 people completed the programme.

Drug Testing

The Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill enables Corrections and Police to require offenders and bailees to undergo alcohol and other drug testing and monitoring in relation to:

- > Offenders under the *Sentencing Act 2002*
- > Offenders under the *Parole Act 2002*
- > Offenders under the *Returning Offenders (Management and Information) Act 2015*
- > Persons on protective supervision orders under the *Public Safety (Public Protection Orders) Act 2014*
- > Defendants under the *Bail Act 2000*.

Alcohol and other drugs testing in the community allows for the effective monitoring of offenders and bailees who are subject to an abstinence condition.

From May 2017 to June 2019 Corrections and the New Zealand Police undertook a joint pilot for community drug and alcohol testing in the Northern region. In the two years of the pilot, approximately 4,500 urine tests were conducted, and 120 individuals were subject to an alcohol monitoring bracelet. Positive results were returned for alcohol or other drugs in around 2,000 of the urine tests. Positive results helped to identify those who would benefit from referral to an Alcohol and Other Drugs Treatment programme.

Through Budget 2019 funding has been secured by Police and Corrections for a national roll-out of the programme, which will commence in 2019/20.

Aftercare Support

Aftercare services help those individuals who have already completed a drug treatment programme in prison or the community to maintain the positive gains they have made in addressing their substance use. The service provides an important step in an individual's journey to recovery.

Alcohol and Other Drugs Aftercare Worker Pilot

The Alcohol and Other Drugs Aftercare Worker pilot was introduced in July 2016, as an optional service for those who have successfully completed either the Drug Treatment or Intensive Treatment Programme. The service includes group and one-on-one sessions, to support the participant in maintaining the changes made during their treatment and avoid triggers for relapse.

Corrections has 19 aftercare workers based across 13 prisons. In 2018/19, aftercare workers provided services for 469 individuals in prison and after release.

From 2019/20, the Alcohol and Other Drugs Aftercare Worker programme has become a core part of our drug treatment programmes.

RecoverRing – Alcohol and Other Drugs Support Line

RecoverRing is a free support line which specialises in alcohol and drug abuse issues. The service is available 24 hours a day, seven days a week and provides people affected by drug abuse with access to information and advice from qualified and registered practitioners who specialise in addictions. The service provides access to continued support and a referral pathway, to help them to maintain their recovery, and access to follow-up support.

In 2018/19, 1,107 calls were made to/by the RecoverRing service.

Section 190(1)(G) of the Corrections Act 2004

A report on the operation of every security contract in force for the whole, or any part, of the year to which the Annual Report relates, including:

- > a summary of reports forwarded to the chief executive under section 171(2) or (3) and a summary of reports made to the chief executive under section 172(2)(b)
- > a summary of actions taken in relation to the operation of security contracts as a result of matters raised in any reporting forwarded or made.

Training provided to security officers employed by the Contractor

- > The Contractor's security officers received the following current training as required:
- > Class Two Driver Training
- > Advanced Driver Training
- > Control & Restraint (including refresher course)
- > First Aid Certification (including refresher course)
- > Tactical Response (including refresher course)
- > Prisoner Escort and Courtroom Custodial Services Modular Training
- > Mental Health First Aid
- > Hazard Reporting
- > Assessor Training
- > Health & Safety Toolbox Talks (Emergency Procedures, Hazardous Manual Handling, Corporate Values, Acts of Aggression, Holiday Season, Slips, Trips and Falls, Stress and Fatigue Management, Workplace Inspections).

The number and nature of complaints made by persons in relation to the carrying out, by security officers employed by the Contractor, of escort duties in respect of those persons, and how those complaints were resolved

There were two complaints made by prisoners in relation to security officers employed by the Contractor.

Both complaints were investigated and the security officers were found to have acted in compliance with relevant policies, procedures and legislation.

The number and nature of any incidents involving violence by or against prisoners while in the custody of security officers employed by the Contractor

There were no reported incidents involving violence by prisoners (excluding those outlined elsewhere) while in the custody of security officers employed by the Contractor.

The number and nature of any incidents involving violence against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties

There were two reported incidents involving violence by prisoners against a security officer employed by the Contractor while carrying out escort duties or courtroom custodial duties. Charges were filed with the Police following each incident. The first charge resulted in a sentence of imprisonment. The second is in progress with the courts.

The number and nature of any incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor

There were four reported incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor.

The compliance, by security officers employed by the Contractor, with the requirements of sections 83, 84, 85, 87 and 88 of the Corrections Act 2004

A total of 13 incidents were recorded in this area. All incidents were investigated and determined to be compliant with the requirements as specified in the *Corrections Act 2004*.

The exercise, by security officers employed by the Contractor, of the powers conferred by sections 98 and 101 of the *Corrections Act 2004*

A total of 42,735 searches were recorded by security officers employed by the Contractor during the reporting year. This included five strip searches.

The number and nature of any disciplinary actions taken against security officers employed by the Contractor, and the reasons for, and outcomes of, those actions, including any penalties imposed

Employment investigations were initiated against two security officers employed by the Contractor for failure to follow process. The proceedings resulted in one written warning and one final written warning.

