

## STATEMENT OF RESPONSIBILITY

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

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Social Development for the year ended 30 June 2007.



**Peter Hughes**  
Chief Executive

28 September 2007

Countersigned by:



**Nick Gale**  
Chief Financial Officer

28 September 2007

# REPORT OF THE AUDITOR-GENERAL TO THE READERS OF MINISTRY OF SOCIAL DEVELOPMENT'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

The Auditor-General is the auditor of the Ministry of Social Development (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance and schedules of non-departmental activities included in the annual report of the Ministry for the year ended 30 June 2007.

## UNQUALIFIED OPINION

In our opinion:

The financial statements of the Ministry on pages 90 to 111:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Ministry's financial position as at 30 June 2007; and
  - the results of its operations and cash flows for the year ended on that date.

The statement of service performance of the Ministry on pages 48 to 88:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects for each class of outputs:
  - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
  - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The schedules of non-departmental activities on pages 112 to 127 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2007.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

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

## BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

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

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

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

#### RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR

The Chief Executive is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2007. The Chief Executive's responsibilities arise from sections 45A and 45B and 45(1)(f) of the Public Finance Act 1989.

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

#### INDEPENDENCE

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

In addition to the audit we are undertaking an assignment in the area of independent assurance over the Ministry's telecommunications service renewal project, which is compatible with those independence requirements.

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



Ajay Sharma

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

# STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

The output expenses within each of the proceeding Votes have been placed in alphabetical order, so that they are consistent with the Estimates of Appropriations. The order of the output expenses within Vote: Social Development is outlined below.

## Vote: Social Development

Output Expense	Community Services Card
Output Expense	Debt Management – Former Beneficiaries
Output Expense	Family and Community Services
Output Expense	Policy and Purchase Advice
Output Expense	Services to Minimise the Duration of Unemployment and Move People into Work
Output Expense	Services to Protect the Integrity of the Benefit System
Output Expense	Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency
Output Expense	Services to Seniors
Output Expense	Services to Students
Output Expense	Social Development Leadership

# VOTE SOCIAL DEVELOPMENT

FOR THE YEAR ENDED 30 JUNE 2007

## Output Expense: Community Services Card

### DESCRIPTION

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

### SCOPE

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

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

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

### COMMUNITY SERVICES CARD

The volume of applications and renewals of Community Services Cards to be processed in 2006/2007 was forecast to be 165,000 and the actual number processed for the 2006/2007 year was 166,732.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
5,797	<b>Revenue</b>	5,728	5,728	5,728
252	Crown	36	36	36
6,049	Department			
	<b>Total revenue</b>	5,764	5,764	5,764
5,453	<b>Total expense</b>	5,636	5,764	5,764
<b>596</b>	<b>Net surplus/(deficit)</b>	<b>128</b>	-	-

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
87.2%	<b>Quality</b> The percentage of all calls to the Community Services Card centre answered within 20 seconds will be no less than:	87.6%	85%
91.1%	<b>Timeliness</b> The percentage of initial applications and those requiring validation processed within two working days of receipt will be no less than:	93.3%	90%
94.7%	<b>Accuracy</b> The percentage of Community Services Card entitlement assessments accurately completed as determined by regulation will be no less than:	95.8%	90%

## Output Expense: Debt Management – Former Beneficiaries

### DESCRIPTION

Through this output expense the Ministry provides debt management services for non-current debt, which is debt owed by former beneficiaries. Debt is identified as either recoverable assistance, provided to beneficiaries in times of specific hardship; or as a result of overpayments through Ministry or client error; abuse or fraud. This output expense supports the achievement of the Ministry's outcomes by ensuring agreed repayments are promptly negotiated and collected in a way that maximises the return to the Crown and reflects the former beneficiaries' current circumstances.

### SCOPE

This output expense includes managing the collection of non-current debts caused through:

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

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

### PERFORMANCE INFORMATION

The Ministry is developing a Ministry wide Debt Strategy to reduce the negative impact of debt on people's ability to participate in the social and economic life of their communities.

The strategy will identify clear outcomes and activities that are intended to prevent, minimise and mitigate the negative impacts of:

- debt related to the integrity of the benefit system (errors, abuse and fraud)
- debt related to recoverable assistance (where people have debt relating to advances from the benefit system)
- multiple state agency debt (where people owe money to more than one state agency)
- private sector debt (where people have problems managing their debts with private sector organisations).

As part of its actions, the Ministry will develop and test ways to monitor and measure progress towards the achievement of the Debt Strategy outcomes, and will include appropriate measures in the Statement of Intent 2007/2008.<sup>1</sup>

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<sup>1</sup> Measures are still being developed and will be included in the 2008/2009 Statement of Intent.

## FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
19,024	Revenue	19,442	19,272	19,442
198	Crown	152	180	180
19,222	Department	19,594	19,452	19,622
17,969	Total revenue	16,578	-	-
1,253	Total expense	3,016	-	-
	Net surplus/(deficit)			

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
\$70.911m	Quantity Actual collection of non-current beneficiary debt, New Zealand Superannuation debt, employment-related grants and allowances debt, liable parent contribution, maintenance debt, and major repairs and advances debt is expected to be:	\$71.181m	\$71m – \$75m
\$7.007m	Actual collection of Student Allowance debt and fraudulent Student Loan debt is expected to be:	8.317m <sup>2</sup>	\$5m – \$5.6m
82.0%	Quality The proportion of collectable non-current beneficiary debtors on arrangement to pay, or paid in full within four months of debt establishment, will be no less than:	82.3%	82%

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

## Output Expense: Family and Community Services

### DESCRIPTION

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

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

### SCOPE

The scope of this output expense includes:

- *The leadership, facilitation and planning processes that contribute to enhanced social outcomes for families, young people and communities.* This output contains generic planning and co-ordination of social services for families, young people and communities at a local, regional and national level. It also includes developmental work on specific services led out of National Office prior to implementation.
- *The provision of information and advice that assists families, young people and communities to access services and develop knowledge.* This output contains the delivery of information and advice to families, young people and communities through websites, directories and helplines.
- *The management of preventative social services programmes.* This output contains the delivery of social services related programmes to families, young people and communities by Family and Community Services, and the administration and funding of the delivery of social services through third parties, usually non-government organisations. It includes Departmental and Non-Departmental funded services.

Activities include:

	FAMILIES	COMMUNITIES
<b>Leading, facilitating and planning</b>	<ul style="list-style-type: none"> <li>• Strengthening Families</li> <li>• Family Services National Advisory Council</li> <li>• Service Development</li> </ul>	<ul style="list-style-type: none"> <li>• Heartland Services</li> <li>• Local Services Mapping</li> <li>• Service Development</li> </ul>
<b>Provision of information and advice</b>	<ul style="list-style-type: none"> <li>• 211 Helpline</li> <li>• National Directory</li> <li>• FamilyWeb</li> </ul>	<ul style="list-style-type: none"> <li>• 211 Helpline</li> <li>• National Directory</li> <li>• FamilyWeb</li> </ul>
<b>Management of social services programmes</b>	Delivery of programmes for families including: <ul style="list-style-type: none"> <li>• SKIP</li> <li>• Family Start</li> <li>• Family support programmes (ex CYF)</li> <li>• Family violence prevention programmes:               <ul style="list-style-type: none"> <li>– Family Violence Intervention Programme</li> <li>– Child Witnesses of Family Violence</li> <li>– Elder Abuse and Neglect Prevention</li> <li>– Changing Attitudes and Behaviours</li> </ul> </li> <li>• Well Child Pilot</li> <li>• SAGES</li> <li>• Improving outcomes for young people</li> </ul>	Delivery of programmes for communities including: <ul style="list-style-type: none"> <li>• Settling In: Refugee and Migrant</li> <li>• Strong Pacific Families</li> <li>• Communities Initiative Fund</li> <li>• Funding of National and Umbrella Groups</li> <li>• NGO Study Awards</li> <li>• NGO Capability</li> </ul>



## FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
18,149	Revenue	25,811	25,008	25,811
82	Crown	90	90	90
18,231	Department			
18,231	<b>Total revenue</b>	<b>25,901</b>	<b>25,098</b>	<b>25,901</b>
17,943	<b>Total expense</b>	<b>25,043</b>	<b>25,098</b>	<b>25,901</b>
<b>288</b>	<b>Net surplus/(deficit)</b>	<b>858</b>	<b>-</b>	<b>-</b>

## SERVICE PERFORMANCE (Leadership, Facilitation and Planning Processes)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
New measure in 2006/2007	<b>Timeliness</b> The percentage of community profiles developed through Local Services Mapping that result in an action plan within 12 months of publication will be no less than:	100% <sup>3</sup>	90%
New measure in 2006/2007	<b>Quantity/Quality</b> The Ministry of Social Development provides facilities and co-ordination services to Heartland Service centres to the satisfaction of agencies and clients: <sup>4</sup>	21 <sup>4</sup>	19
New measure in 2006/2007	<ul style="list-style-type: none"> <li>The average number of government agencies operating out of Heartlands Service centres on a monthly basis will be no less than:</li> <li>The average number of clients using Heartland Service centres on a monthly basis will be no less than:</li> </ul>	7,412 <sup>4</sup>	7,000

## SERVICE PERFORMANCE (Provision of Information and Advice)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
New measure in 2006/2007	<b>Quantity</b> The average number of monthly visits to the National Directory will be no less than:	1,810 <sup>5</sup>	1,000
New measure in 2006/2007	<b>Timeliness</b> The time taken to action requests received from providers to update their details on the National Directory will be no more than:	2 working days	5 working days

3 Community groups developed their action plans simultaneously with their profile reports, which has resulted in greater than expected performance.

4 These Heartland Services measures were developed as quantity measures but also as a proxy for quality. As attendance is voluntary, the assumption made is that if the services are not useful neither the agencies nor the clients would visit the centres.

5 These were new measures for the 2006/2007 year and no benchmark was available for setting the standard.

### SERVICE PERFORMANCE (Management of Social Services Programmes)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
New measure in 2006/2007	<b>Timeliness</b> The percentage of payments to providers that are made on time (according to contract arrangements) will be no less than:	95.5%	95%
New measure in 2006/2007	<b>Quality</b> The proportion of contracts meeting standards outlined in the Treasury Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown will be no less than:	100%	100%

## Output Expense: Policy and Purchase Advice

### DESCRIPTION

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

### SOCIAL SERVICES POLICY ADVICE

Social services policy advice output provides high-quality policy advice that supports and strengthens strong families and communities and improves outcomes for children and young people, working age people, older people, families and communities. This advice informs decisions on:

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

### OFFICE FOR THE COMMUNITY AND VOLUNTARY SECTOR

The Office for the Community and Voluntary Sector supports government agencies to develop effective relationships with community, voluntary and tangata whenua organisations so that policy advice and service delivery is effectively delivered. The key functions of the Office include:

- facilitating strong collaboration between Government and the community and voluntary sector
- documenting and promoting good practice models of collaboration between government and the community and voluntary sector
- providing advice and support to the Minister for the Community and Voluntary Sector.

### OFFICE FOR DISABILITY ISSUES

The Office for Disability Issues leads work to enhance the participation of disabled people in society. The key functions of the Office include:

- supporting the Minister for Disability Issues
- providing policy advice on disability issues, including:
  - leading strategic policy development across Government
  - maintaining an overview of, and contributing to a disability perspective to, policy development by other agencies
  - meeting formal international obligations, for example as a member country of the United Nations
  - promoting, monitoring and reporting on progress of the New Zealand Disability Strategy within Government and the wider community
  - building strong relationships with the disability sector.

## SOCIAL RESEARCH AND EVALUATION

Through this output the Ministry provides an ongoing programme of evaluation, social research, monitoring, forecasting, and data analysis. The Ministry actively promotes research and evaluation findings, and promotes social sector research and evaluation capability and capacity-building projects. This helps to ensure that:

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

The scope of the social research and evaluation output includes:

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

## PURCHASE AND MONITORING

Through this output the Ministry provides purchase advice and monitoring services to the Minister for Social Development and Employment, to improve the effectiveness, efficiency and value for money in social service delivery agencies, and to monitor the delivery of services against requirements set by Government.

The Ministry is responsible for providing purchase advice and monitoring services relating to the:

- Retirement Commissioner
- Children's Commissioner
- New Zealand Artificial Limb Board
- Families Commission
- Social Worker Registration Board.

The scope of the purchase advice and monitoring services includes:

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

## MINISTERIAL SERVICING

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

The scope of the Ministerial servicing output includes:

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

## FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
	<b>Revenue</b>			
40,800	Crown	37,530	36,033	37,530
1,403	Department	1,337	1,388	1,388
42,203	<b>Total revenue</b>	38,867	37,421	38,918
41,396	<b>Total expense</b>	38,221	37,421	38,918
<b>807</b>	<b>Net surplus/(deficit)</b>	<b>646</b>	-	-

## SERVICE PERFORMANCE (Policy, Research and Evaluation)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Standard met	<b>Quantity and timeliness</b> Policy advice and research and evaluation will be delivered in accordance with a key priorities annual plan agreed with the Minister for Social Development and Employment:	Standard met	Standard met <sup>6</sup>
Standard met	Policy advice from the Office for Disability Issues and the Office for the Community and Voluntary Sector will be delivered in accordance with a work programme that is agreed with their respective Ministers:	Standard met	Standard met <sup>7</sup>

<sup>6</sup> Standard met means that we received confirmation from the Minister via his office that advice has been delivered in accordance with a key priorities annual plan.

<sup>7</sup> Standard met means that we received confirmation from the respective Ministers via their offices that advice has been delivered in accordance with a work programme.

