Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

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

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

Reporting entity

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

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

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

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

Basis of preparation

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

Statement of compliance

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

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

These financial statements comply with PBE accounting standards.

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

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

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

Financial Instruments

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

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

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

Impairment of Revalued Assets

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

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

Significant accounting policies

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

Budget and forecast figures

Basis of the budget and forecast figures

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

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

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

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

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

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

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

Significant assumptions used in preparing the forecast financials

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

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

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

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

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

Revenue

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

Revenue Crown

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

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

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

Cost allocation

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

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

A new cost allocation model has been developed since the date of the last audited financial statements. This has moved our cost allocation process from an Excel-based system to IBM Cognos TM1 enterprise planning software. The principles applied to the model are the same as described above.

Criteria for direct and indirect costs

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

For the year ended 30 June 2017 direct costs accounted for 84.0 percent of the Ministry's costs (2016: 89.6 percent).

Expenses

General

Expenses are recognised in the period to which they relate.

Capital charge

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

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine the interest expense for each period.

Foreign currency

Foreign currency transactions (including those for which foreign exchange forward contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Revenue and Expense.

Financial instruments

Financial assets

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

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Ministry will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Financial liabilities

The major financial liability types are creditors and other payables. Both are designated at amortised cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value.

Property, plant and equipment

Property, plant and equipment consists of land, buildings, furniture and fittings, computer equipment, motor vehicles, and plant and equipment.

Property, plant and equipment items are shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than $2,000.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable the future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves for those assets are transferred to general funds.

Subsequent costs

Costs incurred after the initial acquisition are capitalised only when it is probable the future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset Type	Estimated Life	Depreciation rate
Buildings (including components)	10–80 years	1.25%–10%
Leasehold improvements	up to 10 years	>10%
Furniture and fittings	3–5 years	20%–33%
Computer equipment	3–5 years	20%–33%
Motor vehicles	4–5 years	20%–25%
Plant and equipment	3–5 years	20%–33%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter, with a maximum period of ten years.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Land and buildings are revalued at least every three years to ensure the carrying amount does not differ materially from the fair value. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure those values are not materially different from fair value. Additions to assets between revaluations are recorded at cost.

Accounting for revaluations

The Ministry accounts for revaluations of property, plant and equipment on a class-of-asset basis.

The results of revaluations are recorded in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, the balance is expensed in the Statement of Comprehensive Revenue and Expense. Any subsequent increase in value after revaluation that offsets a previous decrease in value recognised in the Statement of Comprehensive Revenue and Expense will be recognised first in the Statement of Comprehensive Revenue and Expense up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible assets

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs, include the costs of materials and services, employee costs, and any directly attributable overheads.

Staff training costs are recognised as an expense when incurred.

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

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

Costs associated with the development and maintenance of the Ministry's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rate of our major class of intangible assets have been estimated as follows:

Asset Type	Estimated Life	Depreciation rate
Developed computer software	3–8 years	12.5%–33%

Impairment of non-financial assets

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating when their primary objective is to generate a commercial return.

Non-cash-generating assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets not yet available for use at the balance date are tested for impairment annually.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Ministry would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where this results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expense.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Revenue and Expense, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Revenue and Expense.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Revenue and Expense.

Increases in fair value (less costs to sell) are recognised up to the level of any impairment losses previously recognised.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Goods and services tax (GST)

All items in the financial statements, including the appropriation statements, are stated exclusive of GST except for receivables and payables, which are stated inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where the Ministry is the lessee are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Ministry will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Provisions

The Ministry recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. A provision is recognised when it is probable an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Commitments

Expenses yet to be incurred on non-cancellable contracts entered into on or before balance date are disclosed as commitments to the extent there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent assets and liabilities

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

Employee entitlements

Short-term employee entitlements

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

These include annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Ministry recognises a liability for sick leave to the extent absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlements that can be carried forward at balance date, to the extent the Ministry anticipates they will be used by staff to cover future absences.

The Ministry recognises a liability and an expense for performance payments where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

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

Statement of Cash Flows

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

Operating activities are those activities where the Ministry receives cash from its income sources and makes cash payments for the supply of goods and services.

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

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

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds and property revaluation reserves.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement and long service leave

An analysis of the Ministry's exposure to estimates and uncertainties around its retirement and long service leave liability is contained in the notes (refer Note 14).

Fair value of land and buildings

The significant assumptions applied in determining the fair value of land and buildings are disclosed in the notes (refer Note 9).

Useful life of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licenses, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software, but not exceeding the license term. For internally generated software developed by the Ministry, the life is based on historical experience with similar systems as well as anticipation of future events that may impact their useful life, such as changes in technology.

Operating and finance leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether to include renewal options in the lease term, and an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment. With an operating lease no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of leases, and has determined that it has no finance leases.

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2017.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2017