Section 190(1)(H) of the Corrections Act 2004

A report on the operation of every contract prison that was in operation for the whole or any part of the year to which the Annual Report relates, which includes:

- > a summary of the reports forwarded to the chief executive under section 199D(1A), (2), and (3)
- > a summary of the reports made to the chief executive under section 199E(3)(b) during the year to which the annual report relates
- > a summary of any actions taken, during that year, in relation to the management of contract prisons as a result of any matters raised in any report so forwarded or made, whether during that year or any previous year.

Auckland South Corrections Facility

On 10 September 2012, Corrections engaged in a Public Private Partnership (PPP) with SecureFuture Wiri Limited (SecureFuture) to design, build, finance, operate and maintain Auckland South Corrections Facility (ASCF).

ASCF is currently New Zealand's only privately-run prison and has been operating since May 2015. ASCF is a 960 bed men's prison located at Wiri, in Auckland. Prisoners at the prison range from minimum to high security.

The ASCF contract takes an outcomes-based approach. It incentivises the contractor to deliver better outcomes than Corrections in reducing re-offending, without compromising on safety and security. There is a strong focus on offering prisoners practical skills and training that will translate into realistic employment opportunities when they leave prison.

The Contract

The contract held between SecureFuture and Corrections is monitored against a range of key performance indicators (KPIs), which support the safe and secure operation of the prison, and the provision of effective rehabilitation and reintegration.

The contract has a set of Key Performance Indicator (KPI) measures that make up the performance framework for ASCF. The KPIs measure both custodial and rehabilitation performance and outcomes and the framework comprises of financial and contractual mechanisms.

If ASCF breaches a KPI, there may be financial penalties (called abatements) or Service Failure Points (SFPs) applied, or for particularly serious incidents, a significant financial penalty of up to \$600,000 applies. SFPs accrue as a result of any KPI breach and as the number of SFPs increase the level of intervention available to Corrections increases. This can include requiring additional reporting or a rectification programme to Corrections' expectations.

The Contractor provides monthly, quarterly and annual reports to Corrections. The reports provide information on custodial performance and rehabilitation and reintegration information. In addition, the Prison Director at ASCF is a member of Corrections' Northern Regional Management Team and meets regularly with the Northern Regional Commissioner.

Prison Monitors

Corrections has a team of three site-based monitors that oversee the prison's performance and ensure it is meeting the expected standards. Their monitoring role includes inspections of prison operations against contractual and legislative requirements.

Special monitors are appointed by Corrections on an as-needed basis, in order to investigate specific risks or performance concerns.

Prison Inspectors

Prison Inspectors are empowered under the *Corrections Act 2004*, the *Corrections Regulations 2005*, and the mandate of the Chief Executive. This mandate empowers the Office of the Inspectorate to undertake prison inspections and to report on the treatment and people detained within the Corrections system, including those detained at ASCF.

Contractual Abatements for 2018/19

> **Category 1 KPIs (Chargeable Events)**

There were no chargeable events in 2018/19.

> **Category 2 KPIs (Key Operational Incidents)**

There were 23 Category 2 KPI breaches in 2018/19, resulting in a financial abatement of \$642,977. These KPI breaches related to reporting, complaints, positive prisoner drug tests, and prisoner incidents.

> **Category 3 KPIs (Custodial Performance - Operational Incidents)**

These KPIs are measured quarterly as green (favourable), amber or red. In 2018/19 the custodial performance trend report tracked as green, and no financial abatement was incurred.

> **Category 4 KPIs (Rehabilitation and Reintegration)**

These KPIs are measured quarterly as green (favourable), amber or red. In 2018/19, the rehabilitation and reintegration performance trend report tracked as green, and no financial abatement was incurred.

Performance for 2018/19

Complaints

In the 2018/19 year a total of 1,979 prisoner complaints were received regarding operations at the prison, the nature of the complaints related to a range of prison operations, including health, fitness, food, employment of prisoners, visitation, access to services and staff conduct. All complaints are taken very seriously and the concerns were addressed as appropriate.

Rehabilitation and Reintegration

Under our contract with SecureFuture, we began measuring the rehabilitation performance of ASCF in 2017/18. The contract includes a financial incentive to improve rehabilitation, which the contractor is only eligible for if they demonstrate a 10 percent (or greater) improvement in rehabilitation outcomes, when compared to Corrections.

Analysis of reducing re-offending data for the 2017/18 year showed that for SecureFuture, fewer prisoners returned to custody within a 24 month period after release. This resulted in a contractual performance payment being made to SecureFuture in 2018/19, in relation to reducing re-offending performance for Māori prisoners and for reducing re-offending for the general prisoner population.

Rehabilitation services offered at the site include: Alcohol and other drugs treatment, family services, non-violence programmes, individual treatment and medium-intensity rehabilitation programmes. Around 540 of these programmes were completed by individuals at ASCF in the 2018/19 year.

Prisoners at ASCF are able to undertake education and employment training, supported by industries experience in grounds maintenance, horticulture/ nursery, kitchen, barista, bakery, catering, laundry, recycling, engineering, distribution, construction, and joinery. Activities of this nature provide prisoners with new skills that help them into employment upon their return to the community.

This year, prisoners at ASCF:

- > produced 5.2 tonnes of fresh vegetables from the prison gardens
- > built over 1.3 tonnes of timber framing
- > repaired or manufactured 217 skip bins
- > manufactured 21 cabins
- > constructed 310 wooden pallets and cartons.