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Processes are complied with <sup>9</sup>	<b>Quality<sup>8</sup></b> <b>Process</b> An audit shows that the Ministry of Social Development's policy and research processes as outlined in the Quality Management System have been followed: <sup>10</sup>	Processes were complied with for 94% of cases	Processes are complied with in at least 90% of cases
Standard met	<b>Technical robustness</b> An external independent review of the Ministry of Social Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria:	Standard met	Standard met <sup>11</sup>
Standard met	<b>Social research and evaluation reports</b> Internal and/or external reviewers critically appraise the quality and content of social research and evaluation reports that are intended for publication:	Quality reviewed	Quality reviewed
Standard met	<b>Feedback<sup>12</sup></b> Feedback from government stakeholders indicates that the Ministry of Social Development is effectively leading policy development on social development issues which advance the Ministry's vision of an inclusive New Zealand:	Standard met	Standard met <sup>13</sup>

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

9 In 2006/2007, the standard for this measure was revised to 'Processes are complied with in at least 90% of cases'.

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

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

12 Stakeholders include:

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

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

## SERVICE PERFORMANCE (Purchase and Monitoring)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
6	<b>Quantity</b> <sup>14</sup> Provide advice on agency statements of intent, output agreements: <sup>15</sup>	5	5
24	Provide monitoring reports on each agency's quarterly performance report against their statements of intent, output agreements:	20	20
Standard met	<b>Quality</b> Advice and reports will meet the quality characteristics described in the Ministry of Social Development's Quality Management System: <sup>16</sup>	Quality characteristics met	Quality characteristics met
100%	<b>Timeliness</b> Purchase advice will be delivered to Ministers within negotiated deadlines:	100%	100%
Standard met	Draft Statements of Intent, Output Agreements or Output Plans are reviewed and commented on by:	May 2007	May 2007
Standard not met for one report	Quarterly Reports are reviewed:	Timeliness standard met	Within 20 working days of receipt of the final agency report

## SERVICE PERFORMANCE (Ministerial Servicing)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
96.4%	<b>Quality</b> The percentage of Ministerial drafts provided for the Minister's signature where error could have been avoided will be no less than:	97.0%	95%
100%	The percentage of written parliamentary question drafts provided for the Minister's signature where error could have been avoided will be no less than:	100%	100%
93.6%	<b>Timeliness</b> The percentage of draft Ministerial replies to be completed within 20 working days of receipt by the Ministry, unless otherwise agreed:	96.5%	95%
Revised measure in 2006/2007	Information for oral parliamentary questions will be provided to the Minister's office within the timeframe they specify:	100%	100%
100%	The percentage of written parliamentary questions will be answered by the time as specified by Minister's office:	100%	100%

14 As a result of its merger with the Department of Child, Youth and Family Services, the Ministry no longer provides advice on CYF's Statement of Intent and quarterly report.

15 In addition, in 2006/2007 the standard for this measure was revised to take into account the Ministry's merger with Child, Youth and Family. This measure also excludes the preparation of the Ministry's own output plan.

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

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

### DESCRIPTION

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

To assist clients into sustainable employment we will:

- work in partnership with industry to identify skill and labour shortages
- develop labour market opportunities for jobseekers
- work with communities to enhance labour market development.

### SCOPE

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

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

Assisting people into sustainable employment includes:

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

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



## KEY PRIORITY: SUSTAINABLE EMPLOYMENT

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

## FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
229,924	Revenue	219,016	250,310	219,016
1,225	Crown Department	1,481	1,481	1,481
231,149	Total revenue	220,497	251,791	220,497
227,611	Total expense	218,275	251,791	220,497
<b>3,538</b>	<b>Net surplus/(deficit)</b>	<b>2,222</b>	-	-

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES <sup>17</sup>	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
37.7%	<b>Getting clients into work</b> The proportion of job-seeking clients in receipt of a core benefit who exit into employment will be:	39.2%	35%
38.7%	The proportion of job-seeking clients in receipt of a core benefit with a duration of six months or more, who exit into employment will be:	36.5% <sup>18</sup>	36%
40.4 weeks	<b>Clients remaining in work longer</b> The average cumulative time that job-seeking clients, who exit to work, spend in employment over the course of a year will be:	40.3 weeks <sup>19</sup>	36.5 weeks
65.5%	The proportion of job-seeking clients who exited into employment and achieved six months continuous employment will be: <sup>20</sup>	68.7% <sup>21</sup>	58%

17 For the purposes of these measures, a jobseeker is defined as a client who is actively seeking full-time employment ie 30 hours or more per week. In the fiscal year ending June 2007, the performance against the sustainable employment measures includes June 2007 results. In previous years these were reported up to 12 months ending in May. This change brings performance against these measures into line with other service performance measures.

18 Performance has decreased compared with the 2005/2006 year. This could possibly be attributed to the declining trend in the population of long-term unemployed (6 months plus) and these clients being harder to place into employment as they are out of labour market for a long period of time.

19 This is a retrospective measure that reflects labour market conditions 12 to 24 months ago. Although this means that this measure cannot be influenced by current exits into work, it will affect performance in the next 12 to 24 months. People are remaining in employment for longer periods as a direct result of the Ministry's focus on placing jobseekers into the right job right from the start, coupled with providing people with the right In Work Support.

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

21 This is a retrospective measure. This is the highest result achieved for this measure since the introduction of sustainable employment measures in July 2004. This result is testament to the sustainable placements made by frontline staff in the past 18 months.

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

### DESCRIPTION

Through this output expense the Ministry provides services to minimise errors, fraud and abuse of the benefit system by:

- identifying problems that may undermine the integrity of the benefit system
- raising awareness of the consequences of non-compliance
- preventing, detecting and investigating benefit fraud
- sanctioning those who commit benefit fraud.

### SCOPE

The scope of this output expense includes:

- undertaking programmes aimed at preventing errors, fraud and abuse
- helping clients to be aware of their entitlements and obligations and comply with those obligations
- early detection of fraud to mitigate client debt escalation and consequential barriers to their social and economic independence
- investigating irregularities and sanctioning deliberate fraud to deter reoccurrence by the offender, and to signal to others the seriousness and consequences of benefit abuse.

Specific activities include:

- Supporting System and Policy Design:
  - using experience from operational activities to support policy design and service delivery.
- Early Intervention Strategy and Prevention:
  - using Early Intervention interviews and brokerage to ensure clients are receiving their correct and full entitlement, to remind them of their obligations, and to assist them to access additional services where required
  - undertaking data matching to detect clients who are receiving or have been receiving entitlements to which they are not eligible<sup>22</sup>
  - encouraging the timely notification of changes in clients' circumstances during Client Review Process by issuing entitlement review forms to randomly selected clients
  - carrying out lower level investigations on selected client situations that appear to differ from the information held by the Ministry.
- Investigations and prosecutions:
  - the investigation of irregularities in client information and of allegations received from external sources, to detect and assess the overpayment of entitlements and to take follow-up action to deter clients from reoffending
  - prosecution action against clients who deliberately commit serious or continuous benefit fraud.

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<sup>22</sup> Data matching also provides information to support investigations and prosecutions.

## PERFORMANCE INFORMATION

The Ministry is implementing a new outcomes framework to support the integrity of the benefit system and ensure that people receive their correct entitlement to social security assistance.

The outcomes framework supports the Ministry wide Debt Strategy (*refer to Output Expense: Debt Management – Former Beneficiaries*) and underpins a strong response to any integrity problems. It identifies clear outcomes that will drive the Ministry's approach to:

- minimising the opportunity for error, abuse and fraud
- reducing clients' propensity or ability to commit abuse and fraud
- minimising debt related to error, abuse and fraud and
- maximising the recovery of debt in a way that reflects clients' circumstances.

As part of its actions, the Ministry will develop and test ways to monitor and measure progress towards the achievement of the benefit integrity outcomes, and will include appropriate measures in the Statement of Intent 2007/2008.<sup>23</sup>

## FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
35,928	Revenue	37,057	36,526	37,057
377	Crown	283	300	300
36,305	Department			
	<b>Total revenue</b>	<b>37,340</b>	<b>36,826</b>	<b>37,357</b>
34,669	<b>Total expense</b>	<b>35,319</b>	<b>36,826</b>	<b>37,357</b>
<b>1,636</b>	<b>Net surplus/(deficit)</b>	<b>2,021</b>	<b>-</b>	<b>-</b>

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
84.0%	The percentage of clients aware of the consequences of committing benefit fraud will exceed:	84.0% <sup>24</sup>	75%
22.5%	The change of circumstances notification for clients contacted through the Early Intervention Strategy will exceed:	24.0% <sup>25</sup>	15%
New measure in 2006/2007	All change of circumstances notifications arising out of Early Interventions will be notified to the appropriate case manager to ensure clients receive correct entitlement within:	2 working days <sup>26</sup>	5 working days
94.5%	Of the cases that we prosecute, the proportion of successful prosecutions concluded will exceed:	95.5% <sup>27</sup>	85%

23 Measures are still being developed and will be included in the 2008/2009 Statement of Intent.

24 This result reflects the 2005/2006 survey as the measure is reviewed biennially. The next survey is due to be undertaken in 2007/2008.

25 The result reflects the higher than expected number of clients with changing circumstances. The standard has been revised to 20% for the 2007/2008 year.

26 The efforts by field officers to follow up client interviews by referring appropriate results to case managers has resulted in consistently high notification rates. The standard has been revised to three working days for the 2007/2008 year.

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

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

### DESCRIPTION

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

To achieve this, we will:

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

### SCOPE

The scope of this output expense includes:

- providing information on the full range of assistance available so people can apply for assistance for which they might be eligible
- informing people of their rights and obligations when they receive income support
- assessing, verifying and paying income support
- managing people's needs for income support and other assistance, including responding to changes in people's circumstances in a timely and appropriate manner
- managing client debt repayments in a way that balances the client's ability to repay with the need to ensure integrity of the benefit system
- providing individual assistance to those for whom an employment outcome is not an immediate option, for example single parents caring for their children, people who have ill health or people with a disability
- providing information on social, community, and employment services, and referring people to the agencies that best meet their needs.

## SERVICES TO PROVIDE INCOME SUPPORT AND OTHER ASSISTANCE TO ELIGIBLE PEOPLE

The average number of working age beneficiaries<sup>28</sup> was forecast in the Ministry's *Statement of Intent 2006/2007* to remain under 300,000.

The actual average number of working age beneficiaries for 2006/2007 was 276,485.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
245,343	Revenue	260,484	227,273	260,484
4,395	Crown	3,952	8,185	8,185
111	Department	673	4,349	4,349
	Other			
249,849	<b>Total revenue</b>	265,109	239,807	273,018
255,322	<b>Total expense</b>	263,837	239,807	273,018
<b>(5,473)</b>	<b>Net surplus/(deficit)</b>	<b>1,272</b>	-	-

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
91.5%	<b>Quality</b> The percentage of clients satisfied with the level of service provided by contact centres will be no less than:	92.0% <sup>29</sup>	85%
82.8%	The percentage of clients satisfied with the level of service provided by case managers will be no less than:	82.6% <sup>30</sup>	85%
86.5%	<b>Timeliness</b> The percentage of entitlement assessments completed within five working days will be no less than:	85.7%	85%
92.2%	<b>Accuracy</b> The percentage of entitlement assessments completed accurately will be no less than:	91.4%	90%
96.0%	<b>Debt management<sup>31</sup></b> The percentage of current debtors <sup>32</sup> repaying debt will be no less than:	97.0% <sup>33</sup>	90%

28 Working-age means aged 18-64 years. This reflects the entitlement age range for most income-tested benefits. Includes Unemployment Benefit, Unemployment Benefit – Hardship, Independent Youth Benefit, Domestic Purposes Benefit – Sole Parents, Domestic Purposes Benefit – Caring for the Sick and Infirm, Domestic Purposes Benefit – Women Alone, Sickness Benefit, Sickness Benefit – Hardship, Emergency Maintenance Allowance, Invalid's Benefit, Widow's Benefit and Emergency Benefit.

29 Clients continue to be satisfied with the level of service provided by the contact centres. The standard has been revised to a range of 85-90% for the 2007/2008 year.

30 Performance is consistent with the previous year's results. The standard has been revised to a range of 80-85% for the 2007/2008 year.

31 Refer to the Debt Management – Former Beneficiaries output expense for information on the work the Ministry has undertaken during the year in relation to measuring and reporting performance in this area.

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

33 The positive result reflects the Ministry's proactive approach to debt management.

## Output Expense: Services to Seniors

### DESCRIPTION

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

### SCOPE

The scope of this output expense includes:

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

### SERVICES TO SENIORS

The average number of superannuitants was forecast in the Ministry's *Statement of Intent 2006/2007* to be 495,000. The actual average number of superannuitants for 2006/2007 was 492,734.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
35,844	Revenue	36,783	36,340	36,783
346	Crown	301	366	366
36,190	Department			
	<b>Total revenue</b>	<b>37,084</b>	<b>36,706</b>	<b>37,149</b>
34,824	<b>Total expense</b>	<b>34,320</b>	<b>36,706</b>	<b>37,149</b>
<b>1,366</b>	<b>Net surplus/(deficit)</b>	<b>2,764</b>	-	-

### SERVICE PERFORMANCE (Services to Seniors)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
83.0%	<b>Timeliness</b> The percentage of entitlement assessments completed within five working days shall be no less than:	85.4%	85%
94.6%	<b>Accuracy</b> The percentage of entitlement assessments completed accurately will be no less than:	93.0%	92%
94.3%	<b>Quality</b> The percentage of clients satisfied with the level of service provided will be no less than:	94.6%	90%

## SERVICE PERFORMANCE (International Services)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
95.8%	<b>Accuracy</b> The percentage of entitlement assessments completed accurately will be no less than:	95.8%	92%
Revised measure in 2006/2007	<b>Timeliness</b> The percentage of applications for payment overseas finalised within 30 working days: <sup>34</sup>	97.3% <sup>35</sup>	90%
Revised measure in 2006/2007	The percentage of review actions, including correspondence, that are completed within five working days will be no less than:	91.8%	90%
92.3%	The percentage of all incoming calls that are answered within 20 seconds will be no less than:	96.0% <sup>36</sup>	90%
85.0%	<b>Satisfaction</b> The percentage of independently surveyed clients satisfied with the level of service will be no less than:	83.1%	85%

<sup>34</sup> This measure was revised in 2006/2007 to reflect the time taken to determine individual eligibility, from the date of receipt at International Services.