Continuing Activities Actual 2016 $000	Discontinued Activities Actual 2016 $000	Total Actual 2016 $000		Notes	Continuing Activities Actual 2017 $000	Discontinued Activities Actual 2017 $000	Total Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecats 2018 $000
			Revenue						
900,508	576,112	1,476,620	Revenue Crown		921,332	468,893	1,390,225	1,477,333	887,798
7,803	3,557	11,360	Revenue other	1	27,410	3,334	30,744	4,412	112,737
-	-	-	Gain on disposal of fixed assets	2	123	-	123	-	-
-	-	-	Gain on foreign exchange	2	36	-	36	-	-
908,311	**579,669**	**1,487,980**	**Total revenue**		**948,901**	**472,227**	**1,421,128**	**1,481,745**	**1,000,535**
			Expenses						
495,230	254,602	749,832	Personnel costs	3	499,780	194,439	694,219	741,094	522,204
48,125	9,126	57,251	Depreciation and amortisation expenses	9, 10	53,762	5,989	59,751	57,045	76,603
13,467	12,696	26,163	Capital charge	4	10,949	10,322	21,271	26,179	9,396
312,808	303,245	616,053	Other operating expenses	5	353,122	261,477	614,599	657,427	392,332
103	-	103	Loss on disposal of fixed assets		-	-	-	-	-
869,733	**579,669**	**1,449,402**	**Total expenses**		**917,613**	**472,227**	**1,389,840**	**1,481,745**	**1,000,535**
38,578	**-**	**38,578**	**Net surplus/(deficit)**		**31,288**	**-**	**31,288**	**-**	**-**
			Other comprehensive revenue and expense						
			Item that will not be reclassified to net surplus/ (deficit)						
-	-	-	Gain on property revaluations		18,000	-	18,000	-	-
38,578	**-**	**38,578**	**Total comprehensive revenue and expense**		**49,288**	**-**	**49,288**	**-**	**-**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

For information on discontinued activities refer to Note 22.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Statement of Financial Position

As at 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
	Equity				
280,298	Taxpayers' funds	15	165,457	288,697	172,087
46,944	Revaluation reserve	15	29,944	46,944	11,944
327,242	**Total equity**		**195,401**	**335,641**	**184,031**
	Assets				
	Current assets				
77,644	Cash and cash equivalents	6	90,619	21,279	27,608
3,809	Accounts receivable	7	10,672	1,975	3,815
19,004	Prepayments		23,501	18,359	7,728
30,000	Crown receivable	8	24,296	-	-
130,457	**Total current assets**		**149,088**	**41,613**	**39,151**
	Non-current assets				
314,097	Property, plant and equipment	9	133,079	330,894	133,726
151,796	Intangible assets	10	163,161	185,309	152,502
465,893	**Total non-current assets**		**296,240**	**516,203**	**286,228**
596,350	**Total assets**		**445,328**	**557,816**	**325,379**
	Liabilities				
	Current liabilities				
105,338	Accounts payable and accruals	11	121,078	105,289	79,369
-	Revenue received in advance	11	3,374	-	-
38,578	Return of operating surplus to the Crown	12	31,288	-	-
65,510	Provision for employee entitlements	14	40,218	64,523	9,224
7,161	Other provisions	13	17,864	6,873	234
216,587	**Total current liabilities**		**213,822**	**176,685**	**88,827**
	Non-current liabilities				
52,521	Provision for employee entitlements	14	36,105	45,490	52,521
52,521	**Total non-current liabilities**		**36,105**	**45,490**	**52,521**
269,108	**Total liabilities**		**249,927**	**222,175**	**141,348**
327,242	**Net assets**		**195,401**	**335,641**	**184,031**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
327,041	**Balance at 1 July**		**327,242**	**327,241**	**177,056**
38,578	Total comprehensive revenue and expense		49,288	-	-
	Owner transactions				
(38,578)	Return of operating surplus to the Crown	12	(31,288)	-	-
2,300	Capital injections		9,483	8,400	7,101
-	Capital withdrawal – cash		(14,047)	-	(126)
(2,099)	Capital withdrawal – non cash		(110,277)	-	-
-	Transfers from Revaluation Reserve to Ministry for Vulnerable Children, Oranga Tamariki		(35,000)	-	-
327,242	**Balance at 30 June**		**195,401**	**335,641**	**184,031**

Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development
Statement of Cash Flows

For the year ended 30 June 2017

Continuing Activities Actual 2016 $000	Discontinued Activities Actual 2016 $000	Total Actual 2016 $000		Notes	Continuing Activities Actual 2017 $000	Discontinued Activities Actual 2017 $000	Total Actual 2017 $000	Unaudited Budget 2017 $000	Unaudited Forecast 2018 $000
			Cash flows from operating activities						
942,591	576,112	1,518,703	Receipts from Crown revenue		927,036	468,893	1,395,929	1,512,333	887,798
5,861	3,609	9,470	Receipts from other revenue		20,500	3,339	23,839	4,412	112,737
(307,562)	(300,199)	(607,761)	Payments to suppliers		(302,786)	(278,864)	(581,650)	(655,191)	(390,676)
(490,807)	(254,722)	(745,529)	Payments to employees		(521,222)	(163,097)	(684,319)	(761,855)	(523,860)
(13,467)	(12,696)	(26,163)	Payments for capital charge		(10,949)	(10,322)	(21,271)	(26,179)	(9,396)
3,538	275	3,813	Goods and services tax (net)		(4,127)	64	(4,063)	-	-
-	-	-	Intercompany cash flow with Ministry for Vulnerable Children, Oranga Tamariki		10,546	-	10,546	-	-
140,154	**12,379**	**152,533**	**Net cash flow from operating activities**	16	**118,998**	**20,013**	**139,011**	**73,520**	**76,603**
			Cash flows from investing activities						
1,863	-	1,863	Receipts from sale of property, plant and equipment		1,511	-	1,511	2,000	2,000
(35,893)	(9,389)	(45,282)	Purchase of property, plant and equipment		(13,235)	(15,116)	(28,351)	(36,712)	(37,351)
(64,042)	(2,990)	(67,032)	Purchase of intangible assets		(51,158)	(4,897)	(56,055)	(60,431)	(31,874)
(98,072)	**(12,379)**	**(110,451)**	**Net cash flow from investing activities**		**(62,882)**	**(20,013)**	**(82,895)**	**(95,143)**	**(67,225)**
			Cash flows from financing activities						
2,300	-	2,300	Capital injections		9,483	-	9,483	8,400	7,101
-	-	-	Capital withdrawal from the Crown		(14,047)	-	(14,047)	-	(126)
(5,328)	-	(5,328)	Return of operating surplus		(38,577)	-	(38,577)	(5,000)	-
(3,028)	**-**	**(3,028)**	**Net cash flow from financing activities**		**(43,141)**	**-**	**(43,141)**	**3,400**	**6,975**
39,054	-	39,054	Net increase/(decrease) in cash		12,975	-	12,975	(18,223)	16,353
28,548	10,042	38,590	Cash at the beginning of the year		67,602	10,042	77,644	39,502	11,255
67,602	**10,042**	**77,644**	**Cash at the end of the year**		**80,577**	**10,042**	**90,619**	**21,279**	**27,608**

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

Refer to Note 16 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2016/2017 budget are detailed in Note 21.