Appendix Four: Report under section 121 of the Public Safety (Public Protection Orders) Act 2014

Public protection orders are a form of civil detention order, which can be imposed upon a person who is considered to have a very high risk of violent or sexual offending. These orders are applied by the court in circumstances where that person has served their prison sentence, but could not be safely placed in the community due to the risk they pose to others.

The *Public Safety (Public Protection Orders) Act 2014* allows for the application of these orders, and ensures that they are administered in such a way as to protect the public, and not to further punish an offender who has already served their sentence.

The following table presents information required under section 121(1) of the Public Safety (Public Protection Orders) Act 2014.

Section of the Act s121 (1)	Description of measure	Result of measure (for the year ended 30 June 2019)
a	The number of persons who, at the end of the year, are detained, under this Act, in residences and state, for each person so detained, the number of months for which the person has been detained in a residence	Three people were detained at the Matawhāiti Residence for 20 months, 29 months and 38 months respectively.
b	The number of persons who, at the end of the year, are detained under this Act, in prisons and state, for each person so detained, the number of months for which the person has been detained in prison, and the reasons for that detention	None
c	The number of persons who have been released on protective supervision	None
d	The number of persons who were on protective supervision and who have again been detained under this Act	None
e	The number of times that the chief executive applied to the court, ahead of time and pursuant to a direction of the review panel, for a review of a public protection order	None
f	The number of appeals against orders made under this Act, and the outcome of each appeal	There were three appeals. Two were made against public protection orders and the Court of Appeal judgments for both these appeals were reserved. One appeal was made against an interim detention order and the Court of Appeal judgment allowed the appeal.
g	The number and nature of any serious incidents involving residents or staff members of residences, or both	There was one serious incident where a resident was in possession of an offensive weapon. He was arrested and charged with Threat to Kill/ Grievous Bodily Harm and was remanded in custody on those charges. The resident was dealt with under s29 of the <i>Intellectual Disability (Compulsory Care and Rehabilitation) Act 2003</i> and the interim detention order was suspended.
h	The number and nature of any incidents involving the use of significant force or restraints on residents	None
i	The number of times seclusion was imposed on residents, and the duration of, and reason for, each episode of seclusion	None
j	The number of times that residents were hospitalised	None
k	The number of residents who died	None
l	The number of emergencies in residences that required assistance from corrections officers	None
m	Any other matter that the chief executive considers should be included in the annual report	None

Appendix Five: Report under section 50(A) of the Victims' Rights Act 2002

A report about victims, including:

- > **a summary of services provided to victims**
- > **statistical information about the type of complaints received; and the disposition of those complaints.**

The *Victims' Rights Act (2002)* and the corresponding *Victims' Code of Rights (2015)* outline the rights of victims of crime in the criminal justice system. The Victim's Code outlines eight principles for the treatment of victims in the justice system:

- > **Safety** – services should be provided in a way that minimises potential harm and puts safety first
- > **Respect** – providers should treat victims with courtesy and compassion, and respect cultural, religious, ethnic and social needs, values and beliefs
- > **Dignity and Privacy** – providers should treat victims with dignity and protect their privacy
- > **Fair Treatment** – providers should respond appropriately to a victim's needs and provide services in a timely way
- > **Informed Choice** – providers should understand the victim's situation and tell the victim of the different ways they can get help
- > **Quality Services** – providers should work together so the victim and whānau receive quality services that meet the victim's needs
- > **Communication** – providers should give information in a way that is easy to understand and is effective
- > **Feedback** – providers should let the victim know how they can give feedback or make a complaint.

Corrections maintains a victim notification register through which victims (or their appointed representative) can access limited, relevant information about offenders in their case. It is important for the wellbeing of victims that the information is kept up-to-date, they are treated with respect, their privacy is maintained, and they are provided information in an accurate and timely manner.

During 2018/19, Corrections received a total of eight complaints from registered victims in respect to the victim notification register. Six of the complaints received were justified.

The six justified complaints related to:

- > A victim not receiving notification regarding an offender's release within intended timeframes
- > Two instances of contact being made with a victim and not their appointed representative
- > A letter being sent to a victim, which contained an unrelated offender's name
- > An incorrect sentence completion date being provided to a victim as the result of a system error
- > A victim receiving insufficient notice that an offender had been given approval to enter their exclusion zone. Although not a legislative requirement, it is practice to provide this information (with as much advance notification as possible) to ensure a victim has an opportunity to put safety measures in place.

Two further complaints were received, but were deemed unjustified.

Reviewing victim feedback and complaints is an important part of improving Corrections, and the wider justice sector's services to victims of crime, and we endeavour to learn from each of these complaints.

Corrections is part of a 'victims of crime' inter-agency committee, which includes representatives from key justice sector agencies. This committee brings together non-identifying victim complaints data from across the sector to identify trends and make service improvements.