<sup>35</sup> This performance measure has been reviewed and will be reduced to 20 working days for the 2007/2008 year.

<sup>36</sup> Full coverage of staff on phones led to improvement in this performance measure.

## Output Expense: Services to Students

### DESCRIPTION

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

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

### SCOPE

The scope of this output expense includes:

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

### STUDENT ALLOWANCES AND STUDENT LOANS

#### Student Allowances

The volume of Student Allowance applications approved in 2006/2007 was forecast in the Ministry's *Statement of Intent 2006/2007* to be in the range of 57,000 to 62,000 (from a total of between 80,000 to 85,000 applications received).

The actual volume of Student Allowance applications approved for 2006/2007 was 64,029, from an actual number of 97,237 allowance applications received.

#### Student Loans

The volume of Student Loan accounts established in 2006/2007 was forecast to be in the range of 186,000 to 191,000 (from a total of between 236,000 to 241,000 applications received).

The actual volume of Student Loan accounts established in 2006/2007 was 175,320, from an actual number of 219,185 loan applications received.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
34,063	Revenue	34,942	31,320	34,942
200	Crown Department	125	125	125
34,263	Total revenue	35,067	31,445	35,067
34,055	Total expense	34,551	31,445	35,067
<b>208</b>	<b>Net surplus/(deficit)</b>	<b>516</b>	-	-



### SERVICE PERFORMANCE (Client Satisfaction)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Quality</b>		
84.4%	The percentage of independently surveyed students satisfied with the level of service provided by the StudyLink contact centre will be no less than:	80.3% <sup>37</sup>	85%
82.3%	The percentage of independently surveyed students satisfied with the level of service from StudyLink staff will be no less than:	84.3% <sup>38</sup>	85%
84.0%	The percentage of independently surveyed institutions that are satisfied with the level of service from StudyLink staff will be no less than:	78.0% <sup>39</sup>	85%
92.1%	The percentage of independently surveyed users of the On Course programme who found the programme information valuable will be no less than:	91.0%	90%
95.3%	The percentage of New Zealand secondary schools contacted that will participate in one or more components of the On Course programme will be no less than:	96.5%	90%

### SERVICE PERFORMANCE (Timeliness)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
95.4%	<b>Student Allowances</b> The initial entitlement assessment for a Student Allowance will be completed within five working days of application receipt:	98.9%	95%
98.3%	<b>Student Loans</b> The initial entitlement assessment for a Student Loan will be completed within three working days of application receipt:	99.4%	95%

### SERVICE PERFORMANCE (Accuracy)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
97.7%	<b>Student Allowances</b> The percentage of students who receive their correct Student Allowance entitlement on their first payment will be no less than:	97.9%	95%
99.7%	<b>Student Loans</b> The percentage of students who receive their correct entitlement (living cost component) on their first payment will be no less than:	99.8%	95%

37 Performance decline for the current year could possibly be attributed to the impact of the overall growth in applications and the greater number of students testing eligibility. Performance has been reviewed and StudyLink expects to see some improvement in satisfaction levels in 2007/2008 as new service development initiatives are put in place, eg enhanced online services. The standard has been revised to a range of 80-85% for the 2007/2008 year.

38 The standard has been revised to a range of 80-85% for the 2007/2008 year.

39 Performance has been reviewed and underlying issues, eg the manual scholarship process that providers were asked to commit to at a busy time of the year, have been identified to improve performance. The standard has been revised to a range of 80-85% for the 2007/2008 year.

## Output Expense: Social Development Leadership

### DESCRIPTION

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

### SCOPE

The scope of this output expense includes:

- monitoring and reporting on the social wellbeing of New Zealanders
- using a social development approach to support policy decision making from a "whole-of-government" perspective
- providing government with evidence-based advice on current strategies and initiatives
- developing medium and long-term policy proposals relating to significant and cross-sectoral social policy issues
- bringing together research and evaluation evidence on key social policy issues for Government
- jointly co-ordinating social research through the Social Policy Evaluation and Research (SPEaR) committee
- leading, facilitating and contributing to "whole-of-government" regional and local social development initiatives
- identifying social, economic and infrastructural issues of high priority to the regions, communicating these priorities to Wellington and facilitating progress through government agency's work programmes
- communicating Government's priorities to the regions – economic transformation, families – young and old, and national identity.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
4,491	Revenue	2,879	2,879	2,879
63	Crown			
	Department	22	52	52
4,554	Total revenue	2,901	2,931	2,931
4,414	Total expense	2,047	2,931	2,931
140	Net surplus/(deficit)	854	-	-

## SERVICE PERFORMANCE (Strategic Social Policy Advice)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Standard met	<b>Quantity and timeliness</b> Policy advice will be delivered in accordance with a key priorities annual plan agreed with the Minister for Social Development and Employment:	Standard met	Standard met <sup>40</sup>
Processes are complied with <sup>42</sup>	<b>Quality<sup>41</sup></b> <b>Process</b> An audit shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System have been followed: <sup>43</sup>	Processes are complied with for 100% of cases	Processes are complied with in at least 90% of cases
Revised measure in 2006/2007	<b>Technical robustness</b> An external independent review of the Ministry of Social Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria:	Standard met	Standard met <sup>44</sup>
Standard met	<b>Feedback<sup>45</sup></b> Feedback from government stakeholders indicates the Ministry of Social Development is effectively leading policy development on social development issues which advance the Ministry's vision of an inclusive New Zealand:	Standard met	Standard met <sup>46</sup>
Standard met	<b>Regional Social Development and Employment Plans</b> Regional Commissioners for Social Development will consult with their communities and staff to provide the Minister for Social Development and Employment with annual regional plans that state the strategic aims for each region for the following year:	Standard met	Consultation completed by 30 April 2007

40 Standard met means that we received confirmation from the Minister via his office that advice has been delivered in accordance with a key priorities annual plan.

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

42 In 2006/2007, the standard for this measure was revised to 'Processes are complied with in at least 90% of cases'.

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

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

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

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

# VOTE SENIOR CITIZENS

FOR THE YEAR ENDED 30 JUNE 2007

## Output Expense: Senior Citizens Services

### DESCRIPTION

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

### SCOPE

The scope of this output expense includes:

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

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
	<b>Revenue</b>			
1,168	Crown	1,124	1,124	1,124
13	Department	9	18	18
1,181	<b>Total revenue</b>	1,133	1,142	1,142
955	<b>Total expense</b>	988	1,142	1,142
<b>226</b>	<b>Net surplus/(deficit)</b>	<b>145</b>	-	-

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Standard met	<b>Work programme and timeliness</b> Policy advice will be delivered in accordance with a work programme agreed at the commencement of each six month period with the Minister for Senior Citizens:	Standard met	Standard met <sup>47</sup>
Processes are complied with <sup>49</sup>	<b>Quality<sup>48</sup></b> <b>Process</b> An audit shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System have been followed: <sup>50</sup>	Processes were complied with for 100% of cases	Processes are complied with in at least 90% of cases
Revised measure in 2006/2007	<b>Technical robustness</b> An external independent review of the Ministry of Social Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria:	Standard met	Standard met <sup>51</sup>
Standard met	<b>Feedback<sup>52</sup></b> Feedback from government stakeholders indicates that the Ministry of Social Development is effectively leading policy development on social development issues which advance the Ministry's vision of an inclusive New Zealand:	Standard met	Standard met <sup>53</sup>
Standard met	<b>Timeliness</b> Two six monthly reports on the Work Programme will be provided:	Standard met	Within 20 working days from the period end
95%	The percentage of draft Ministerial replies to be completed within 20 working days of receipt, unless specified urgent:	100%	95%

47 Standard met means that we received confirmation from the Minister via her office that advice has been delivered in accordance with a key priorities annual plan.

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

49 In 2006/2007, the standard for this measure was revised to 'Processes are complied with in at least 90% of cases'.

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

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

52 Stakeholders include:  
– the Minister for Senior Citizens and the Minister's office  
– other government agencies.

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

# VOTE

## VETERANS' AFFAIRS – SOCIAL DEVELOPMENT

FOR THE YEAR ENDED 30 JUNE 2007

### Output Expense: Processing and Payment of Pensions

#### DESCRIPTION

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

#### SCOPE

The scope of this output expense includes:

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

#### PROCESSING AND PAYMENT OF PENSIONS

The number of new applications for War Disablement Pension and applications for review of disablement processed in 2006/2007 was expected to be 8,100 and the actual number processed in 2006/2007 was 13,208.

The number of new Veteran's Pension applications in 2006/2007 was expected to be 1,320 and the actual number of applications processed in 2006/2007 was 1,508.

#### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
4,132	Revenue	4,132	4,132	4,132
41	Crown	23	23	23
	Department			
4,173	Total revenue	4,155	4,155	4,155
3,548	Total expense	3,683	4,155	4,155
625	Net surplus/(deficit)	472	-	-

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Standard met	<b>Quantity</b> Payments – War Disablement and Veteran’s payments made:	Standard met	To be reported quarterly
97.9%	<b>Quality</b> All actions processed by War Pension Services are accurate and will meet the accuracy standard of:	97.7%	95%
96.9%	<b>Timeliness</b> The percentage of new disability applications and reviews of accepted disability that are administered and processed by the Ministry of Social Development (applications are acknowledged and the decisions of the claims panels relayed to veterans) will be completed within 14 working days: <sup>54</sup>	93.6%	90%
97.3%	The percentage of National Review Officer decisions that are administered and processed by the Ministry will be completed within 14 working days:	95.8%	90%
99.8%	The percentage of ad hoc payments, overseas treatment costs and rehabilitation reimbursements that will be made within 21 working days of receipt will be no less than:	97.3%	97%
92.6%	Response to incoming calls – the percentage of all calls answered within 20 seconds will be no less than:	92.0%	90%
97.8%	The percentage of new Veteran’s Pension applications that are administered and processed by the Ministry will be completed within 14 days:	99.9% <sup>55</sup>	90%
Revised measure in 2005/2006	<b>Veterans’ satisfaction</b> The results of the veterans’ satisfaction survey will be reported biennially to the Minister, where veterans’ satisfaction will be not less than: <sup>56</sup>	89.0% <sup>57</sup>	85%

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

55 As Veteran’s Pensions are a main source of income, applications are treated with urgency.

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

57 This result reflects the 2005/2006 survey as the measure is reviewed biennially. The next survey is due to be undertaken in 2007/2008.

# VOTE YOUTH DEVELOPMENT

FOR THE YEAR ENDED 30 JUNE 2007

## Output Expense: Enabling Youth Development<sup>58</sup>

### DESCRIPTION

This output expense provides advice that enables the development and implementation of the *Youth Development Strategy Aotearoa* through the design, delivery and management of youth development services at a local and regional level. These services are funded through Non-Departmental Output Expenses and purchased from third parties.

This output expense contributes to the Ministry of Social Development's outcomes for Children and Young People by improving outcomes for young people at local, regional and national levels.

### SCOPE

The scope of this output expense includes:

- working to ensure all young people can develop life skills that help them build resilience and prepare for life as independent adults through targeting support, particularly for at-risk young people, to key transition points
- expanding and developing interconnected regional teams to identify and support opportunities to improve youth development outcomes for young people, and contributing to local services mapping
- responsiveness to identified capability development opportunities for youth workers, and strengthening community-based youth development agencies to ensure their sustainability and viability
- assessing, negotiating, monitoring, paying, and reviewing services that help young people achieve sustainable education, training and employment, and where appropriate, taking corrective action consistent with the Services for Young People policy and criteria
- purchasing services for young people and administering the Youth Development Partnership Fund, consistent with policy and criteria.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
2,542	Revenue	2,332	2,542	2,332
15	Crown	12	12	12
	Department			
2,557	<b>Total revenue</b>	2,344	2,554	2,344
2,070	<b>Total expense</b>	2,242	2,554	2,344
<b>487</b>	<b>Net surplus/(deficit)</b>	<b>102</b>	-	-

### SERVICE PERFORMANCE (Enabling Youth Development)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Quality</b>		
Revised measure in 2006/2007	Purchase services for young people and administer the Youth Development Partnership Fund in accordance with agreed policy guidelines and criteria:	100%	100%
New measure in 2006/2007	External audits of consistency with policy guidelines and criteria undertaken of service providers:	3	3
	<b>Timeliness</b>		
New measure in 2006/2007	The percentage of cases for which payments to providers are made on time (according to contract arrangements) will be no less than:	95.0%	95%

<sup>58</sup> Some measures within this Vote have been realigned to better fit the output expense to which they relate.



## Output Expense: Facilitating Young People's Voices

### DESCRIPTION

This output expense provides advice that incorporates young people's voices into policy, programme and service development to improve outcomes for young people at a local, regional and national level, in order to support the development and implementation of the *Youth Development Strategy Aotearoa*. This output expense includes delivering events and workshops that assist local government and youth development providers to implement the *Youth Development Strategy Aotearoa*.

This output expense contributes to the Ministry of Social Development's outcomes for Children and Young People by improving outcomes for young people at local, regional and national levels.

### SCOPE

The scope of this output expense includes:

- increasing young people's opportunities for, and participation in, activities that give them a sense of belonging and responsibility as members of their families, their communities and New Zealand society
- promoting and facilitating youth development and youth participation at a regional and local level, including delivering events and workshops that assist local government, youth, and social development providers to implement the *Youth Development Strategy Aotearoa*
- building international relationships which support effective youth development and youth participation practice, and providing services that administer the Commonwealth Youth Programme
- investigating ways in which young people can more effectively represent themselves, both in their local communities, and nationally by improving the impact of Youth Parliament, and creating opportunities and resources to promote young people's participation in decision-making processes
- consulting with young people, and those who work with them, to give the Government a sound understanding of issues in young people's lives.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
	<b>Revenue</b>			
677	Crown	954	674	954
9	Department	5	11	11
686	<b>Total revenue</b>	959	685	965
646	<b>Total expense</b>	942	685	965
<b>40</b>	<b>Net surplus/(deficit)</b>	<b>17</b>	-	-

### SERVICE PERFORMANCE (Facilitating Young People's Voices)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
New measure in 2006/2007	<b>Quality</b> Effective processes are applied to ensuring stakeholder participation in youth development activities:	100%	100%
100%	<b>Timeliness</b> Services will be delivered to the Minister of Youth Affairs within negotiated deadlines:	100%	100%

## Output Expense: Youth Development Policy Advice

### DESCRIPTION

This output expense provides advice on policies, services and good practice that promotes the *Youth Development Strategy Aotearoa*. It includes research and analysis of factors that influence young people's access to opportunities for economic and social wellbeing. The output expense also includes Ministerial services.