For information on discontinued activities refer to Note 22.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2017

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

Actual 2016 $000		Actual 2017 $000
	William Wallace Trust	
424	**Balance at 1 July**	**419**
(57)	Distributions	(37)
52	Revenue	93
419	**Balance at 30 June**	**475**
	Custody Trust	
-	**Balance at 1 July**	-
-	Contributions	6
-	Distributions	-
-	Revenue	-
-	**Balance at 30 June**	**6**

William Wallace Trust Account

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

Custody Trust Account

The Custody Trust account has been established to administer donations received from the public on behalf of children who were under the care and guardianship of the Chief Executive of the Ministry of Social Development.

The Ministry of Social Development was the agency legally responsible for these Trust Accounts at 30 June 2017. Both Trusts will be transferred to the Ministry for Vulnerable Children, Oranga Tamariki during 2017/2018 as they both relate to children in care of the Chief Executive of that agency.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development
Statement of Commitments

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Capital commitments	
5,153	Buildings	-
5,153	**Total capital commitments**	-
	Operating commitments	
	Non-cancellable accommodation leases	
47,987	Not later than one year	46,917
100,784	Later than one year and not later than five years	95,026
152,952	Later than five years	142,327
301,723	**Total non-cancellable accommodation leases**	**284,270**
301,723	**Total operating commitments**	**284,270**
306,876	**Total commitments**	**284,270**

Capital commitments

The Ministry has no capital commitments at balance date (2016: $5.2 million).

Non-cancellable accommodation leases

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

The operating and capital commitments for 2016/2017 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

There are no restrictions placed on the Ministry by any of its leasing arrangements.

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.565 million expected to be received in 2017/2018. Refer to Note 1 for actual sub-lease rental recoveries for 2016/2017.

The Statement of Accounting Policies: Departmental on pages 104 to 110 and Notes 1 to 22 on 118 to 135 form part of these financial statements.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2017

Unquantifiable contingent liabilities

There is legal action against the Crown relating to historical abuse claims. At this stage the number of claimants and the outcomes of these cases are uncertain. The disclosure of an amount for these claims may prejudice the legal proceedings.

Quantifiable contingent liabilities

Actual 2016 $000		Actual 2017 $000
45	Personal grievances claims	35
886	Other claims	198
931	**Total contingent liabilities**	**233**

Personal grievances

Personal grievances claims represents amounts claimed by employees for personal grievances cases. There are seven personal grievances claims (2016: nine personal grievances claims).

Other claims

Other claims represents outstanding grievances claims from our clients for unpaid benefit entitlements and Child, Youth and Family disputes. There are nine claims (2016: four claims).

Contingent assets

The Ministry has no contingent assets (2016: nil).

Ministry of Social Development Notes to the Financial Statements

Note 1: Revenue other

Actual 2016 $000		Actual 2017 $000
1,135	Sub-lease rental recoveries	551
10,225	Other recoveries	30,193
11,360	**Total revenue other**	**30,744**

The Ministry received revenue from the Ministry for Vulnerable Children, Oranga Tamariki for corporate support services ($25 million), child support receipts on behalf of children in foster care ($2.789 million), IT operating leases ($0.469 million) and other revenue ($1.935 million). The Ministry also received revenue from sub-leased premises ($0.551 million).

Note 2: Gain on disposal of fixed assets

Actual 2016 $000		Actual 2017 $000
-	Gain on disposal of fixed assets	123
-	Net foreign exchange gains	36
-	**Total gains**	**159**

The net gain on asset disposals was $0.123 million due to the property sale of 22 Bridge Street, Nelson (2016: nil).

Note 3: Personnel costs

Actual 2016 $000		Actual 2017 $000
708,730	Salaries and wages	658,719
8,018	Increase/(decrease) in employee entitlements	3,589
1,521	Increase/(decrease) in restructuring costs	4,357
20,339	Defined superannuation contribution scheme	19,402
11,224	Other personnel expenses	8,152
749,832	**Total personnel costs**	**694,219**

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined superannuation contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year. The capital charge rate for the year ended 30 June 2017 was 6 percent (2016: 8 percent).

Note 5: Operating expenses

Actual 2016 $000		Actual 2017 $000	Unaudited Forecast 2018 $000
937	Audit fees[112]	989	500
70,781	Rental, leasing and occupancy costs	77,013	70,488
222	Bad debts written off	942	-
(394)	Impairment of receivables	(572)	-
126,456	Client financial plan costs[113]	103,863	-
177,037	Employment support and subsidies[114]	173,527	160,000
33,840	Non-specific client costs[115]	25,380	-
43,770	Office operating expenses	50,592	20,000
84,353	IT related operating expenses	87,464	75,000
7,968	Travel expenses	7,512	6,000
23,588	Consultancy and contractors' fees	33,025	28,611
12,828	Professional fees	15,075	9,000
34,667	Other operating expenses	39,789	22,733
616,053	**Total operating costs**	**614,599**	**392,332**

Note 6: Cash and cash equivalents

Actual 2016 $000		Actual 2017 $000
77,644	Cash at bank and on hand	90,619
77,644	**Total cash and cash equivalents**	**90,619**