Appendix Six: Report under section 54IA of the Sentencing Act 2002

A report about the use of electronic monitoring, including:

- > **the number of offenders who were at any time subject to an electronic monitoring condition**
- > **the average number of offenders who were subject to an electronic monitoring condition and the average duration of the condition**
- > **the percentage of offenders who, while subject to an electronic monitoring condition were:**
 - **convicted for failing to comply with the condition;**
 - **convicted of any other offence**
- > **a description of processes and systems relating to electronic monitoring that were in place during the year reported on.**

Corrections electronically monitors the movements of certain community-based offenders and individuals who are on bail in the community (defendants). Corrections does not determine which offenders and defendants are tracked – this is a decision for the courts and the New Zealand Parole Board. The courts may impose an electronic monitoring condition as part of community-based sentences and orders (for example community detention, home detention and extended supervision) or as part of a bail application. The New Zealand Parole Board may also impose an electronic monitoring condition when granting parole. While subject to electronic monitoring, offenders and defendants are tracked 24 hours a day, seven days a week.

Prisoners who have had their application for temporary release (to temporarily leave the prison grounds to undertake paid employment) or guided release (to temporarily leave the prison grounds to undertake certain reintegration activities) approved are also monitored electronically. These individuals are monitored for the duration of their time outside of the prison grounds.

Individuals who are subject to an electronic monitoring condition have a tracker attached around their ankle. Until 2012, Corrections almost exclusively used Radio Frequency (RF) technology. RF technology works by sending an alert when the individual leaves the range of a beacon that has been installed in their home. Since 2012, Corrections has significantly increased the use of GPS technology. GPS technology tracks the individual's movements via satellite and can tell us where the individual goes, the route they took, and how long it took them. RF technology is now used for offenders on the lowest-level sentences (community detention), with GPS technology being primarily used in all other cases.

Corrections electronically monitors around 5,000 individuals at any one time. Our service provider, Attenti, operates a dedicated 24/7 monitoring centre to undertake these operations. When Attenti receives an alert relating to potential non-compliance, they contact Corrections directly. Non-compliance can include when an individual leaves the area in which they are required to stay (for example, individuals on home detention are not allowed to leave their residence without prior approval), enters an area that they have been excluded from (for example, some individuals may not be allowed to enter parks, schools and other public places), or attempt to tamper with, or remove, their tracker.

Corrections has a 24/7 team available to respond to non-compliance. Our response to non-compliance differs depending on the seriousness of the case, and can include contacting the individual or their family by phone, sending a field officer to check in with the individual, or contacting Police. Corrections has a staff member placed at Police National Headquarters, to ensure that communication between our two organisations is fast and efficient.

Electronic monitoring is one of many tools that Corrections uses to manage individuals in the community. Offenders (not including defendants) may also have regular risk assessments, access to programmes that address rehabilitation, employment and education outcomes, positive community support, and one-on-one meetings and home visits with their probation officer. Defendants differ from offenders in that they are formally managed by Police. For these people, Corrections is primarily responsible for the electronic monitoring aspect of their management.

Electronic monitoring in 2018/19

As at 30 June 2019:

- > 1,514 offenders were electronically monitored on community detention
- > 1,533 offenders were electronically monitored on home detention
- > 53 offenders were electronically monitored on intensive supervision
- > seven offenders were electronically monitored on returning offender orders
- > 100 offenders were electronically monitored after being released on conditions
- > 937 defendants were on electronically monitored bail
- > 133 offenders were electronically monitored on extended supervision orders
- > 193 offenders were electronically monitored on parole.

During the 2018/19 financial year, 15,560 individuals were subject to an electronic monitoring condition as part of their sentence, order or bail, for all or part of the year. The average duration of all electronic monitoring conditions was three years, six months and 27 days.

Ninety-five percent of monitored individuals did not remove or tamper with their tracker during the year. When excluding defendants being monitored on bail, this level of compliance increases to 98 percent.

In this period there were 300 offenders (not including defendants) who attempted to remove or tamper with their tracker. Of these offenders, 219 were serving home detention, 30 were on parole and the remaining 51 were serving community detention or intensive supervision, or were subject to extended supervision or release on conditions. Of all offenders who were subject to an electronic monitoring condition in the 2018/19 financial year, 98.7 percent complied with that condition. The percentage of all offenders who, while subject to an electronic monitoring condition, were not convicted of any other offence was 98.5 percent.

In 2018/19, Corrections also increased its capacity to electronically monitor defendants in the community. This has been supported by the EM Bail Ready initiative, which is enabling greater access to electronically monitored bail for eligible defendants. For more information on the EM Bail Ready Initiative, see page 41.

In the 12 months to 30 June 2019 the number of defendants on electronically monitored bail increased from 732 to 937. Approximately 3,000 defendants were electronically monitored at some point in the year; 438 of these defendants attempted to remove or tamper with their tracker.

Appendix Seven: Report under 15A of the Parole Act 2002

A report about the use of electronic monitoring, including:

- > the number of offenders who were at any time subject to an electronic monitoring condition
- > the average number of offenders who were subject to an electronic monitoring condition and the average duration of the condition
- > the percentage of offenders who, while subject to an electronic monitoring condition attached to an extended supervision order, were:
 - convicted for a breach of the condition; or
 - convicted of any other offence
- > a description of processes and systems relating to electronic monitoring that were in place during the year reported on.