This output expense contributes to the Ministry of Social Development's outcomes for Children and Young People by improving outcomes for young people at local, regional and national levels.

### SCOPE

The scope of this output expense includes:

- building a knowledge base through researching and analysing the factors that influence young people's access to opportunities for economic and social wellbeing
- investigating the composition, capabilities and workings of the youth sector in order to support the delivery of high-quality services
- identifying opportunities to enhance leadership, collaboration and co-operation in the youth sector in order to improve the outcomes achieved by young people
- development of a framework to better implement the *Youth Development Strategy Aotearoa* to support priority setting within the youth sector
- influencing the development of the youth sector through analysis and advice to the Minister, Cabinet and Cabinet Committees, Select Committees, interdepartmental committees, and other government agencies.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
	<b>Revenue</b>			
3,195	Crown	2,213	2,833	2,213
193	Department	165	165	165
145	Other	170	170	170
3,533	<b>Total revenue</b>	2,548	3,168	2,548
3,339	<b>Total expense</b>	2,601	3,168	2,548
<b>194</b>	<b>Net surplus/(deficit)</b>	<b>(53)</b>	-	-

## SERVICE PERFORMANCE (Policy Advice)

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Standard met	<b>Quantity and timeliness</b> Advice will be delivered in accordance with the work programme agreed with the Minister of Youth Affairs:	Standard met	Standard met <sup>59</sup>
Processes are complied with <sup>60</sup>	<b>Quality Process</b> An audit shows that the Ministry of Social Development's policy processes as outlined in the Quality Management System have been followed: <sup>61</sup>	Processes were complied with for 100% of cases	Processes are complied with in at least 90% of cases
Standard met	<b>Technical robustness</b> An external independent review of the Ministry of Youth Development's policy advice confirms that it meets acceptable standards based on pre-determined criteria:	Standard met	Standard met <sup>62</sup>
Standard met	<b>Feedback</b> Feedback from government stakeholders indicates the Ministry of Youth Development is effectively leading policy development on social development issues which are in line with the <i>Youth Development Strategy Aotearoa</i> . <sup>63</sup>	Standard met	Standard met <sup>64</sup>
New measure in 2006/2007	<b>Accuracy</b> The percentage of ministerial drafts provided for the Minister's signature where error could have been avoided will be no less than:	100%	95%
100%	The percentage of parliamentary question drafts provided for the Minister's signature where error could have been avoided will be no less than:	100%	100%
Revised measure in 2006/2007	<b>Timeliness</b> The percentage of draft Ministerial replies to be completed within 20 working days of receipt by the Ministry, unless otherwise agreed:	100%	95%
New measure in 2006/2007	Information for oral parliamentary questions will be provided to the Minister's office within the timeframe they specify:	100%	100%
New measure in 2006/2007	The percentage of written parliamentary questions will be answered by the time as specified by Minister's office:	100%	100%

59 Standard met means that we received confirmation from the Minister via her office that advice has been delivered in accordance with a work programme.

60 In 2006/2007, the standard for this measure was revised to 'Processes are complied with in at least 90% of cases'.

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

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

63 Stakeholders include:  
– the Minister of Youth Affairs and the Minister's office  
– other government agencies.

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

# VOTE CHILD, YOUTH AND FAMILY SERVICES

FOR THE YEAR ENDED 30 JUNE 2007

## Output Expense: Adoption Services

### DESCRIPTION

This output expense includes the provision of services, incorporating education, assessment, reporting, counselling and mediation, to all people who are party to adoption related matters, past or present.

### SCOPE

The scope of this output expense includes:

- manage the adoption process for the placement of New Zealand children in New Zealand
- manage the adoption process where international parties are involved, and exercise the Chief Executive's responsibilities as central authority under the Adoption (Inter-country) Act 1997
- respond to requests for information to the parties of previous adoptions.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES* 30 JUNE 07 \$000
8,471	Revenue	7,502	8,390	7,502
39	Crown Department	32	32	32
8,510	Total revenue	7,534	8,422	7,534
8,296	Total expense	7,328	8,422	7,534
214	Net surplus/(deficit)	206	-	-

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

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
976	Quantity		
	Number of applications received under the Adult Adoption Information Act 1985:	592 <sup>65</sup>	980 – 1,020
377	Number of assessments of adoptive parents completed:	394 <sup>65</sup>	450 – 480
154	Number of post-placement reports written: <sup>66</sup>	93 <sup>65</sup>	200 – 210
98.2%	Quality		
	Percentage of prospective adoptive parents evaluating the education programme as achieving its objectives:	97.7%	95%

<sup>65</sup> These are mainly demand driven.

<sup>66</sup> Applies to inter-country adoptions only.

## Output Expense: Care and Protection Services

### DESCRIPTION

This output expense includes the provision of services, both statutory and informal, that protect and assist children and young people who are in need of care and protection.

### SCOPE

The scope of this output expense includes:

- the notification, investigation, and assessment of reports about children and young people at risk of physical, sexual, or emotional abuse, neglect, self-harm, or behavioural difficulties
- the management of casework where Child, Youth and Family intervenes to achieve care and protection outcomes
- the co-ordination of Care and Protection Family Group Conferences
- support for families to improve their capacity to meet their care, control, and support responsibilities
- the provision of care in the nature of foster care and residential services
- the provision of resolution services to assist achieving care and protection needs
- the improvement of life outcomes of the children, young people and families involved.

This output expense also includes the provision of services to support other statutory responsibilities of the Chief Executive such as reports provided to the Family Court under the Care of Children Act 2004.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES 30 JUNE 07 \$000
276,639	<b>Revenue</b>	291,470	291,126	291,470
2,335	Crown	705	622	705
-	Department	1,342	1,799	1,799
	Other			
278,974	<b>Total revenue</b>	293,517	293,547	293,974
277,509	<b>Total expense</b>	294,640	293,547	293,974
<b>1,465</b>	<b>Net surplus/(deficit)</b>	<b>(1,123)</b>	-	-

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Quantity</b>		
66,210	Number of intake notifications received by Child, Youth and Family: <sup>67</sup>	75,326 <sup>68</sup>	71,400 – 78,910
49,063	Number of intake notifications that require further action (FARs):	46,776	52,300 – 57,800
6,287	Number of care and protection Family Group Conferences: <sup>69</sup>	6,235	7,080 – 7,830
5,077	Number of children and young people in care and protection care placements at any time during the year (as measured at the end of each month):	5,049	4,900 – 5,400
16,173	Number of children and young people in receipt of a care and protection social work intervention:	17,956	17,630 – 19,480
	<b>Timeliness</b>		
	<b>Response to notifications</b>		
	Notifications allocated to a social worker for investigation within timeframes:		
98.1%	• Critical – within 24 hours	97.7%	95% – 100% <sup>70</sup>
95.5%	• Very Urgent – within 48 hours	95.7%	90% – 95%
	Action taken at sites by a social worker to establish the immediate safety of the child or young person, and to confirm the response time and further action required, within timeframes:		
64.1%	• Urgent – within 7 days	79.0%	50% – 85% <sup>71</sup>
77.8%	• Low Urgent – within 28 days	91.3%	50% – 85%
66.0%	Investigations will be completed in a timely manner: <sup>72</sup>	77.2% <sup>73</sup>	70% in 90 days

## PROFESSIONAL QUALITY ASSURANCE MEASURES

Professional quality assurance measures were reviewed during the year and the review findings demonstrated that these measures required further work. A new professional quality assurance tool will be developed, piloted and monitored for 18 months to two years for possible introduction as a qualitative measure, encompassing all aspects of youth justice and care and protection social work practice.

67 Intake notifications are also known as “client notifications”. A client notification is created for every client identified as being at risk of child abuse, neglect or insecurity of care in families where a concern is expressed to Child, Youth and Family. This total will be greater than either the number of children and young people notified to Child, Youth and Family or the number of concerns expressed to Child, Youth and Family.

68 The growth in notifications from 2006/2007 has almost exclusively been driven by an increase in the number of family violence notifications received from the Police. There has also been a slight increase in the volume of notifications received from other Government agencies. However, this growth was anticipated and duly considered while setting up the standard for the 2006/2007 year.

69 Performance measure modified from “Number of care and protection FGCs: Held, Reconvened, and Reviewed”. Total includes all FGCs Held, Reconvened or Reviewed.

70 Giving a range for expected performance recognises practice reality associated with responding to Critical and Very Urgent notifications. While the intent is to respond to every notification within the timeframes, this may not always be achievable for reasons outside the Ministry’s control. For example, the practice reality is that case participants may prevent or frustrate, either intentionally or not, contact by the social worker.

71 The Ministry has a goal of responding to 85% of Urgent and Low Urgent notifications within the timeframes specified. Using a range recognises uncertainty in the volume of demand, and an emphasis on ensuring that resources are allocated along the service continuum, and not solely focused on intake processes. In addition, spikes in demand (either national or in response to local conditions) combined with the difficulties in increasing capacity over a short period of time can impact on the timeliness of response.

72 This performance measure focuses social work activity on the achievement of an outcome to a notification. Reporting captures the length of time to complete an investigation from allocation to assessment decision.

73 Ensuring investigations are completed in a timely manner was a key focus area in 2006/2007 as part of CYF’s ongoing programme of managing demand. This resulted in a greater than expected increase in performance.

## Output Expense: Development and Funding of Community Services

### DESCRIPTION

This output expense includes services for the management of Government funding of community-based social and welfare services. It includes: community services planning; working with the community sector and other government agencies to develop service frameworks for community-based social services; provider development; quality assurance processes to ensure service providers meet quality standards; and the management of service provider funding agreements.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES* 30 JUNE 07 \$000
	<b>Revenue</b>			
7,737	Crown	6,611	7,650	6,611
60	Department	49	49	49
7,797	<b>Total revenue</b>	6,660	7,699	6,660
7,660	<b>Total expense</b>	6,417	7,699	6,660
<b>137</b>	<b>Net surplus/(deficit)</b>	<b>243</b>	-	-

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

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Quantity</b>		
1,031	Number of approval assessments completed:	976	900 – 1,200
423	Number of multi-year funding agreements in effect this year (from 1 July 2006):	348	200 – 250
1,092	Number of new or renewed funding agreements negotiated this year:	861	950 – 1,100
	<b>Quality and timeliness</b>		
New measure in 2006/2007	All funding agreements will have their provider monitoring reports reviewed and assessed at least once per year for contract compliance:	89.0% <sup>74</sup>	100%
100%	All providers contracted under the Children, Young Persons and their Families Act 1989 will be assessed at least once every two years against Child, Youth and Family Approval Standards: <sup>75</sup>	97.0% <sup>76</sup>	100%

74 Improvements are being considered over the next 12 months to support the review and assessment process to achieve its target.

75 This covers all providers contracted under section 396 and section 403 of the CYP&F Act 1989 who are classified as high or medium risk providers.

76 Plans have been put in place for providers to have their assessments completed by the end of September 2007.

## Output Expense: Policy Advice and Ministerial Servicing

### DESCRIPTION

This output expense includes the provision of advice, research, evaluation, and development of policies relating to the provision, or contracting, of social and welfare services for children, young people and their families.

### SCOPE

In particular, advice will be provided on:

- adoption services
- care and protection services
- development and funding of community services
- prevention services
- youth justice services.

This output expense also includes the provision of Ministerial servicing and support to assist the Associate Minister for Social Development and Employment (Child, Youth and Family) and other Ministers to discharge their obligations to Parliament.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES* 30 JUNE 07 \$000
5,531	Revenue	4,266	4,586	4,266
60	Crown	48	49	49
	Department			
5,591	<b>Total revenue</b>	4,314	4,635	4,315
4,940	<b>Total expense</b>	4,049	4,635	4,315
<b>651</b>	<b>Net surplus/(deficit)</b>	<b>265</b>	-	-

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

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
Revised measure in 2006/2007	<b>Quantity</b> Number of Ministerials (Ministerial correspondence and Ministerial OIA requests) responded to:	521	500 – 550
Revised measure in 2006/2007	Number of Parliamentary Questions responded to:	698	400 – 450
Revised measure in 2006/2007	Number of reports (including policy, operational and briefing reports) provided to the Minister:	267 <sup>77</sup>	350 – 500

<sup>77</sup> Performance is consistent with the result of 286 in the 2005/2006 year.



## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Timeliness</b>		
74.8%	Percentage of replies to Ministerial Correspondence responded to by agreed timeframes:	84.0% <sup>78</sup>	95%
100%	Percentage of replies to Parliamentary Questions responded to by agreed timeframes:	98.4% <sup>79</sup>	100%
Revised measure in 2006/2007	Percentage of replies to Official Information Act 1982 requests responded to within statutory timeframes:	73.7% <sup>80</sup>	100%
Revised measure in 2006/2007	Percentage of reports (including policy, operational and briefing reports) delivered to the Minister by agreed timeframes:	98.0% <sup>81</sup>	100%
	<b>Quality</b>		
99.8%	Percentage of Ministerial drafts provided for the Minister's signature where error could reasonably have been avoided:	100%	95%
Revised measure in 2006/2007	The Minister will be formally requested to indicate his/her level of satisfaction with the overall quality of the outputs produced: <sup>82</sup>	98.0%	95% of reports assessed by the Minister will achieve a 3 or above quality rating <sup>83</sup>

78 The new systems and processes put in place since November 2006 have resulted in 100% of Ministerials meeting the deadline.