112 Audit fees includes statutory audit fees only.
113 Client financial plan costs includes monies paid for the provision of the care and protection of children and young persons, and the provision of programmes and services to support the resolution of behaviour and relationship difficulties. A portion of these costs is used to support statutory processes to promote opportunities for family/whānau, hapū/iwi and family groups to consider care and protection and youth justice issues and to contribute to a decision-making process that often removes the need for court involvement.
114 Employment support and subsidies includes costs related to employment assistance, including employment subsidies, training for work, partnership with industry, health interventions and employment placement, job search initiatives, and youth services.
115 Non-specific client costs includes costs that cannot be attributed to a specific client. It includes costs for maintaining an infrastructure that supports the Ministry to meet its legal and support obligations for the care and protection of children and young persons and the casework resolution process. The costs can be grouped into four main categories:
- family home costs, including bed availability allowances, family home supplies and foster parent resettlement grants
- residential costs including programmes and client costs
- costs for Care and Protection Resource Panels of external advisors mandated by the Children, Young Persons, and Their Families Act 1989 to advise on procedures
- external provider contract costs for specific programmes run by non-government organisations to help children and young people.

Note 7: Debtors and other receivables

Actual 2016 $000		Actual 2017 $000
	By type	
3,809	Trade and other receivables	10,672
3,809	**Total receivables**	**10,672**
	By maturity	
3,809	Expected to be realised within one year	10,672
-	Expected to be held for more than one year	-
3,809	**Total receivables**	**10,672**
	Trade and other receivables	
5,216	Gross trade and other receivables	11,508
(1,407)	Impairment of trade and other receivables	(836)
3,809	**Total trade and other receivables**	**10,672**
3,809	Receivables from exchange transactions	10,672
-	Receivables from non-exchange transactions	-
	Impairment of trade and other receivables	
1,801	Balance at beginning of the year	1,407
-	Impairment losses recognised on receivables	-
(394)	Reversal of impairment losses	(571)
1,407	**Balance at end of the year**	**836**
1,407	Collective impairment allowance	836
-	Individual impairment allowance	-
1,407	**Balance at end of the year**	**836**

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

Debtors impairment

As at 30 June 2017 (and 30 June 2016) impairment of trade and other receivables has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

As at 30 June 2017 the Ministry had no debtors deemed insolvent (2016: nil).

Ageing profile of receivables

as at 30 June 2016				as at 30 June 2017		
Gross $000	**Impairment $000**	**Net $000**		**Gross $000**	**Impairment $000**	**Net $000**
3,039	-	3,039	Not past due	10,108	-	10,108
257	-	257	Past due 1–30 days	111	-	111
86	-	86	Past due 31–60 days	378	-	378
23	-	23	Past due 61–90 days	57	-	57
1,811	(1,407)	404	Past due >91 days	854	(836)	18
5,216	**(1,407)**	**3,809**		**11,508**	**(836)**	**10,672**

Note 8: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2017 Crown receivable was $24.296 million (2016: $30 million).

Note 9: Property, plant and equipment

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Additions by purchase	-	2,645	7,387	14,651	4,944	227	29,854
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	16,750	6,717	(7,997)	-	(48)	15,422
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	2	-	-	-	-	2
Disposals	-	-	(280)	(2)	(5,575)	(43)	(5,900)
Balance as at 30 June 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**
Balance as at 1 July 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**
Additions by purchase	-	1,896	38,478	12,689	775	899	54,737
Revaluation increase/(decrease)	9,336	339	-	-	-	-	9,675
Work in progress movement	-	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Asset transfers	(42,634)	(174,105)	(255)	-	-	(4,990)	(221,984)
Other asset movement	-	78	(513)	-	(3)	-	(438)
Disposals	(1,000)	-	(3,388)	(111)	(1,065)	(92)	(5,656)
Balance as at 30 June 2017	**22,820**	**26,252**	**126,077**	**116,576**	**25,834**	**15,210**	**332,769**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Depreciation expense	-	11,097	6,499	7,271	3,392	1,425	29,684
Eliminate on disposal	-	-	(263)	(3)	(3,653)	(40)	(3,959)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	(1)	-	-	-	(1)
Balance as at 30 June 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Balance as at 1 July 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Depreciation expense	-	4,239	8,601	7,852	2,986	876	24,554
Eliminate on disposal	-	-	(3,318)	(112)	(681)	(43)	(4,154)
Eliminate on revaluation	-	(8,325)	-	-	-	-	(8,325)
Asset transfers	-	(18,030)	(250)	-	-	(3,401)	(21,681)
Other asset movement	-	(166)	(291)	-	(1)	-	(458)
Balance as at 30 June 2017	**-**	**255**	**80,798**	**92,190**	**13,126**	**13,321**	**199,690**
Carrying amounts							
At 1 July 2015	**57,118**	**187,355**	**14,854**	**21,230**	**15,152**	**4,734**	**300,443**
At 30 June and 1 July 2016	**57,118**	**195,655**	**22,443**	**20,614**	**14,782**	**3,485**	**314,097**
At 30 June 2017	**22,820**	**25,997**	**45,279**	**24,386**	**12,708**	**1,889**	**133,079**
Unaudited forecast carrying amount at 30 June 2018	**45,855**	**13,694**	**42,173**	**18,580**	**12,976**	**448**	**133,726**

Valuation

A full valuation of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2017. Registered valuer Andrew Parkyn, ANZIV, from Quotable Value Limited was the project manager.

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

As a result of the full valuation, land and buildings increased in value by $9.675 million.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the 'unencumbered' land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

Buildings

Non-specialised buildings are valued at fair value using market-based evidence. Market rents and capitalisation rate methodologies were applied in determining the fair value of buildings. Residential centres have been valued using market-based evidence where it exists. If there is no active market evidence the optimised depreciated replacement cost has been used.