Corrections manages offenders on parole and extended supervision who are electronically monitored on a residential restrictions special condition under the provisions of section 15(3)(ab). The following information relates to offenders subject to electronic monitoring under either section 15(3)(f) or section 15(3)(ab) of the *Parole Act 2002* for the financial year to 30 June 2019.

Offenders subject to electronic monitoring are required to wear an electronic anklet at all times to allow Corrections to monitor their location. If the offender tries to remove the anklet or leaves the monitored address without permission, an alert is triggered and action is taken to assess the offender's whereabouts.

Offenders subject to an electronic monitoring condition may be required to submit to GPS monitoring. GPS monitoring enhances the ability of Corrections to monitor an offender's compliance with any special condition they have related to their location in the community. It provides real-time information on an offender's location, which allows early detection of an offender entering prohibited locations or leaving a place in which they must remain.

As at 30 June 2019, 326 people were subject to electronic monitoring as a condition of either parole or extended supervision.

In 2018/19, the average number of offenders who were at any time subject to electronic monitoring as a condition of parole was 168 and 155 as a condition of extended supervision. The average length of time for which an individual was electronically monitored as a condition of parole was 1 year, 8 months, 2 days, and as a condition of extended supervision was 7 years, 8 months, 5 days.

During the financial year, 21 (10.5%) offenders subject to an electronic monitoring condition attached to an extended supervision order, were convicted for a breach of that condition and 39 (19.5% of the total) were convicted of any other offence. Breach of an EM condition can include: removing or tampering with an EM tracker, entering an exclusion zone or breaking curfew.

Further information about the processes and systems relating to electronic monitoring in place during the 2018/19 year can be found in on page 44 of this report.

Appendix Eight: Profile of our people

Corrections has almost 10,000 staff across the country. The profile of our people outlines our workforce by gender, role designation, remuneration, age, ethnicity and length of service. For data back to 30 June 2013, please see Corrections' 2015/16 Annual Report:

http://www.corrections.govt.nz/resources/strategic_reports/annual-reports.html

All employees by gender

Gender	As at 30 June 2018			As at 30 June 2019		
	Full Time	Part Time	Total	Full Time	Part Time	Total
Female	4,006	399	4,405	4,300	413	4,713
Male	4,717	175	4,892	4,871	175	5,046
Grand total	8,723	574	9,297	9,171	588	9,759

All employees by age group

Age	As at 30 June 2018			As at 30 June 2019		
	Frontline	Non-Frontline	Total	Frontline	Non-Frontline	Total
<25 years	256	30	286	276	35	311
25 to 34 years	1,365	171	1,536	1,575	190	1,765
35 to 44 years	1,566	191	1,757	1,604	216	1,820
45 to 54 years	2,288	232	2,520	2,352	260	2,612
55 to 64 years	1,881	154	2,035	1,996	174	2,170
>65 years	378	23	401	389	28	417
Not recorded	698	64	762	601	63	664
Grand total	8,432	865	9,297	8,793	966	9,759

All employees by ethnicity

	As at 30 June 2018	As at 30 June 2019
New Zealand European	56.8%	56.1%
Māori	21.4%	21.2%
Pacific People	11.3%	11.8%
Other	31.7%	32.4%

All employees by designation group

Designation group	As at 30 June 2018			As at 30 June 2019		
	Female	Male	Total	Female	Male	Total
Administration Officer	358	31	389	370	32	402
Administration Support Officer	145	22	167	151	24	175
Adviser	297	218	515	342	237	579
Case Manager	186	113	299	207	114	321
Clerical	63	10	73	70	10	80
Community Work Supervisor	90	208	298	90	206	296
Corrections Officer	1,063	2,756	3,819	1,157	2,813	3,970
Deputy Chief Executive	3	5	8	3	4	7
Executive Assistant/ PA	29	0	29	18	1	19
External Secondment	4	4	8	4	6	10
Facilitator/ Principal Facilitator	214	104	318	204	103	307
Instructor/ Principal Instructor	60	286	346	57	297	354
Manager	164	177	341	177	200	377
Nurse	163	63	226	171	65	236
Other	365	268	633	435	303	738
Practice Leader	55	30	85	60	26	86
Probation Officer/ Senior Practitioner	821	404	1,225	888	409	1,297
Psychologist/ Principal Psychologist	152	41	193	140	45	185
Regional Manager/ Commissioner	10	9	19	8	11	19
Residential Manager	12	56	68	15	50	65
Service Manager	115	69	184	113	69	182
Team Leader	36	18	54	33	21	54
Grand total	4,405	4,892	9,297	4,713	5,046	9,759

Remuneration

Remuneration of staff by salary and gender, as at 30 June 2019⁴⁵

Remuneration band	Female	Male
<\$40,000	8	0
\$40,000 - \$49,999	164	26
\$50,000 - \$59,999	1,572	1,610
\$60,000 - \$69,999	1,257	1,437
\$70,000 - \$79,999	853	1,071
\$80,000 - \$89,999	134	126
\$90,000 - \$99,999	192	138
\$100,000 - \$109,999	186	161
\$110,000 - \$119,999	83	78
\$120,000 - \$129,999	78	65
\$130,000 - \$139,999	32	59
\$140,000 - \$149,999	33	22
\$150,000 - \$159,999	20	21
\$160,000 - \$169,999	15	17
\$170,000 - \$179,999	7	14
\$180,000 - \$189,999	10	11
\$190,000 - \$199,999	8	8
\$200,000 - \$209,999	6	6
\$210,000 - \$219,999	1	5
\$220,000+	11	22
Grand total	4,670	4,897