79 The variance relates to 11 parliamentary questions being late in August. Since that time 100% of questions have been responded to on time.

80 During the year, the Ministry drafted responses to 19 Official Information Act requests for the Minister. Five were sent late to the Minister's office, but in all cases the Minister's office was kept informed of progress. Two of the delays occurred during the period soon after the CYF and MSD merger.

81 Process improvements put in place resulted in 100% of reports meeting the timeframe from October 2006.

82 Quality characteristics:

Purpose:	The aims of the paper have been clearly stated and answer the questions the Minister/report recipient has set; the problem the paper is addressing has been clearly stated.
Context:	The context for the report is fully and accurately explained and all relevant background information is concisely included.
Logic:	The assumptions behind the advice are explicit and the argument is logical and supported by facts.
Accuracy:	The facts in the paper are accurate and all material facts have been included.
Options:	An adequate range of options has been presented and each is assessed for benefits, costs and consequences to the government, the community and the Ministry's clients.
Consultation:	There is evidence of adequate consultation with interested parties and possible objections to proposals have been identified.
Practicality:	The problems of implementation, technical feasibility, timing and consistency with other policies have been considered.
Presentation:	The format is appropriate to the intended audience (Cabinet Office, Minister, Chief Executive, Executive Committee or internal). The material is effectively and concisely summarised, has short sentences in plain English and is free from spelling or grammatical errors.
Outcome implications:	The paper identifies how the proposed policy will impact on outcomes sought by the government or the Ministry.
Recommendations:	The recommendations stand alone and provide a summary of the key points in the report, are in a logical order and set out clearly and unambiguously all the decisions needed. Each recommendation is supported by statements in the body of the paper.

83 Any reports not rated by the Minister will be deemed as having met the required standard.

## Output Expense: Prevention Services

### DESCRIPTION

This output expense covers the provision of education and advice services for the prevention of child abuse and neglect, and the promotion of the wellbeing of children, young people and their families. It includes activities to promote and support stronger communities, including public education programmes that aim to promote the importance of child and family wellbeing.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES* 30 JUNE 07 \$000
5,400	Revenue	4,469	5,402	4,469
682	Crown	373	590	590
-	Department	-	13	13
-	Other			
6,082	<b>Total revenue</b>	<b>4,842</b>	<b>6,005</b>	<b>5,072</b>
5,939	<b>Total expense</b>	<b>5,021</b>	<b>6,005</b>	<b>5,072</b>
<b>143</b>	<b>Net surplus/(deficit)</b>	<b>(179)</b>	<b>-</b>	<b>-</b>

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

### SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURE	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
<p>Everyday Communities has been closely monitored and evaluated in each participating community and final reports are available on request. Monitoring of the public's attitudes has shown an increase in awareness by individuals and groups who see themselves as integral to preventing child abuse and neglect in the community.</p>	<p><b>Quality and timeliness</b> In those communities in which the Everyday Communities Programme is run, there is increased awareness of child abuse and neglect:</p>	Standard met	Increase in awareness as measured by monitoring at the end of each phase of the programme <sup>84</sup>

84 Each programme goes through four phases. A benchmark is established at the beginning of the programme and at the end of each phase.

## Output Expense: Youth Justice Services

### DESCRIPTION

This output expense provides services to those children and young people who come under Part IV of the Children, Young Persons, and Their Families Act 1989. It includes social work and other services to manage and resolve offending behaviour by children and young people, by providing assessment, support, programmes, containment and care of young offenders.

The output expense also includes community rehabilitation programmes, the provision of youth justice residential facilities, the Criminal Justice Unit, and the provision of services to assist families to exercise their care and control responsibilities.

### FINANCIAL PERFORMANCE

ACTUAL 30 JUNE 06 \$000	FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)	ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES 30 JUNE 07 \$000	SUPPLEMENTARY ESTIMATES* 30 JUNE 07 \$000
	<b>Revenue</b>			
83,303	Crown	98,398	82,614	98,398
405	Department	332	332	332
-	Other	195	-	380
83,708	<b>Total revenue</b>	98,925	82,946	99,110
83,567	<b>Total expense</b>	97,892	82,946	99,110
<b>141</b>	<b>Net surplus/(deficit)</b>	<b>1,033</b>	-	-

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

## SERVICE PERFORMANCE

ACTUAL 30 JUNE 06	PERFORMANCE MEASURES	ACTUAL 30 JUNE 07	STANDARD 30 JUNE 07
	<b>Quantity</b>		
9,064	Number of referrals for youth justice FGCs received:	9,218	9,290 – 10,270
9,094	Number of referrals for youth justice FGCs accepted:	9,243	9,240 – 10,210
9,190	Number of youth justice Family Group Conferences: <sup>85</sup>	9,179	9,460 – 10,450
180	Number of young people in placement or detention (as measured at the end of each month):	184	150 – 180
3,679	Number of individual children and young people in receipt of a youth justice social work intervention:	4,002	3,550 – 3,920
	<b>Timeliness</b>		
94.4%	Youth justice FGCs are convened within statutory timeframes: <sup>86</sup>	92.4% <sup>87</sup>	100%
81.1%	Youth justice FGCs are held within statutory timeframes: <sup>88</sup>	88.9% <sup>87</sup>	100%

## PROFESSIONAL QUALITY ASSURANCE MEASURES

Professional quality assurance measures were reviewed during the year and the review findings demonstrated that these measures required further work. A new professional quality assurance tool will be developed, piloted and monitored for 18 months to two years for possible introduction as a qualitative measure, encompassing all aspects of youth justice and care and protection social work practice.

85 Performance measure modified from “Number of youth justice FGCs: Held, Reconvened and Reviewed”. Total includes all FGCs Held, Reconvened or Reviewed.

86 Section 249 of the Children, Young Persons, and Their Families Act 1989 requires FGCs to be convened within 7, 14 or 21 days. While we aim to achieve this 100% of the time, it may not always be achievable due to the difficulty in getting family members together within tight timeframes and on weekends and public holidays.

87 Performance remains steady. Difficulties in gathering family and whānau members together in time to convene and hold FGCs within statutory timeframes has affected the timeliness performance.

88 Section 249 of the Children, Young Persons, and Their Families Act 1989 requires FGCs to be completed within seven days or one month after being convened, unless there are special reasons why a longer period is required.

# FINANCIAL STATEMENTS



# STATEMENT OF ACCOUNTING POLICIES: DEPARTMENTAL

FOR THE YEAR ENDED 30 JUNE 2007

## Reporting Entity

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

These are the financial statements of the Ministry of Social Development prepared pursuant to the Public Finance Act 1989. The Department of Child, Youth and Family Services merged with the Ministry of Social Development on 1 July 2006. The 2006/2007 financial statements have been prepared on a consolidated basis to reflect the merger. The actual 2005/2006 financial information presented in the financial statements are for the pre-merger Ministry of Social Development only.

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

## Measurement System

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

## Accounting Policies

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

### BUDGET FIGURES

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

### REVENUE

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

### COST ALLOCATION

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

#### Cost Allocation Policy

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

#### Criteria for Direct and Indirect Costs

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

For the year ended 30 June 2007, direct costs accounted for 82.0% of the Ministry's costs (2006: 79.9%).

### RECEIVABLES AND ADVANCES

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

## OPERATING LEASES

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

## FIXED ASSETS

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

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

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

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

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

## DEPRECIATION

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

Estimated useful lives for the main classes of assets are:

TYPE OF ASSETS	ESTIMATED LIFE (YEARS)
Buildings (including components)	10 to 50
Leasehold improvements	3 to 10
Computer equipment	3 to 5
Software	3 to 8
Furniture, fittings and office equipment	3 to 5
Motor vehicles	4

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

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

## INCOME TAX

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



## **GOODS AND SERVICES TAX (GST)**

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

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

## **COMMITMENTS**

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

## **CONTINGENT ASSETS AND LIABILITIES**

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

## **FOREIGN CURRENCY**

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

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

## **FINANCIAL INSTRUMENTS**

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

## **EMPLOYEE ENTITLEMENTS**

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee entitlements include accrued salaries, annual leave, time in lieu, shift allowances, long service leave and retirement leave. Annual leave has been calculated on a nominal basis at current rates of pay while the other provisions are stated at the present value of the future cash outflows expected to be incurred.

## **STATEMENT OF CASH FLOWS**

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

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

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

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



## **PROVISIONS**

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

## **OTHER LIABILITIES**

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

## **TAXPAYERS' FUNDS**

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

## **CHANGES IN ACCOUNTING POLICIES**

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

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

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000		NOTE	ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>Revenue</b>				
681,077	Crown		1,103,143	1,081,762	1,103,143
17,124	Other	1	11,912	20,437	20,900
3,235	Foreign exchange gains		-	-	-
<b>701,436</b>	<b>Total revenue</b>		<b>1,115,055</b>	<b>1,102,199</b>	<b>1,124,043</b>
	<b>Expenditure</b>				
358,860	Personnel costs	2	556,895	554,821	582,869
298,240	Operating costs	3	474,946	471,789	469,721
31,730	Depreciation	4	50,067	58,958	55,271
3,403	Capital charge	5	17,722	16,631	16,182
-	Other expenses	6	1,917	-	-
<b>692,233</b>	<b>Total expenses</b>		<b>1,101,547</b>	<b>1,102,199</b>	<b>1,124,043</b>
<b>9,203</b>	<b>Net operating surplus</b>		<b>13,508</b>	<b>-</b>	<b>-</b>

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000		NOTE	ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
9,203	Net surplus for the year		13,508	-	-
-	<b>Other recognised revenues and expenses:</b> Increase in revaluation reserves		18,433	-	-
9,203	<b>Total recognised revenues and expenses for the year</b>		31,941	-	-
-	Assets and liabilities transferred from Department of Child, Youth and Family Services	7	199,231	182,836	199,231
(9,203)	Provision for payment of surplus to the Crown		(13,508)	-	-
-	<b>Movements in taxpayers' funds for the year</b>		217,664	182,836	199,231
112,559	Taxpayers' funds as at beginning of year		112,559	112,559	112,559
112,559	<b>Taxpayers' funds as at end of year</b>		330,223	295,395	311,790

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

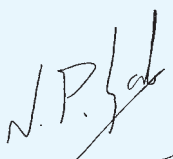
AS AT 30 JUNE 2007

ACTUAL 2006 \$000		NOTE	ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>TAXPAYERS' FUNDS</b>				
104,870	General funds		304,101	267,655	304,101
7,689	Revaluation reserve		26,122	27,740	7,689
<b>112,559</b>	<b>Total taxpayers' funds</b>		<b>330,223</b>	<b>295,395</b>	<b>311,790</b>
	Represented by:				
	<b>CURRENT ASSETS</b>				
121,120	Cash and bank		163,751	120,305	156,421
2,302	Accounts receivable	8	8,531	5,830	3,733
2,496	Prepayments		7,169	3,299	6,226
-	Property intended for sale		-	1,726	-
125,918	<b>Total current assets</b>		<b>179,451</b>	<b>131,160</b>	<b>166,380</b>
	<b>NON-CURRENT ASSETS</b>				
91,879	Fixed assets	9	318,569	303,529	298,984
91,879	<b>Total non-current assets</b>		<b>318,569</b>	<b>303,529</b>	<b>298,984</b>
<b>217,797</b>	<b>Total assets</b>		<b>498,020</b>	<b>434,689</b>	<b>465,364</b>
	<b>less CURRENT LIABILITIES</b>				
53,010	Accounts payable and accruals	10	77,715	71,853	83,536
-	Capital charge payable	10	1,272	-	-
9,203	Provision for payment of surplus to the Crown		13,508	-	-
26,742	Provision for employee entitlements	11	49,919	38,975	44,036
3,607	Other provisions	12	5,850	9,132	5,248
92,562	<b>Total current liabilities</b>		<b>148,264</b>	<b>119,960</b>	<b>132,820</b>
	<b>less NON-CURRENT LIABILITIES</b>				
12,676	Provision for employee entitlements	11	19,533	19,334	20,754
12,676	<b>Total non-current liabilities</b>		<b>19,533</b>	<b>19,334</b>	<b>20,754</b>
105,238	<b>Total liabilities</b>		<b>167,797</b>	<b>139,294</b>	<b>153,574</b>
<b>112,559</b>	<b>Net assets</b>		<b>330,223</b>	<b>295,395</b>	<b>311,790</b>



Peter Hughes  
Chief Executive

28 September 2007



Nick Gale  
Chief Financial Officer

28 September 2007

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Cash provided from:			
	Supply of outputs to:			
681,077	Crown	1,103,143	1,081,762	1,103,143
21,330	Other	12,085	19,607	20,900
(971)	Net GST received	1,406	-	-
<b>701,436</b>		<b>1,116,634</b>	<b>1,101,369</b>	<b>1,124,043</b>
	Cash applied to:			
	Production of outputs			
354,115	Personnel	548,200	540,235	555,664
292,294	Operating	488,228	460,428	445,968
3,829	Capital charge	16,450	16,631	16,608
<b>650,238</b>		<b>1,052,878</b>	<b>1,017,294</b>	<b>1,018,240</b>
<b>51,198</b>	<b>Net cash inflow from operating activities</b>	<b>63,756</b>	<b>84,075</b>	<b>105,803</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Cash provided from:			
1,952	Sale of fixed assets	2,029	2,328	4,101
	Cash applied to:			
21,637	Purchase of fixed assets	55,099	56,331	65,400
<b>(19,685)</b>	<b>Net cash outflow from investing activities</b>	<b>(53,070)</b>	<b>(54,003)</b>	<b>(61,299)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Cash provided from:			
-	Capital contribution from the Crown	-	182,836	-
-	Transfer of cash from Child, Youth and Family	46,137	-	-
	Cash applied to:			
17,933	Payment of surplus to Crown	14,192	-	9,203
-	Purchase of Child, Youth and Family net assets	-	182,836	-
<b>(17,933)</b>	<b>Net cash inflow/(outflow) from financing activities</b>	<b>31,945</b>	<b>-</b>	<b>(9,203)</b>
13,580	Net Increase/(decrease) in cash held	42,631	30,072	35,301
107,540	Add opening cash and deposits	121,120	90,233	121,120
<b>121,120</b>	<b>Closing cash and bank</b>	<b>163,751</b>	<b>120,305</b>	<b>156,421</b>

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

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

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
9,203	Net operating surplus	13,508	-	-
	<i>Add/(less) non-cash items:</i>			
31,730	Depreciation	50,067	58,958	55,271
105	Bad debts	-	-	-
98	Doubtful debts	-	-	-
1,081	Non-current employee entitlements	6,859	(22,674)	-
33,014	<b>Total non-cash items</b>	<b>56,926</b>	<b>36,284</b>	<b>55,271</b>
	<i>Add/(less) working capital movements:</i>			
917	(Increase)/decrease in accounts receivable	(6,229)	(2,408)	(1,431)
803	(Increase)/decrease in prepayments	(4,673)	-	(3,730)
-	(Increase)/decrease in property intended for sale	-	(1,726)	-
5,912	Increase/(decrease) in accounts payable	20,403	51,925	25,784
-	Increase/(decrease) in capital charge	1,272	-	-
(971)	Increase/(decrease) in GST payable	4,302	-	2,896
3,348	Increase/(decrease) in provision for employee entitlements	23,177	-	25,372
(703)	Increase/(decrease) in other provisions	2,243	-	1,641
9,306	<b>Net working capital movements</b>	<b>40,495</b>	<b>47,791</b>	<b>50,532</b>
-	Transfer of CYF working capital	(46,965)	-	-
	<i>Add/(less) non-operating activity items:</i>			
(325)	Net gain on sale of fixed assets	(208)	-	-
(325)	<b>Net non-operating activity items</b>	<b>(47,173)</b>	<b>-</b>	<b>-</b>
51,198	<b>Net cash inflow from operating activities</b>	<b>63,756</b>	<b>84,075</b>	<b>105,803</b>

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2007

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

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

Other non-cancellable contracts include agreements for the provision of specialist day programmes, specialist family home services and bed night placements for children and young persons in the care of Child, Youth and Family Services.