Work in progress

	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation						
Balance as at 1 July 2015	**12,186**	**29**	**14,015**	-	**58**	**26,288**
Work in progress movement	16,750	6,717	(7,997)	-	(48)	15,422
Balance as at 30 June 2016	**28,936**	**6,746**	**6,018**	-	**10**	**41,710**
Balance as at 1 July 2016	**28,936**	**6,746**	**6,018**	**-**	**10**	**41,710**
Work in progress movement	(20,148)	(6,744)	(1,066)	523	19	(27,416)
Balance as at 30 June 2017	**8,788**	**2**	**4,952**	**523**	**29**	**14,294**

The total amount of property, plant and equipment under construction and work in progress is $14.294 million (2016: $41.710 million).

Restrictions

There are no restrictions over the title of the Ministry's property, plant and equipment assets; nor are any property, plant and equipment assets pledged as security for liabilities.

Asset transfers

During 2016/2017 there were net asset transfers of $200.303 million (2016: nil). The transfers from 1 April 2017 related to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki and transfers to Land Information New Zealand (LINZ) for surplus-to-requirements properties.

Note 10: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2015	**340,744**	**340,744**
Additions by purchase and internally generated	83,581	83,581
Work in progress movement	(16,572)	(16,572)
Asset transfers	(2,099)	(2,099)
Other asset movement	(3)	(3)
Disposals	(9,118)	(9,118)
Balance as at 30 June 2016	**396,533**	**396,533**
Balance as at 1 July 2016	**396,533**	**396,533**
Additions by purchase and internally generated	56,802	56,802
Work in progress movement	(6,535)	(6,535)
Asset transfers	(7,501)	(7,501)
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2017	**439,299**	**439,299**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2015	**226,289**	**226,289**
Amortisation expense	27,568	27,568
Disposals	(9,117)	(9,117)
Asset transfers	-	-
Other asset movement	(3)	(3)
Impairment losses	-	-
Balance as at 30 June 2016	**244,737**	**244,737**
Balance as at 1 July 2016	**244,737**	**244,737**
Amortisation expense	35,197	35,197
Disposals	-	-
Asset transfers	(3,796)	(3,796)
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2017	**276,138**	**276,138**
Carrying amounts		
At 1 July 2015	**114,455**	**114,455**
At 30 June and 1 July 2016	**151,796**	**151,796**
At 30 June 2017	**163,161**	**163,161**
Unaudited forecast carrying amount at 30 June 2018	**152,502**	**152,502**

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2015	**62,277**	**62,277**
Work in progress movement	(16,572)	(16,572)
Balance as at 30 June 2016	**45,705**	**45,705**
Balance as at 1 July 2016	**45,705**	**45,705**
Work in progress movement	(6,535)	(6,535)
Balance as at 30 June 2017	**39,170**	**39,170**

The total amount of intangibles in the course of construction is $39.170 million (2016: $45.705 million).

Restrictions

There are no restrictions over the title of the Ministry's intangible assets; nor are any intangible assets pledged as security for liabilities.

Asset transfers

During 2016/2017 there were net asset transfers of $3.705 million (2016: nil). The transfers from 1 April 2017 related to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki.

Note 11: Creditors and other payables

Actual 2016 $000		Actual 2017 $000
	Payables and deferred revenue under exchange transactions	
7,551	Creditors	16,321
-	Income in advance for recovered services	3,374
80,358	Accrued expenses	91,391
87,909	**Total Payables and deferred revenue under exchange transactions**	**111,086**
	Payables and deferred revenue under non-exchange transactions	
17,429	GST payable	13,366
17,429	**Total Payables and deferred revenue under non-exchange transactions**	**13,366**
105,338	**Total payables and deferred revenue**	**124,452**

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

Note 12: Return of operating surplus

Actual 2016 $000		Actual 2017 $000
38,578	Net surplus/(deficit)	31,288
38,578	**Total repayment of surplus**	**31,288**

The repayment of surplus is required to be paid to the Crown by 31 October 2017.

Note 13: Provisions

Actual 2016 $000		Actual 2017 $000
4,986	ACC Partnership programme	3,417
1,137	Restructuring provision	2,841
1,028	Lease reinstatement	714
10	Other provisions	10,892
7,161	**Total provisions**	**17,864**

Provisions by category

	ACC Partnership Programme $000	Lease Reinstate-ment $000	Restructure $000	Operating lease incetive $000	Holidays Act $000	Others $000	Total $000
2016							
Balance as at 1 July 2015	**4,862**	**897**	**1,081**	**-**	**-**	**33**	**6,873**
Additional provisions made	2,358	290	217	-	-	-	2,865
Amounts used	(2,234)	-	(161)	-	-	-	(2,395)
Unused amounts reversed	-	(200)	-	-	-	(23)	(223)
Discount unwind	-	41	-	-	-	-	41
Balance as at 30 June 2016	**4,986**	**1,028**	**1,137**	**-**	**-**	**10**	**7,161**
2017							
Balance as at 1 July 2016	**4,986**	**1,028**	**1,137**	**-**	**-**	**10**	**7,161**
Additional provisions made	-	512	2,100	9,673	1,759	-	14,044
Amounts used	(1,028)	-	(98)	(539)	-	-	(1,665)
Unused amounts reversed	(541)	(540)	(298)	-	-	-	(1,379)
Discount unwind	-	13	-	-	-	-	13
Transfer to Ministry for Vulnerable Children, Oranga Tamariki	-	(300)	-	-	-	(10)	(310)
Balance as at 30 June 2017	**3,417**	**713**	**2,841**	**9,134**	**1,759**	**-**	**17,864**

ACC Partnership programme

The Ministry belongs to the ACC Accredited Employer programme, whereby the Ministry accepts the management and financial responsibility of the work-related illnesses and accidents of its employees. The Ministry, under the Full Self Cover Plan (FSCP), has opted for a stop loss limit of 160 percent of the industry premium and a High Cost Claims Cover (HCCC) limit of $250,000.