45. Table excludes those staff on hourly rates.

Remuneration of staff by salary and age group, as at 30 June 2019⁴⁶

Remuneration band	<25 years	25 to 34	35 to 44	45 to 54	55 to 64	>64 years	Not recorded
<\$40,000	2	1	0	2	2	0	1
\$40,000 - \$49,999	29	45	33	40	32	4	7
\$50,000 - \$59,999	200	764	599	813	548	91	167
\$60,000 - \$69,999	64	546	461	725	601	117	180
\$70,000 - \$79,999	12	219	357	547	558	92	139
\$80,000 - \$89,999	0	53	45	67	56	10	29
\$90,000 - \$99,999	2	68	82	85	55	12	26
\$100,000 - \$109,999	2	30	75	88	98	20	34
\$110,000 - \$119,999	0	17	45	50	32	5	12
\$120,000 - \$129,999	0	12	40	36	35	5	15
\$130,000 - \$139,999	0	3	18	36	22	3	9
\$140,000 - \$149,999	0	2	9	26	12	1	5
\$150,000 - \$159,999	0	0	16	14	9	1	1
\$160,000 - \$169,999	0	1	4	15	10	0	2
\$170,000 - \$179,999	0	0	8	2	4	1	6
\$180,000 - \$189,999	0	0	2	11	5	1	2
\$190,000 - \$199,999	0	1	1	4	9	1	0
\$200,000 - \$209,999	0	0	5	6	0	0	1
\$210,000 - \$219,999	0	0	0	3	1	0	2
\$220,000+	0	0	8	10	11	2	2
Grand total	311	1,762	1,808	2,580	2,100	366	640

46. Table excludes those staff on hourly rates.

Turnover and length of service

Average length of service, by age and gender

Age	As at 30 June 2018			As at 30 June 2019		
	Female	Male	Total	Female	Male	Total
<25 yrs	1.08	1.08	1.08	1.21	1.38	1.27
25 to 29 yrs	2.17	1.87	2.04	2.14	2.10	2.13
30 to 34 yrs	3.43	3.26	3.35	3.46	3.24	3.35
35 to 39 yrs	4.89	5.12	5.01	4.76	5.07	4.91
40 to 44 yrs	6.20	6.89	6.55	5.99	6.89	6.45
45 to 49 yrs	6.85	7.75	7.31	6.51	7.72	7.09
50 to 54 yrs	8.09	10.31	9.30	8.30	9.91	9.16
55 to 59 yrs	10.03	13.77	12.19	9.99	13.31	11.94
60 to 64 yrs	13.43	17.41	16.08	13.47	16.98	15.72
>65 yrs	18.03	18.56	18.38	17.79	18.71	18.41
Not Recorded	6.16	6.40	6.26	7.24	7.52	7.36
Grand total	6.82	9.37	8.16	6.80	9.26	8.07

Turnover at Corrections

Group	As at 30 June 2017	As at 30 June 2018
	%	%
Frontline	8.7%	9.2%
Non-Frontline	12.3%	14.5%
Male	8.2%	9.1%
Female	10.1%	10.5%
Management	6.3%	3.4%
Non-Management	3.8%	10.6%

Appendix Nine: Asset Performance

The Department of Corrections (Corrections) manages over \$3.5 billion of assets, providing facilities, technology, and equipment that support a nationwide network of 18 prisons and around 100 Community Corrections sites. The assets referred to in this section are limited to the Property and Information Technology (ICT) portfolios with the exception of Corrections' fleet. Asset Management Maturity (that includes Asset Performance Monitoring) is becoming increasingly important because Corrections is considered a Tier 1 investment-intensive agency under the Investor Confidence Rating (ICR) framework⁴⁷. The ICT portfolio has a generally lower maturity expectation and target than property due to its comparative size in terms of value, complexity and investment expectations.

Management of prison capacity, risk management and service delivery are interrelated across the corrections system. Increases to the prison population place greater demand on capacity and heightens risk management with the expectation that these will impact on service delivery. Corrections' asset management varies between custodial facilities and assets to assist with monitoring offenders serving sentences and orders in the community.

Property asset performance measures

The following asset performance measures apply to our owned and leased assets in our property portfolio:

Measure	Indicator	2017/18	2018/19	2018/19	2019/20
		Actual	Target	Actual	Target
Percentage of prison buildings with an excellent/ good condition	Condition	86%	85%	76%	85%
Percentage of Community Corrections site owned buildings with an excellent/ good condition	Condition	85%	85%	73%	85%
Percentage of prison service available capacity at 30 June	Utilisation	99%	99%	98%	99%
Percentage of prison service utilisation of Rated Maximum Capacity at 30 June ⁴⁸	Utilisation	113%	-	108%	-
Number of reactive calls, as a rate per prisoner ⁴⁹	Functionality	4.65	4.40 (5% reduction)	5.15	4.18 (5% reduction)
Number of reactive calls affecting normal operations, as a rate per prisoner	Functionality	1.14	1.08 (5% reduction)	1.34	1.03 (5% reduction)

For the property condition assessment criteria, see page 183.