ACTUAL 2006 \$000		ACTUAL 2007 \$000
	<b>OPERATING COMMITMENTS</b>	
	<b>Non-cancellable accommodation leases:</b>	
28,353	Less than one year	40,618
24,331	One to two years	33,149
42,333	Two to five years	44,142
5,877	More than five years	3,239
<b>100,894</b>	<b>Total non-cancellable accommodation leases</b>	<b>121,148</b>
	<b>Other non-cancellable contracts:</b>	
18,065	Less than one year	133,753
2,672	One to two years	10,098
959	Two to five years	10,786
931	More than five years	891
<b>22,627</b>	<b>Total other non-cancellable contracts</b>	<b>155,528</b>
<b>123,521</b>	<b>Total operating commitments</b>	<b>276,676</b>
<b>123,521</b>	<b>Total commitments</b>	<b>276,676</b>

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000
195	Personal grievances claims	454
<b>195</b>	<b>Total contingent liabilities</b>	<b>454</b>

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

Other legal claims and proceedings include the Ministry's assessment of possible payments to caregivers for historical claims under Section 363 of the Children, Young Persons, and Their Families Act 1989.

There is ongoing legal action against the Crown in relation to historical abuse claims. At this stage the number of claimants and outcome of these cases are uncertain.

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.



# STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000	SUMMARY BY OUTPUT EXPENSES	ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES* 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	<b>Appropriations for classes of outputs:</b>				
	<b>VOTE: SOCIAL DEVELOPMENT</b>				
5,453	Community Services Card	5,636	5,764	5,764	-
17,969	Debt Management – Former Beneficiaries	16,578	19,452	19,622	-
17,943	Family and Community Services	25,043	25,098	25,901	-
8,019	Information Technology Services to the Department of Child, Youth and Family Services	-	-	-	-
41,396	Policy and Purchase Advice	38,221	37,421	38,918	-
227,611	Services to Minimise the Duration of Unemployment and Move People into Work	218,275	251,791	220,497	-
34,669	Services to Protect the Integrity of the Benefit System	35,319	36,826	37,357	-
255,322	Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency	263,837	239,807	273,018	-
34,824	Services to Seniors	34,320	36,706	37,149	-
34,055	Services to Students	34,551	31,445	35,067	-
4,414	Social Development Leadership	2,047	2,931	2,931	-
<b>681,675</b>	<b>Total Vote Social Development</b>	<b>673,827</b>	<b>687,241</b>	<b>696,224</b>	<b>-</b>
	<b>VOTE: SENIOR CITIZENS</b>				
955	Senior Citizens Services	988	1,142	1,142	-
<b>955</b>	<b>Total Vote Senior Citizens</b>	<b>988</b>	<b>1,142</b>	<b>1,142</b>	<b>-</b>
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>				
3,548	Processing and Payment of Pensions	3,683	4,155	4,155	-
<b>3,548</b>	<b>Total Vote Veterans' Affairs – Social Development</b>	<b>3,683</b>	<b>4,155</b>	<b>4,155</b>	<b>-</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>				
2,070	Enabling Youth Development	2,242	2,554	2,344	-
646	Facilitating Young People's Voices	942	685	965	-
3,339	Youth Development Policy Advice	2,601	3,168	2,548	53
<b>6,055</b>	<b>Total Vote Youth Development</b>	<b>5,785</b>	<b>6,407</b>	<b>5,857</b>	<b>53</b>
	<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>				
-	Adoption Services	7,328	8,422	7,534	-
-	Care and Protection Services	294,640	293,547	293,974	666
-	Development and Funding of Community Services	6,417	7,699	6,660	-
-	Policy Advice and Ministerial Servicing	4,049	4,635	4,315	-
-	Prevention Services	5,021	6,005	5,072	-
-	Youth Justice Services	97,892	82,946	99,110	-
-	<b>Total Vote Child, Youth and Family Services</b>	<b>415,347</b>	<b>403,254</b>	<b>416,665</b>	<b>666</b>
<b>692,233</b>	<b>Total Departmental Output Expenses</b>	<b>1,099,630</b>	<b>1,102,199</b>	<b>1,124,043</b>	<b>719</b>

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

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# STATEMENT OF UNAPPROPRIATED DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 2007

	ACTUAL EXPENDITURE 2007 \$000	SUPPLEMENTARY ESTIMATES* 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>			
Care and Protection Services	294,640	293,974	666
<b>VOTE: YOUTH DEVELOPMENT</b>			
Youth Development Policy Advice	2,601	2,548	53

The Ministry had two instances of unappropriated expenditure for the year ended 30 June 2007 (2006: nil). The Minister of Finance approved additional expenditure under section 26B of the Public Finance Act 1989 for the departmental appropriation, Care and Protection Services in Vote Child, Youth and Family Services. Cabinet approval was also received under section 26C of the Public Finance Act 1989 for the departmental appropriation, Youth Development Policy Advice in Vote Youth Development to be exceeded by up to \$0.140 million.

*Care and Protection Services* – the merger of the Department of Child, Youth and Family Services with the Ministry of Social Development from 1 July 2006 resulted in a change in the methodology of allocating costs to the appropriations. The revised methodology had not been developed in time to enable changes to be incorporated in the 2006/2007 Supplementary Estimates.

*Youth Development Policy Advice* – the merger of the Department of Child, Youth and Family Services with the Ministry of Social Development from 1 July 2006 resulted in a change in the methodology of allocating costs to the appropriations. This changed the quantum of overhead costs allocated across all departmental appropriations administered by the Ministry and caused the Youth Development Policy Advice output expense to be exceeded by \$0.053 million.

## Transfers approved under section 26A of the Public Finance Act 1989

	SUPPLEMENTARY ESTIMATES 2007 \$000	SECTION 26A TRANSFERS 2007 \$000	FINAL VOTED* 2007 \$000
<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>			
Adoption Services	8,422	(888)	7,534
Development and Funding of Community Services	7,769	(1,109)	6,660
Policy Advice and Ministerial Servicing	5,265	(950)	4,315
Prevention Services	6,231	(1,159)	5,072
Youth Justice Services	95,004	4,106	99,110

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

The Statement of Accounting Policies on pages 90 to 93 and notes 1 to 17 on pages 103 to 111 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## Note 1: Other Revenue

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
2,040	Sub-lease rental recoveries	368	9,519	9,982
8,056	Information technology recoveries from departments	-	-	-
7,028	Other recoveries	11,504	10,918	10,918
-	Net gain on sale of non-fixed assets	40	-	-
<b>17,124</b>	<b>Total other revenue</b>	<b>11,912</b>	<b>20,437</b>	<b>20,900</b>

Information technology recoveries from other departments represented revenue received from the former Department of Child, Youth and Family Services, now merged with the Ministry from 1 July 2006, for the provision of an IT infrastructure.

The Ministry also received revenue from the State Services Commission (SSC) for the State Sector Retirement Savings Scheme (SSRSS) and child support receipts on behalf of children in foster care.

## Note 2: Personnel Costs

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
336,842	Salaries and wages	528,338	536,825	563,524
5,434	Retirement and long service leave	6,846	3,425	1,750
216	Restructuring costs	320	247	290
16,368	Other personnel expenses	21,391	14,324	17,305
<b>358,860</b>	<b>Total personnel costs</b>	<b>556,895</b>	<b>554,821</b>	<b>582,869</b>

## Note 3: Operating Costs

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
780	Audit fees	1,027	1,200	1,200
-	NZ IFRS Audit fees	60	-	-
7	Other services provided by our Auditors	5	-	-
40,624	Rental, leasing and occupancy costs	58,293	51,941	51,941
105	Bad debts written-off	119	-	-
98	Movement in provision for doubtful debts	426	-	-
-	Financial plan costs*	105,628	93,754	104,917
-	Non specific client costs**	22,571	-	24,764
(325)	Net loss/(gain) on sale of fixed assets	(208)	-	-
88,947	Training opportunity programmes (TOPs)	87,484	93,667	93,667
168,004	Other operating expenses	199,541	231,227	193,232
<b>298,240</b>	<b>Total operating costs</b>	<b>474,946</b>	<b>471,789</b>	<b>469,721</b>

\* Financial plan costs are monies paid in relation to the provision of care and protection of children and young persons, and the provision of programmes and services to support the resolution of behaviour and relationship difficulties. A portion of these costs is also used to support statutory processes to promote opportunities for family/whānau, hapū/iwi and family groups to consider care and protection and youth justice issues and contribute to a decision-making process that often precludes the necessity of court involvement.

\*\* Non-specific client costs include the maintaining of an infrastructure that supports the Ministry to meet its legal and support obligations related to the care and protection of children and young persons. It also supports the casework resolution process.

## Note 4: Depreciation

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
1,071	Buildings	3,663	3,561	3,530
5,003	Leasehold improvements	9,136	8,212	9,143
2,591	Motor vehicles	4,826	5,890	4,909
21,862	Computer equipment and software	28,539	34,544	33,724
1,203	Office equipment, furniture and fittings	3,903	6,751	3,965
<b>31,730</b>	<b>Total depreciation expense</b>	<b>50,067</b>	<b>58,958</b>	<b>55,271</b>

## Note 5: Capital Charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 31 December and 30 June each financial year in arrears. The capital charge rate for the year ended 30 June 2007 was 7.5% (2006: 8.0%). The Ministry also earns notional interest based on the daily cash balances held, and this is used to offset against the capital charge. The notional interest rate is 4.5% per annum (2006: 4.8%).

## Note 6: Other Expenses

The Ministry recorded a foreign currency loss of \$1.917 million relating to the purchase of software from Curam Software Ltd. In April 2005 the Ministry entered into a foreign currency forward exchange contract for US\$15 million with a settlement date of 21 April 2006 to help pay for the purchase of software licences from Curam Software Ltd, a software company based in Ireland. On settlement date, the Ministry deposited the US\$15 million with the New Zealand Debt Management Office (NZDMO) awaiting the finalisation of the contract with Curam, resulting in a foreign exchange gain of \$3.325 million. The actual payment to Curam Software Ltd was made in August 2006. This resulted in a foreign currency loss of \$1.917 million. Across the two years a gain of \$1.408 million was achieved.

## Note 7: Transfer of Assets and Liabilities from Department of Child, Youth and Family Services as at 1 July 2006

	ACTUAL 1 JULY 2006 \$000
<b>ASSETS</b>	
Cash at bank	46,137
Trade debtors and receivables	1,431
Prepayments	3,730
Fixed assets	205,046
<b>Total assets as at 30 June 2006</b>	<b>256,344</b>
<b>Less LIABILITIES</b>	
Payables and accruals	25,113
Employee entitlements	25,372
Other provisions	1,641
Provision to pay surplus to Crown	4,987
<b>Total liabilities as at 30 June 2006</b>	<b>57,113</b>
<b>Net assets transferred to Ministry of Social Development as at 1 July 2006</b>	<b>199,231</b>

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

## Note 8: Accounts Receivable

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
2,928	Trade debtors and receivables	10,648	6,858	4,359
(626)	Less provision for doubtful debts	(2,117)	(1,028)	(626)
<b>2,302</b>	<b>Net trade debtors</b>	<b>8,531</b>	<b>5,830</b>	<b>3,733</b>
<b>2,302</b>	<b>Total accounts receivable</b>	<b>8,531</b>	<b>5,830</b>	<b>3,733</b>

## Note 9: Fixed Assets

ACTUAL 2006 \$000		ACTUAL 2007 \$000
	<b>LAND</b>	
-	At cost	-
5,540	At valuation – 30 June 2007	65,060
5,540	<b>Land – net book value</b>	65,060
	<b>BUILDINGS</b>	
1,105	At cost	-
12,729	At valuation – 30 June 2007	129,061
(1,733)	Accumulated depreciation	-
12,101	<b>Buildings – net book value</b>	129,061
	<b>LEASEHOLD IMPROVEMENTS</b>	
46,634	At cost	59,529
(35,871)	Accumulated depreciation	(45,012)
10,763	<b>Leasehold improvements – net book value</b>	14,517
	<b>COMPUTER EQUIPMENT AND SOFTWARE</b>	
146,617	At cost	180,090
(108,642)	Accumulated depreciation	(136,069)
37,975	<b>Computer equipment and software – net book value</b>	44,021
	<b>FURNITURE AND FITTINGS</b>	
4,889	At cost	10,632
(4,858)	Accumulated depreciation	(6,976)
31	<b>Furniture and fittings – net book value</b>	3,656
	<b>OFFICE EQUIPMENT</b>	
6,915	At cost	8,613
(4,097)	Accumulated depreciation	(5,689)
2,818	<b>Office equipment – net book value</b>	2,924
	<b>MOTOR VEHICLES</b>	
16,672	At cost	23,085
(5,305)	Accumulated depreciation	(8,083)
11,367	<b>Motor vehicles – net book value</b>	15,002
	<b>ITEMS UNDER CONSTRUCTION</b>	
1,506	Leasehold improvements	6,435
9,778	Computer equipment and software	37,893
11,284	<b>Items under construction</b>	44,328

## Note 9: Fixed Assets CONTINUED

ACTUAL 2006 \$000		ACTUAL 2007 \$000
	<b>TOTAL FIXED ASSETS</b>	
252,385	At cost and valuation	520,398
(160,506)	Accumulated depreciation	(201,829)
<b>91,879</b>	<b>Total carrying amount of fixed assets</b>	<b>318,569</b>

Commercial land and buildings were valued as at 30 June 2007 by Paul Butchers BBS, FPINZ, a registered valuer with CB Richard Ellis Ltd.