The liability for the ACC Partnership programme is measured at the present value of expected future payments to be made for employees' injuries and claims up to the reporting date using actuarial techniques. Consideration is given to the expected future wage and salary levels and the experience of employees' claims and injuries. Expected future payments are discounted using market yields at the reporting date on New Zealand government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The Ministry manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies
- providing induction training on health and safety
- actively managing workplace injuries to ensure employees return to work as soon as possible
- recording and monitoring workplace injuries and near misses to identify risk areas, and implementing mitigating actions
- identifying workplace hazards and implementing appropriate safety procedures.

The Ministry is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

An external independent actuarial valuer, Melville Jessup Weaver, has calculated the Ministry's liability. The valuation is effective as at 30 June 2017. The valuer has attested that he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Lease reinstatement

At the expiry of the lease term for a number of its leased premises, the Ministry is required to remove any fixtures or fittings installed by the Ministry.

At year-end there were seven sites where a lease reinstatement provision had been established with a value of $0.713 million (2016: $1.028 million). A transfer of $0.300 million of the lease provision was made to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017. The timing of any future lease reinstatement work is currently up to three years in the future.

In many cases the Ministry has the option to renew these leases, which has an impact on the timing of the expected cash outflows for reinstatement of leased premises.

The value of the provision is based on a professional assessment by the Ministry's property group taking into account the cost and past history of lease reinstatement work.

An asset to the value of $0.720 million (2016: $0.951 million) was established for the lease reinstatement costs. This is being depreciated on a straight-line basis for each lease term.

Operating lease incentive

A new provision for $9.134 million has been established for an operating lease incentive on the National Office building at 56 The Terrace, Wellington. The lease incentive relates to an initial 12-month rent-free period beginning from August 2017. The lease is over a term of 18 years and the rent free period will be amortised over the term of the lease in accordance with generally accepted accounting standards.

Restructure

Restructuring provision is for equalisation allowances of $0.841 million (2016: $1.137 million) for staff members affected by restructures in 2009 and 2017 who were reassigned to positions within the Ministry at lower salary levels.

A new restructuring of $2 million for staff affected by a new organisational design for Service Delivery was announced in May 2017.

The total restructuring provision as at 30 June 2017 is $2.841 million (2016: $1.137 million).

Holidays Act provision

This is a new provision made to account for any Ministry payroll compliance issues with the Holidays Act 2003, mainly relating to employees and ex-employees who have worked different shifts and hours each week, resulting in underpaid leave over a period of time. The value of the provision of $1.759 million (2016: nil) is based on a professional assessment by the Ministry's human resources group.

Other

The Ministry has no provision for family home resettlement (2016: $10,000) as this provision was transferred to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017.

Note 14: Employee entitlements

Actual 2016 $000		Actual 2017 $000
	Current liabilities	
15,212	Retirement and long service leave	9,374
48,637	Provision for annual leave	29,140
1,661	Provision for sickness leave	1,704
65,510	**Total current portion**	**40,218**
	Non-current liabilities	
52,521	Retirement and long service leave	36,105
52,521	**Total non-current portion**	**36,105**
118,031	**Total employment entitlements**	**76,323**

The present value of the retirement and long service leave obligations is determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will have an impact on the carrying amount of the liability.

The Ministry uses the interest rates and the salary inflation factor as supplied and published by the Treasury.

Discount rates and salary inflation applied

as at 30 June 2016			Employee Entitlement Variables	as at 30 June 2017		
2017 %	2018 %	2019 %		2018 %	2019 %	2020 %
2.12	1.95	3.13	Discount rates	1.97	2.36	3.92
3.00	3.00	3.00	Salary inflation	3.10	3.10	3.10

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

Movements	Actual 2017 $000	Salary + 1% 2017 $000	Salary - 1% 2017 $000	Discount + 1% 2017 $000	Discount - 1% 2017 $000
Current	9,374	30	(30)	21	(21)
Non-current	36,105	3,725	(3,264)	3,539	(3,052)
Total	**45,479**	**3,755**	**(3,294)**	**3,560**	**(3,073)**

Note 15: Equity

Actual 2016 $000		Actual 2017 $000
	Taxpayers' funds	
280,097	**Balance at 1 July**	**280,298**
38,578	Surplus/(deficit)	31,288
2,300	Capital contribution	9,483
(2,099)	Capital withdrawal – Cash	(14,047)
-	Capital withdrawal – Non Cash	(110,277)
-	Transfers from Revaluation Reserve on asset transfer to Ministry for Vulnerable Children, Oranga Tamariki	35,000
-	Transfer to Ministry for Vulnerable Children, Oranga Tamariki	(35,000)
(38,578)	Repayment of surplus	(31,288)
280,298	**Balance at 30 June**	**165,457**
	Revaluation reserves	
46,944	**Balance at 1 July**	**46,944**
-	Revaluation gains	18,000
-	Transfer to Taxpayers' funds on asset transfer to Ministry for Vulnerable Children, Oranga Tamariki	(35,000)
46,944	**Balance at 30 June**	**29,944**
327,242	**Total Equity**	**195,401**