Corrections' planned asset replacement programme is influenced by the condition rating of the facility and its criticality based on prisoner and offender volumes. This criteria has identified the need to improve the overall property condition for Waikeria and Auckland prisons.

The number of prisons and Community Corrections site owned buildings previously considered as excellent or in good condition has decreased. This assessment and the assessment criteria are currently being reviewed with Downer New Zealand Limited.

47. <https://treasury.govt.nz/information-and-services/state-sector-leadership/collaboration-initiatives/investment-management-system/review-investment-reviews/investment-intensive-agencies>

48. 100% of Rated Maximum Capacity is the point where sufficient base capacity headroom is available to enable effective network operation, effective facilities maintenance, and to manage the risk of unexpected growth in prisoner numbers. This is a new measure for 2018/19, a 2017/18 comparative has been provided.

49. Reactive calls are unplanned maintenance requirements.

The percentage of prison service available capacity has reduced marginally while maintenance and refurbishment work has been done.

The increase in the average per prisoner call rate is reflective of the proactive aspects of the new Asset Management/ Facility Management supplier, Downer New Zealand Limited, such as improved maintenance monitoring. The proactive responses should result in a decrease in the average per prisoner call rate over time.

Information Communications and Technology (ICT) asset performance measures

Corrections' ICT capital investment programme is principally driven by:

- > new investment proposals,
- > upgrades and replacements of existing ICT assets categorised as "end of life", critical ICT assets requiring upgrades and/ or critical assets nearing an unsupported state.

The following asset performance measures apply to both owned and leased assets in our ICT portfolio:

Measure	Indicator	2017/18	2018/19	2018/19	2019/20
		Actual	Target	Actual	Target
Percentage of time our core services are available	Availability	99.9%	>99.5%	99.99%	>99.5%
Percentage of our ICT assets with a condition rating of poor	Condition	18%	21%	57%	21%
Number of online kiosks available within the prison environment for offender self-service	Utilisation	274	170	295	170
Percentage of Community Corrections frontline staff accessing information through mobile technology	Utilisation	100%	>75%	100%	>75%
Percentage of our storage that is available/ hosted within a public cloud	Functionality	0%	10%	1%	10%

Although the current assessment reflects a larger than expected percentage of ICT assets rated as "poor", the rating was assessed prior to the purchase/ replacement of 2,100 new terminals. A revised assessment would decrease this percentage rating, although it would remain above the target (21%). It is also intended to upgrade the software for the remaining terminals that are not being replaced. This will ensure the current grades-of-service are maintained.

Further investments in new laptops to replace existing terminals will further reduce the percentage of ICT assets rated as "poor". The new hardware is also expected to help with the strategic shift to becoming a more mobile and agile workplace.

Investments in iCloud services, moving application services, and storage from traditional infrastructure will also reduce the ICT Infrastructure assessed as "poor", while contributing to other mobile services like remote access, digital workplace and Telecommunications-as-a-Service (TaaS). The move to iCloud will also reduce the need for routine ICT maintenance and upgrade costs while delivering increased cyber security.

The percentage of data storage hosted within a public cloud is less than the target. However, we expect the percentage to increase as a planned approach is currently underway with the move of data storage and data warehousing to the All-of-Government (AoG) Revera Cloud services expected by the end of December 2019.

Property condition assessment criteria

Rating	Description	Asset category/ criteria							Client Impact
		External	Internal	Services	Fittings	Furnishings	Maintenance		
1	Excellent	Sound structure.	Fabric constructed with sound materials, true to line and level. No evidence of deterioration and discolouration.	All components are operable and well maintained and clean.	Excellent/ as new.	Well secured and operational, good function and appearance.	Well maintained and clean.	No client complaints.	
2	Good	Functionally sound structure.	Showing minor wear and tear and minor deterioration of surfaces.	All components operable. Increased maintenance inspection required.	Operational and functional. Minor wear and tear.	Operational and functional. Minor wear and tear.	Increased maintenance inspection required.	Deteriorations cause minimal influence on occupational uses. Occasional client concerns.	
3	Standard	Adequate structure. Some evidence of foundation movement, minor cracking.	Appearance is afflicted by minor cracking, staining, or minor leakage, some dampness or mildew. Minor damage to wall/ ceiling finishes.	Occasional outages, breakdowns or blockages. Increased maintenance required. Regular and programmed maintenance inspections essential.	Generally operational. Minor defects.	Generally operational. Minor breakages.	Regular and programmed maintenance essential.	Some deterioration beginning to be reflected in minor restrictions on operational uses. Client concerns.	
4	Poor	Structure functioning but with problems due to foundation movement. Some significant cracking.	Fabric damaged, weakened or displaced. Appearance affected by cracking, straining, overflows or breakages. Breaches of waterproofing evident.	Failures of plumbing component commonplace. Frequent maintenance inspections essential. Short term element replacement/ refurbishment.	Components of poor quality and appearance, often inoperable and damaged.	Fittings of poor quality and appearance, often inoperable and damaged.	Frequent maintenance inspection essential. Short term element replacement/ refurbishment.	Regular client complaints.	
5	Very poor/ end of life	Structure has serious problems and concern is held for the integrity of the structure.	Fabric badly damaged or weakened. Appearance affected by cracking, staining, leakage.	Plumbing components are unsafe or inoperable. Minimum life expectancy requiring urgent rehabilitation or replacement.	Significant damage, risk of imminent failure or life has expired.	Most are inoperable or damaged.	Minimum life expectancy requiring urgent rehabilitation or replacement.	Generally not suitable for use by client.	