Residential land and buildings were valued as at 30 June 2007 by Kerry Stewart PG Dip Env Audit, Val Prof Urb, MBA, ANZIV, SNZPI from Quotable Value Limited. Family homes are valued at fair value using market-based evidence.

The property located at 830 Te Waerenga Road, Kaharoa, Rotorua was valued as at 30 June 2007 by KE Parker, FNZIV, FNZPI, a registered valuer with Jenks Valuations Limited.

## Note 10: Accounts Payable and Accruals

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
7,574	Trade creditors and payables	9,143	10,452	7,576
1,018	GST payable	5,320	4,772	1,018
44,418	Accrued expenses	63,252	56,629	74,942
-	Capital charge payable	1,272	-	-
<b>53,010</b>	<b>Total accounts payable and accruals</b>	<b>78,987</b>	<b>71,853</b>	<b>83,536</b>

## Note 11: Provision for Employee Entitlements

ACTUAL 2006 \$000		ACTUAL 2007 \$000	MAIN ESTIMATES 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>CURRENT LIABILITIES</b>			
10,402	Retirement and long service leave	16,725	8,397	27,696
16,340	Provision for annual leave	33,194	30,578	16,340
<b>26,742</b>	<b>Total current portion</b>	<b>49,919</b>	<b>38,975</b>	<b>44,036</b>
	<b>NON-CURRENT LIABILITIES</b>			
12,676	Retirement and long service leave	19,533	19,334	20,754
<b>12,676</b>	<b>Total non-current portion</b>	<b>19,533</b>	<b>19,334</b>	<b>20,754</b>
<b>39,418</b>	<b>Total employment entitlements</b>	<b>69,452</b>	<b>58,309</b>	<b>64,790</b>

## Note 12: Other Provisions

	OPENING BALANCE \$000	ADDITIONS \$000	(INCURRED)/ (CHARGED) \$000	REVERSALS \$000	CLOSING BALANCE \$000
Provision for ACC	3,173	-	2,492	-	5,665
Provision for onerous leases	434	-	(249)	-	185
<b>Total other provisions</b>	<b>3,607</b>	<b>-</b>	<b>2,243</b>	<b>-</b>	<b>5,850</b>

## Note 13: Financial Instruments

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

### CREDIT RISK

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

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

The maximum exposures to credit risk at balance date were:

ACTUAL 2006 \$000		ACTUAL 2007 \$000
121,120	Cash and bank	163,751
4,798	Debtors, receivables and prepayments	15,700

### FAIR VALUE

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

### INTEREST RATE RISK

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

### FOREIGN CURRENCY

At balance date, the Ministry has no forward exchange contracts (2006: nil).



## Note 14: Related Party Information

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

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

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

## Note 15: Major Budget Variations

		ACTUAL 30 JUNE 07 \$000	MAIN ESTIMATES \$000	SUPPLEMENTARY ESTIMATES \$000	ACTUAL VS MAINS VARIANCE \$000
Revenue	(a)	1,115,055	1,102,199	1,124,043	12,856
General taxpayers funds	(b)	304,101	267,655	304,101	36,446
Cash and bank	(c)	163,751	120,305	156,421	43,446
Fixed assets	(d)	318,569	303,529	298,984	15,040
Provision for employee entitlements	(e)	49,919	38,975	44,036	10,944

### STATEMENT OF FINANCIAL PERFORMANCE

- (a) The Ministry's baseline had a net increase of \$21.381 million in the 2006/2007 year. This was partly offset by a reduction in revenue received from other sources of \$8.525 million.

### STATEMENT OF FINANCIAL POSITION

- (b) The increase in taxpayers funds is primarily related to an increase in revaluation reserves following the revaluation of the land and buildings owned by the former Department of Child, Youth and Family Services, now merged with the Ministry, as at 30 June 2006. As the valuation process was completed in June 2006, it was not included in the budgets prepared for the 2006/2007 Main Estimates which were produced in April 2006.
- (c) The budget prepared for the 2006/2007 Main Estimates reflected the merger of the Department of Child, Youth and Family Services with the Ministry from 1 July 2007 at a higher level. This partly explains the significant variance in cash at bank against the budgets prepared for the 2006/2007 Main Estimates. Lower than planned capital expenditure also contributed to the variance.
- (d) The increase in fixed assets relates to an increase in the value of land and buildings owned by the Ministry following the completion of the valuation in June 2007. This increase from the revaluation of land and buildings was not included in the 2006/2007 Main Estimates.
- (e) Provision for employee entitlements increase of \$10.944 million relates to the change in the number of days of annual leave entitlement for employees and increase in salaries.

## Note 15: Major Budget Variations **CONTINUED**

### CHANGES IN APPROPRIATIONS

The table below summarises the material changes in appropriation between the Main Estimates and the final Supplementary Estimates for the 2006/2007 financial year.

FIGURES ARE GST EXCLUSIVE	MAIN ESTIMATES \$000	SUPPLEMENTARY <sup>89</sup> ESTIMATES \$000	VARIANCE \$000	EXPLANATION
<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>				
Youth Justice Services	82,946	99,110	16,164	The increase is due to additional funding for Youth Justice Capability.
<b>VOTE: SOCIAL DEVELOPMENT</b>				
Services to Minimise the Duration of Unemployment and Move People into Work	251,791	220,497	(31,294)	The decrease is due to: <ul style="list-style-type: none"> <li>– a transfer of funding to Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency to reflect a greater percentage of time frontline staff spent on benefit issues than was expected at the start of 2006/2007</li> <li>– a reduction in time spent by frontline staff on employment issues.</li> </ul>
Services to Provide Benefit Entitlements and Obligations to Working Age Beneficiaries and to Promote Self-Sufficiency	239,807	273,018	33,211	The reasons for the increase include: <ul style="list-style-type: none"> <li>– a transfer of funding from Services to Minimise the Duration of Unemployment and Move People into Work to reflect a greater percentage of time frontline staff spent working on benefit issues than was expected at the start of 2006/2007</li> <li>– additional funding for Working New Zealand Phase One.</li> </ul>
Services to Students	31,445	35,067	3,622	The increase is due to: <ul style="list-style-type: none"> <li>– additional funding for Working New Zealand Phase One</li> <li>– transfers of funding from Services to Seniors, Debt Management – Former Beneficiaries and Services to Minimise the Duration of Unemployment and Move People into Work to fund increased demand for Student Loans.</li> </ul>

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

## Note 16: New Zealand International Financial Reporting Standards

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

The Government announced in 2003 that the Crown would first adopt NZ IFRS for its financial year beginning 1 July 2007. The first step was publication of the Statement of Intent for 2007/2008 according to NZ IFRS requirements.

The Ministry has developed policies consistent with NZ IFRS requirements. However, there still remain areas for change as implementation unfolds or standards are revised.

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

## Note 17: Post Balance Date Events

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

# NON-DEPARTMENTAL FINANCIAL STATEMENTS AND SCHEDULES

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000
	<b>Summary:</b>	
14,580,695	Expenditure and Appropriations	15,287,862
50,617	Revenue	52,872
481,740	Capital Receipts	501,704
1,117,499	Assets	1,126,424
265,979	Liabilities	315,560
310	Trust Monies	624

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the Ministry manages on behalf of the Crown. The Ministry administered \$15.288 billion of non-departmental payments, \$554.6 million of non-departmental revenues and receipts, \$1.126 billion of assets and \$315.6 million of liabilities on behalf of the Crown for the year ended 30 June 2007. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Statement of Service Performance section of this report.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2006/2007.

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# STATEMENT OF ACCOUNTING POLICIES: NON-DEPARTMENTAL

FOR THE YEAR ENDED 30 JUNE 2007

## MEASUREMENT SYSTEM

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

The non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2006/2007.

## ACCOUNTING POLICIES

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

### BUDGET FIGURES

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

### EXPENSES

Expenses are recognised in the period to which they relate.

#### Welfare benefits

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

#### Grants and subsidies

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

### REVENUES AND RECEIPTS

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

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

### RECEIVABLES AND ADVANCES

Receivables and advances, except for Student Loans advances, are stated at estimated realisable value, after providing for doubtful and uncollectable debts. Student Loans are stated at the values as determined under the New Zealand International Financial Reporting Standards – NZIFRS IAS39 – and was measured at amortised cost as at 30 June 2007.

### COMMITMENTS

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

### CONTINGENT ASSETS AND LIABILITIES

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

## FOREIGN CURRENCY

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

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

At balance date, the Ministry has NZ\$154.781 million worth of forward exchange contracts (2006: NZ\$199.336 million).

# SCHEDULE OF NON-DEPARTMENTAL EXPENSES

FOR THE YEAR ENDED 30 JUNE 2007

The Schedule of Non-Departmental Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Appropriations on pages 116 to 118.

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>		
118,221	Classes of Outputs to be Supplied by Other Parties	153,275	155,625
450,695	Other Expenses to be Incurred by the Crown	618,458	746,701
1,158,611	Capital Contributions to Other Persons or Organisations	1,287,978	1,338,870
12,401,311	Benefits and Other Unrequited Expenses	12,837,285	12,901,052
(6)	Loss/(gain) on foreign exchange	48	-
165,135	Change in debt provisions	-	-
22,773	Other operating expenses	39,162	-
<b>14,316,740</b>	<b>Total Vote Social Development</b>	<b>14,936,206</b>	<b>15,142,248</b>
	<b>VOTE: VETERANS' AFFAIRS - SOCIAL DEVELOPMENT</b>		
256,471	Benefits and Other Unrequited Expenses	282,882	283,058
<b>256,471</b>	<b>Total Vote Veterans' Affairs - Social Development</b>	<b>282,882</b>	<b>283,058</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>		
7,389	Classes of Outputs to be Supplied by Other Parties	8,359	8,359
95	Other Expenses to be Incurred by the Crown	-	-
<b>7,484</b>	<b>Total Vote Youth Development</b>	<b>8,359</b>	<b>8,359</b>
	<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>		
-	Classes of Outputs to be Supplied by Other Parties	60,050	60,707
-	Other Expenses to be Incurred by the Crown	365	365
-	<b>Total Vote Child, Youth and Family Services</b>	<b>60,415</b>	<b>61,072</b>
<b>14,580,695</b>	<b>Total Non-Departmental Expenses</b>	<b>15,287,862</b>	<b>15,494,737</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 2007

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

ACTUAL 2006 \$000	TYPE OF APPROPRIATION (FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
	<i>Classes of Outputs to be Supplied by Other Parties:</i>			
903	Capacity Building Initiatives*	1,383	1,950	-
1,762	Children's Commissioner	1,757	1,757	-
2,415	Connected Communities	3,196	3,367	-
7,459	Families Commission	8,170	8,170	-
5,043	Retirement Commissioner	6,432	6,432	-
490	Services for At-Risk Youth	-	543	-
467	Social Workers Registration Board	-	-	-
16,985	Strong Families	45,774	46,314	-
3,511	Student Placement Services	3,511	3,512	-
79,186	Vocational Services for People with Disabilities	83,052	83,580	-
<b>118,221</b>	<b>Total Non-Departmental Output Expenses</b>	<b>153,275</b>	<b>155,625</b>	<b>-</b>
	<i>Other Expenses to be Incurred by the Crown:</i>			
350,849	Bad Debt Provisions	515,846	634,857	-
3,692	Community Labour Market Development Assistance	4,526	6,333	-
83,883	Employment Assistance	87,888	94,955	-
10,563	Out of School Care Programmes	10,195	10,551	-
1,703	Stronger Community Action Fund	-	-	-
5	Suspensory Loan Abatement	3	5	-
<b>450,695</b>	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>618,458</b>	<b>746,701</b>	<b>-</b>
	<i>Capital Contributions to Other Persons or Organisations:</i>			
217	Community Services Card Reimbursements	164	189	-
112,851	Recoverable Assistance	111,886	114,237	-
1,045,543	Student Loans	1,175,928	1,224,444	-
<b>1,158,611</b>	<b>Total Capital Contributions to Others</b>	<b>1,287,978</b>	<b>1,338,870</b>	<b>-</b>

\* Cabinet approval was obtained in June 2007 for the \$0.222m funding provided for the Citizens' Support initiative in 2006/2007 which fell outside the scope of the relevant appropriation (Capacity Building Initiatives) in Vote Social Development.

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.