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

Actual 2016 $000		Actual 2017 $000
38,578	**Net surplus/(deficit)**	**31,288**
	Add/(less) non-cash items	
-	Working capital transfer to Ministry for Vulnerable Children, Oranga Tamariki	65,645
29,683	Depreciation	24,554
27,568	Amortisation	35,197
57,251	**Total non-cash items**	**125,396**
	Add/(less) items classified as investing or financing activities	
103	(Gains)/losses on disposal property, plant and equipment	(123)
103	**Total items classified as investing or financing activities**	**(123)**
	Add/(less) working capital movements	
47,376	(Increase)/decrease in accounts receivable	(1,159)
4,249	(Increase)/decrease in prepayments	(4,497)
(3,330)	Increase/(decrease) in accounts payable	15,737
-	Increase/(decrease) in revenue received in advance	3,374
987	Increase/(decrease) in provision for employee entitlements	(25,292)
288	Increase/(decrease) other provisions	10,703
49,570	**Net movements in working capital items**	**(1,134)**
	Add/(less) movements in non-current liabilities	
7,031	Increase/(decrease) in provision for employee entitlements	(16,416)
7,031	**Net movements in non-current liabilities**	**(16,416)**
152,533	**Net cash inflow from operating activities**	**139,011**

Note 17: Related party transactions

The Ministry is a wholly-owned entity of the Crown and received funding from the Crown of $1,390 million to provide services to the public for the year ended 30 June 2017 (2016: $1,477 million.) The Government significantly influences the role of the Ministry as well as being its major source of revenue. All related party transactions are entered into on an arm's-length basis.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Ministry would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

There have been no related party transactions other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that individual entity at arm's length in the same circumstance.

Transactions with key management personnel

Actual 2016		Actual 2017
	Leadership Team, including the Chief Executive	
$4,656,520	Remuneration	$5,560,922
12.9	Full-time equivalent members	12.3

The above key management personnel disclosure excludes the Minister for Social Development. The Minister's remuneration and other benefits are received not only for her role as a member of the key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and are not paid by the Ministry of Social Development.

Note 18: Events after the balance sheet date

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

Note 19: Financial instruments

Financial instrument categories

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

Actual 2016 $000		Actual 2017 $000
	Loans and receivables	
77,644	Cash and cash equivalents	90,619
33,809	Debtors and other receivables	34,968
111,453	**Total loans and receivables**	**125,587**
	Financial liabilities measured at amortised cost	
87,909	Creditors and other payables	111,086
87,909	**Total financial liabilities measured at amortised cost**	**111,086**

Fair value hierarchy

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- quoted market price (level 1) – financial instruments with quoted process for identical instruments in active markets
- valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

In 2016/2017 there were no instruments recognised at fair value in the Statement of Financial Position (2016: nil).

Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise its exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from future capital purchases and recognised liabilities that are denominated in a foreign currency. The Ministry purchases some capital equipment internationally and is exposed to currency risk arising from various currency exposures, primarily from the United States and Australian dollars.

The Ministry's Foreign Exchange Management Policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts when the total transaction exposure to an individual currency exceeds NZ$50,000 or the department's net aggregate NZ$ equivalent exposure at any point in time exceeds NZ$250,000. The Ministry's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Sensitivity analysis

As at 30 June 2017 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2016: no significant foreign exchange exposures).

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of the Ministry's business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

The Ministry is permitted to deposit funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard & Poor's credit rating of AA). These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables (refer Note 7), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet its commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Actual 2016 $000		Actual 2017 $000
	Creditors and other payables	
87,909	Less than six months	111,086
87,909		**111,086**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2016: nil).

Note 20: Capital management

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

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and the Ministry's compliance with the Government Budget processes, Treasury Instructions and the Public Finance Act 1989.

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

Note 21: Major budget variations

Explanations for major variances from the Ministry's estimated figures in the Forecast Financial Statements 2016/2017 are as follows:

	Notes	Actual 2017 $000	Unaudited Budget 2017 $000	Variance 2017 $000
Statement of Comprehensive Revenue and Expense				
Revenue				
Revenue Crown	a	1,390,225	1,477,333	87,108
Revenue Other	b	30,744	4,412	(26,332)
Expenses				
Personnel costs	c	694,219	741,094	46,875
Other operating expenses	d	614,599	657,427	42,828
Statement of Financial Position				
Assets				
Current assets				
Cash and cash equivalents	e	90,619	21,279	(69,340)
Crown receivable	f	24,296	-	(24,296)
Non-current assets				
Property, plant and equipment	g	133,079	330,894	197,815
Liabilities				
Current liabilities				
Return of operating surplus to the Crown	h	31,288	-	(31,288)
Provision for employee entitlements	i	40,218	64,523	24,305
Statement of Cash Flows				
Cash flows from operating activities				
Receipts from Crown revenue	j	1,395,929	1,512,333	116,404
Payments to suppliers	k	(581,650)	(655,191)	(73,541)

Statement of Comprehensive Revenue and Expense

a. Revenue Crown is less than budgeted by $87.108 million, mainly because of the transfer of $148.109 million of Revenue Crown for the establishment from 1 April 2017 of the Ministry for Vulnerable Children, Oranga Tamariki, which was not included in the original budget. The above was offset by new funding for Child, Youth and Family ($35.376 million), ensuring the safety of our employees ($11.734 million) and extending the Youth Service to 18- and 19-year-olds ($10.326 million).

b. Revenue Other is higher than budgeted by $26.332 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki and the shared services arrangement for corporate services with the Ministry of Social Development of $25 million.

c. Personnel costs is lower than budgeted by $46.875 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

d. Other operating costs is lower than budgeted by $42.828 million, mainly because of the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

Statement of Financial Position

e. Cash and cash equivalents is higher than budgeted by $69.340 million, mainly due to the timing of cash draw-downs and of shared service arrangement receipts from the Ministry for Vulnerable Children, Oranga Tamariki.

f. Crown receivable relates to funds the Ministry has not drawn down for 2017 and previous years. The current higher balance compared to budget is attributable to a lower demand for cash and the subsequent draw down from the Crown receivable balance during 2016/2017.

g. Property, plant and equipment is lower than budget by $197.815 million, mainly due to the transfer of assets to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

h. Return of operating surplus to the Crown is higher than budget due to significant in-principle expense transfers[116] of funding from 2016/2017 to 2017/2018 including for Simplification changes, investment approach trials and social housing.

i. Provision for employee entitlements is lower than budget by $24.305 million, mainly due to the transfer of employees to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

Statement of Cash Flows

j. Receipts from Crown revenue is lower than budget mainly due to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

k. Payments to suppliers is lower than budget mainly due to the establishment of the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017, which was not included in the original budget.