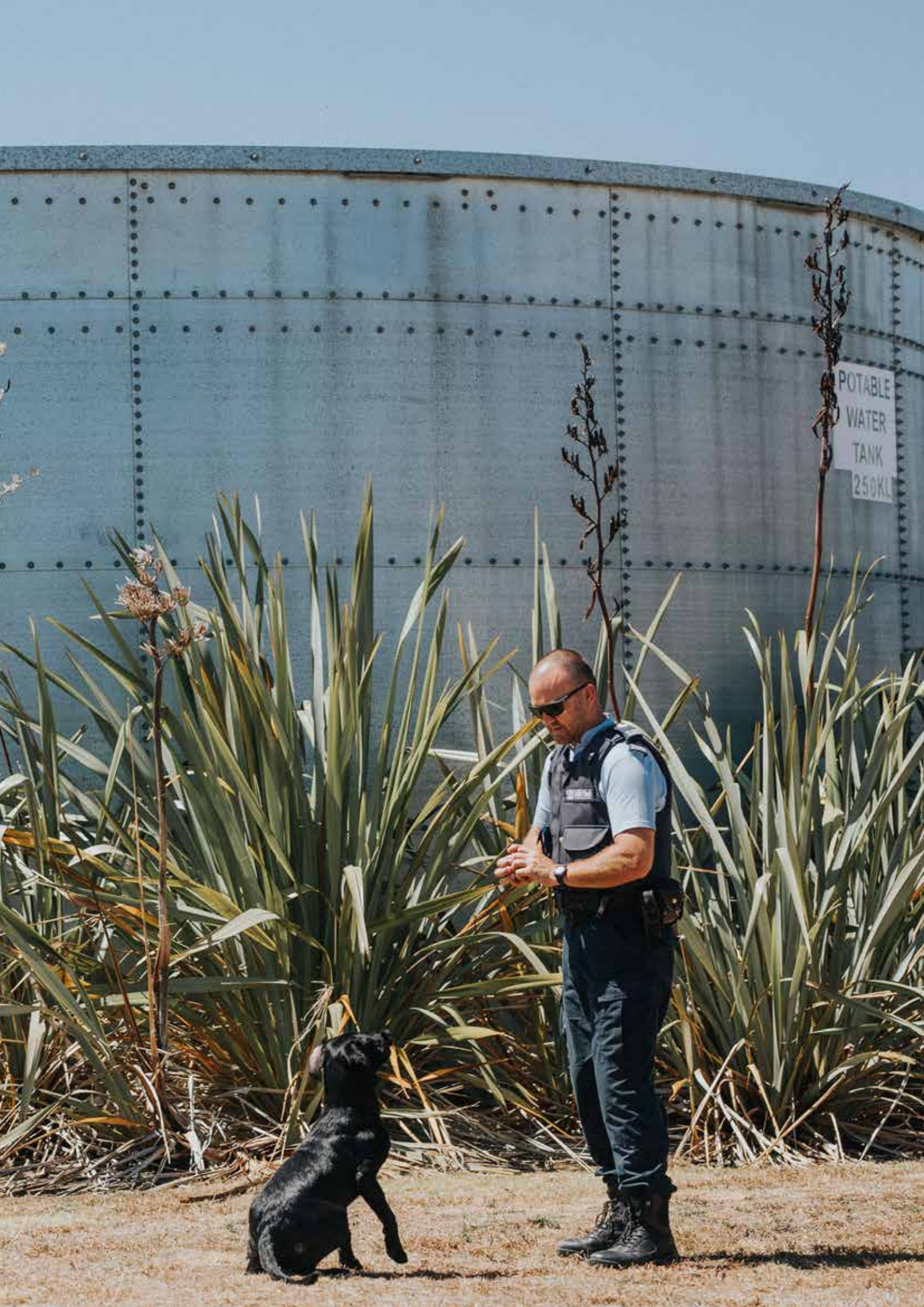
Appendix Ten: New Zealand Business Numbers

Corrections is committed to 'Better for Business', a cross-agency programme developed to make it easier and more efficient for business customers to deal with government agencies. By making it faster and easier for businesses to connect and interact, the New Zealand Business Number (NZBN) saves time and money and thereby provides New Zealand businesses with a competitive edge in local and global economies.

Corrections has recorded the NZBN of 1,612 current active vendors (67 percent of a total 2,393 active vendors); this is up from 15 percent in 2017/18. Corrections aims to increase this to 75 percent by June 2020.

Over the next year Corrections intends to further utilise the tools provided by the Ministry of Business, Innovation and Employment to strengthen the validity of our vendor data. Corrections remains on target to achieve the obligations under the relevant government directions for all Tier One agencies by 2020. This includes quoting the NZBN of suppliers on all documents sent to them and utilising the functions of the NZBN register to strengthen vendor data management.





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