ACTUAL 2006 \$000	TYPE OF APPROPRIATION (FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	<b>Benefits and Other Unrequited Expenses:</b>			
843,169	Accommodation Supplement	876,995	885,394	-
6,081	Assistance for People Requiring Care	6,494	6,606	-
79,638	Benefits Paid in Australia	71,472	71,472	-
69,872	Child Disability Allowance	77,763	78,047	-
109,615	Childcare Assistance	139,246	141,711	-
10,153	Defence Force Allowance	10,283	10,283	-
260,791	Disability Allowance	269,999	270,771	-
6,735	Disability Allowance Telephone Support	5,894	5,904	-
1,492,593	Domestic Purposes Benefit	1,467,726	1,471,542	-
223	Family Start/NGO Awards	345	465	-
18,408	Independent Youth Benefit	16,026	16,324	-
1,073,209	Invalid's Benefit	1,132,012	1,138,563	-
1,485	Merit Scholarships	4,323	4,500	-
6,413,619	New Zealand Superannuation	6,809,938	6,817,735	-
64,383	Orphan's/Unsupported Child's Benefit	70,371	70,662	-
127	Relocation Assistance	111	121	-
1,501	Residential Social Rehabilitation Assistance	1,593	1,593	-
2,159	Scholarship and NQF/NCEA Awards	2,922	3,625	-
541,143	Sickness Benefit	572,691	574,850	-
61	Special Annuities	39	49	-
160,290	Special Benefit	105,811	106,065	-
51,788	Special Needs Grant	49,587	50,627	-
199	Special Transfer Allowance	159	169	-
3,864	Step Up Scholarship	4,912	5,630	-
354,132	Student Allowances	382,324	387,979	-
5,127	TeachNZ Scholarship	7,283	14,082	-
1,335	Temporary Additional Support	26,589	28,112	-
32,191	Training Incentive Allowance	28,675	37,360	-
3,039	Transition to Work	5,516	4,861	655
27	Transitional Working for Families Supplement	1	15	-
711,812	Unemployment Benefit	612,525	617,537	-
82,542	Widow's Benefit	77,660	78,398	-
12,401,311	<b>Total Benefit and Other Unrequited Expenses</b>	<b>12,837,285</b>	<b>12,901,052</b>	<b>655</b>
<b>14,128,838</b>	<b>Total Vote Social Development</b>	<b>14,896,996</b>	<b>15,142,248</b>	<b>655</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

ACTUAL 2006 \$000	TYPE OF APPROPRIATION (FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
102	Interest Concession Land and Buildings	79	88	-
14,848	Medical Treatment	17,288	17,361	-
128,168	Veterans' Pension	143,079	143,422	-
113,353	War Disability Pensions	122,436	122,187	249
<b>256,471</b>	<b>Total Vote Veterans' Affairs – Social Development</b>	<b>282,882</b>	<b>283,058</b>	<b>249</b>
	<b>VOTE: YOUTH DEVELOPMENT</b>			
	<b>Classes of Outputs to be Supplied by Other Parties:</b>			
6,708	Services for Young People	7,263	7,263	-
681	Youth Development Partnership Fund	1,096	1,096	-
<b>7,389</b>	<b>Total Non-Departmental Output Expenses</b>	<b>8,359</b>	<b>8,359</b>	<b>-</b>
	Other Expenses to be Incurred by the Crown:			
95	Commonwealth Youth Programme	-	-	-
95	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7,484</b>	<b>Total Vote Youth Development</b>	<b>8,359</b>	<b>8,359</b>	<b>-</b>
	<b>VOTE: CHILD, YOUTH AND FAMILY SERVICES</b>			
	<b>Classes of Outputs to be Supplied by Other Parties:</b>			
-	Counselling and Rehabilitation Services	10,959	10,963	-
-	Education and Prevention Services	5,746	5,771	-
-	Family Wellbeing Services	38,376	38,962	-
-	Strengthening Providers and Communities	4,969	5,011	-
-	<b>Total Non-Departmental Output Expenses</b>	<b>60,050</b>	<b>60,707</b>	<b>-</b>
	Other Expenses to be Incurred by the Crown:			
-	Contingency and Innovations Fund	365	365	-
-	<b>Total Other Expenses to be Incurred by the Crown</b>	<b>365</b>	<b>365</b>	<b>-</b>
-	<b>Total Vote Child, Youth and Family Services</b>	<b>60,415</b>	<b>61,072</b>	<b>-</b>
<b>14,392,793</b>	<b>Total Non-Departmental Expenses</b>	<b>15,248,652</b>	<b>15,494,737</b>	<b>904</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# STATEMENT OF UNAPPROPRIATED NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 2007

UNAPPROPRIATED EXPENDITURE 2006 \$000	TYPE OF APPROPRIATION (FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	UNAPPROPRIATED EXPENDITURE 2007 \$000	APPROVAL UNDER SECTION 26B PUBLIC FINANCE ACT 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
118	Child Disability Allowance	-	-	-
72	Childcare Assistance	-	-	-
133	Defence Force Allowance	-	-	-
13	Disability Allowance Telephone Support	-	-	-
189	Orphan's/Unsupported Child's Benefit	-	-	-
3	Relocation Assistance	-	-	-
5	Residential Social Rehabilitation Assistance	-	-	-
979	Sickness Benefit	-	-	-
3,478	Student Allowances	-	-	-
204	Transition to Work	655	900	-
<b>5,194</b>	<b>Sub-total</b>	<b>655</b>	<b>900</b>	<b>-</b>
	<b>Capital Contribution to Other Persons or Organisations:</b>			
1	Community Services Card Reimbursements	-	-	-
11,140	Student Loans	-	-	-
<b>11,141</b>	<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>VOTE: VETERANS' AFFAIRS – SOCIAL DEVELOPMENT</b>			
	<b>Benefits and Other Unrequited Expenses:</b>			
91	Medical Treatment	-	-	-
89	Veterans' Pension	-	-	-
562	War Disability Pensions	249	600	-
<b>742</b>	<b>Sub-total</b>	<b>249</b>	<b>600</b>	<b>-</b>
<b>17,077</b>	<b>Total</b>	<b>904</b>	<b>1,500</b>	<b>-</b>

The Minister of Finance approved the additional expenditure relating to the demand-driven Benefit and Other Unrequited Expenses (BOUE) under section 26B of the Public Finance Act, prior to 30 June 2007.

The expenditure relating to Benefits and Other Unrequited Expenses (BOUE) appropriations is forecast on a mid-point average basis. This method of forecasting expects a mixture of over- and under-expenditure of appropriations. Therefore, some of the BOUE appropriations are expected to be exceeded each year. In the 2006/2007 year, two out of 36 specific BOUE appropriations that the Ministry administered exceeded the budgets prepared for the 2006/2007 Supplementary Estimates.

Cabinet approval was obtained in June 2007 for the expenditure on Transition to Works Grants programme introduced on 30 April 2007, which could be deemed to be outside the scope of the Transition to Works appropriation, from which it was funded.

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# SCHEDULE OF NON-DEPARTMENTAL REVENUE

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
26	Interest Revenue*	17	12
(690)	Maintenance Capitalisation	(1,074)	(578)
27	Programme Recoveries	-	-
8,000	Student Loan – Administration Fee*	8,656	8,967
43,254	Student Loan – Interest Unwind*	45,273	51,473
<b>50,617</b>	<b>Total Non-Departmental Revenue</b>	<b>52,872</b>	<b>59,874</b>

\* Actuals for 2005/2006 have been restated for comparative purposes.

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2007

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
194,353	Benefit and Other Recoveries – Current Debt	190,144	194,898
2,930	Benefit Recoveries – Liable Parent Contributions	2,430	2,460
74,140	Benefit and Other Recoveries – Non-Current Debt	75,853	76,288
217	Community Services Card Recoveries	164	189
145,525	Overseas Pension Recoveries	164,184	165,475
64,575	Student Loans – Repayment of Principal	68,929	67,159
<b>481,740</b>	<b>Total Non-Departmental Capital Receipts</b>	<b>501,704</b>	<b>506,469</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# SCHEDULE OF NON-DEPARTMENTAL ASSETS

AS AT 30 JUNE 2007

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

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	NOTE	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>CURRENT ASSETS:</b>			
105,688	Cash and bank balances		130,876	118,615
896,765	Student loans advanced*	1	1,012,709	996,863
(305,240)	Provision for doubtful debts – student loans	1	(430,956)	(396,850)
190,795	Accounts receivable – benefits and allowances	2	172,427	136,237
6,807	Prepayments – benefits and allowances		4,606	6,807
	<b>NON-CURRENT ASSETS:</b>			
102	Student loans transferred to IRD*		-	-
630,411	Accounts receivable – benefits and allowances	2	659,724	630,411
(408,147)	Provision for doubtful debts – benefits and allowances	2	(423,202)	(447,112)
318	Advances – benefits and allowances		240	349
<b>1,117,499</b>	<b>Total Non-Departmental Assets</b>		<b>1,126,424</b>	<b>1,045,320</b>

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

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

AS AT 30 JUNE 2007

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

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000
	<b>CURRENT LIABILITIES:</b>		
186,724	Accruals – other than government departments	226,953	140,504
78,240	Tax payable	87,898	78,240
1,015	Other current liabilities	709	1,015
<b>265,979</b>	<b>Total Non-Departmental Liabilities</b>	<b>315,560</b>	<b>219,759</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# STATEMENT OF TRUST MONIES

FOR THE YEAR ENDED 30 JUNE 2007

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June 2007 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2007 were as follows:

ACTUAL 2006 \$000	ACCOUNT	CONTRIBUTION \$000	DISTRIBUTION \$000	REVENUE \$000	EXPENSES \$000	ACTUAL 2007 \$000
4	Australian Debt Recoveries	49	(49)	-	-	4
183	Australian Embargoed Arrears	1,931	(1,923)	-	-	191
123	Maintenance	1,134	(1,210)	-	-	47
-	Netherlands Debt	55	(54)	-	-	1
-	William Wallace Trust	368	(10)	23	-	381
<b>310</b>	<b>Total</b>	<b>3,537</b>	<b>(3,246)</b>	<b>23</b>	<b>-</b>	<b>624</b>

## AUSTRALIAN DEBT RECOVERIES TRUST ACCOUNT

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

## AUSTRALIAN EMBARGOED ARREARS TRUST ACCOUNT

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

## MAINTENANCE TRUST ACCOUNT

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

## NETHERLANDS DEBT TRUST ACCOUNT

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

## WILLIAM WALLACE TRUST ACCOUNT

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

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.



# SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

AS AT 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000
	<b>OPERATING COMMITMENTS</b>	
74,960	Less than one year	98,086
-	One to two years	3,900
<b>74,960</b>	<b>Total operating commitments</b>	<b>101,986</b>

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

AS AT 30 JUNE 2007

ACTUAL 2006 \$000		ACTUAL 2007 \$000
67,340	Quantifiable contingent liabilities	79,097
<b>67,340</b>	<b>Total contingent liabilities</b>	<b>79,097</b>

A total of three quantifiable cases (2006: six cases) lodged against the Ministry remain unresolved as at 30 June 2007. This represents the potential amount that will be paid if the cases are successful.

## SOCIAL DEVELOPMENT – CLAIM FOR JUDICIAL REVIEW

Claim for Judicial Review of Ministry's interpretation and application of Special Benefit Direction. Proceeding is brought representatively – on behalf of all applicants for Special Benefit from 12 December 2000 to date, who have been declined Special Benefit for reasons of 'no special or unusual circumstances'.

\$79 million at 30 June 2007 (\$67 million at 30 June 2006).

The Statement of Accounting Policies: Non-Departmental on pages 113 to 114 and notes 1 to 2 on page 127 form an integral part of these statements and schedules.

# NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

## Note 1: Student Loan Advances

Student loans are stated at the carrying value as determined under the New Zealand International Financial Reporting Standard (NZIFRS) IAS39 under the loans and receivables category. Independent advice was sought to assist with the determination of the carrying value of the student loan portfolio under NZIFRS requirements.

### CARRYING VALUE OF STUDENT LOANS AS AT 30 JUNE 2007

ACTUAL 2006 \$000	(FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000
	<b>VOTE: SOCIAL DEVELOPMENT</b>	
698,498	Student loans opening balance	591,525
(68,098)	Fair value adoption under NZIFRS – IAS 39 as at 1 July 2005 @ 76.5%	-
1,045,543	New borrowing	1,175,928
8,000	Student loan administration fees	8,656
(328,459)	Fair value write down on new lending	(487,547)
(64,575)	Student loan debt repayments	(68,929)
43,254	Effective interest unwind	45,273
(97,037)	Impairment	-
(645,601)	Student loans transferred to IRD for collection	(683,153)
<b>591,525</b>	<b>Carrying value of student loans</b>	<b>581,753</b>

The fair value of the student loans as at 30 June 2007 is \$545.4 million.

Fair value is the amount for which the loan book could be exchanged between knowledgeable, willing parties in an arms length transaction. It is determined by discounting the estimated cash flows at an appropriate discount rate. The estimated fair value of the student loan debt at 30 June 2007 has been determined to be approximately \$545.4 million (\$591.5 million as at 30 June 2006).

Fair values will differ from carrying values due to changes in market interest rates, as the carrying value is not adjusted for such changes. They will also differ in the treatment of credit losses, as carrying values adjust for credit losses that have been incurred while fair values capture adjustments for expected future credit losses. The difference between fair value and carrying value does not represent an impairment of the asset.

The fair value calculated is sensitive to the underlying assumptions. For example a 1% increase in the discount rate would decrease fair value by approximately \$23.2 million, whereas a 1% decrease in the discount rate would increase fair value by approximately \$25.8 million.

## Note 2: Accounts Receivables – Benefits and Allowances

The debtor portfolio held by the Ministry primarily relates to benefit overpayments, advances on benefits and recoverable special needs grants. The net book value as at 30 June 2007 was \$409 million after allowing for doubtful debts reflecting the nature of collectability of the debtors.

The fair value of the portfolio as at 30 June 2007 is \$358 million. The reason this is lower than book value is due to discounting the expected repayments using the Government's bond yield rate as at 30 June 2007. The net book value does not apply any discounting factor.