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116 In-principle expense and capital transfers (IPECTs) approved by joint Ministers are used to transfer funding up to a maximum amount from an appropriation in one financial year to the same appropriation in one or more of the next three financial years, where there is no change to the total amount of spending across the affected years and to the output being purchased. IPECTs can be used only where a factor outside of the department's control has caused a delay in a specific and discrete project and the costs cannot be met from the baseline of the future years.

Note 22: Discontinued activities

On 1 April 2017 the Ministry for Vulnerable Children, Oranga Tamariki was established, with the following functions transferred from the Ministry of Social Development:

- statutory care and protection
- youth justice services
- operational adoption services
- the Children's Action Plan Directorate and the Children's Teams
- Community Investment functions relating to funding and contracting for vulnerable children services
- family violence and sexual violence services relating to child victims or perpetrators
- complaint and grievance panel services
- policy advice relevant to the above functions.

In accordance with the PBE IFRS 5, the financial effects of the above discontinued operations in the Ministry of Social Development have been separately disclosed in the Statement of Comprehensive Revenue and Expense and the Statement of Cash Flows. The prior period information has also been restated for comparability purposes.

Statement of Accounting Policies: Non-Departmental

Reporting entity

These non-departmental statements and schedules present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, readers should refer to the Financial Statements of the Government.

Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand Generally Accepted Accounting Practice (Tier 1 Public Sector Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These non-departmental statements and schedules are prepared in accordance with PBE accounting standards.

Changes in accounting policies

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

Significant accounting policies

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

Budget figures

The 2017 budget figures are for the year ended 30 June 2017, which are consistent with the best estimate financial information submitted to the Treasury for the BEFU for the year ending 30 June 2017.

Revenue

The Ministry administers revenue on behalf of the Crown. This revenue includes student loan administration fees, interest revenue, maintenance capitalisation and miscellaneous revenue.

Student loan administration fee revenue is recognised when the eligible student loan application has been processed.

Interest revenue is the interest on Major Repairs Advances, which were advances made for the repairs or maintenance of clients' homes. This programme is no longer current.

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

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

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Derivatives

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

Social benefit receivables

Social benefit debt receivables relate to benefit overpayments, advances on benefits and recoverable special needs grants (refer Note 3). They are initially assessed at fair value. These receivables are subsequently tested for impairment.

Goods and services tax

All items in the financial statements, including the appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated inclusive of GST. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. An input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue at the consolidation of the Government's financial statements.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in their agreements are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent assets and liabilities

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Social benefit receivables

Social benefit receivables are initially measured at fair value and are subsequently tested for impairment. Note 3 provides an analysis of the uncertainties relating to the valuation of social benefit receivables.

Critical judgements in applying the Ministry's accounting policies

Applying the Ministry's social benefit receivables policy requires judgements to determine a value to place on future repayments of benefit overpayments, advances on benefits and recoverable special needs grants. Judgement is required on various aspects that include, but are not limited to, the use of interest rates, mortality rates, allowance for collection costs and calculation of future rates of default on the receivables.

The Ministry has exercised its judgement on the appropriateness of its valuation of the social benefit receivables (refer Note 3).

There were no other significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2017.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2017

The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the Ministry manages on behalf of the Crown.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
1	Interest revenue		1	-
185	Maintenance capitalisation		484	450
1,046	Miscellaneous revenue		292	-
-	Gain on foreign exchange		411	-
10,433	Student Loan – administration fee	2	10,010	10,536
11,665	**Total non-departmental income**		**11,198**	**10,986**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on student loan advances, refer to Note 2.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
224,263	Benefit recoveries – current debt		230,366	220,012
923	Benefit recoveries – liable parent contributions		849	597
94,560	Benefit recoveries – non-current debt		94,944	91,861
284,837	Overseas pension recoveries		252,720	322,552
98,258	Student Loans – repayment of principal	2	97,622	102,427
702,841	**Total non-departmental capital receipts**		**676,501**	**737,449**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on student loan advances, refer to Note 2.

Benefit recoveries (current and non-current) represents the amounts collected from clients either by way of regular deductions from the client's benefit payments or repayments from former clients and non-beneficiaries. When a debt is established, it is disclosed as a reduction in social benefit expense. Therefore the associated debt recovery is disclosed as a reduction in social benefits cash payments in the Financial Statements of the Government.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2017

Actual 2016 $000		Actual 2017 $000	Unaudited Budget 2017 $000
1,090,764	Non-departmental output expenses	1,162,619	1,168,265
(20,172)	Non-departmental other expenses	138,477	112,867
1,762,590	Non-departmental capital expenditure	1,757,463	1,829,692
19,548,166	Benefits or related expenses	20,350,301	20,251,908
45	Loss on foreign exchange	-	-
51,534	Other operating expenses	51,422	56,942
22,432,927	**Total non-departmental expenses**	**23,460,282**	**23,419,674**

The Other operating expenses of $51 million is mainly GST on grants and subsidies paid under non-departmental output expenses and non-departmental other expenses. An input tax deduction is not claimed on non-departmental expenditure.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2017

Actual 2016 $000		Notes	Actual 2017 $000	Unaudited Budget 2017 $000
	Current assets			
150,494	Cash and cash equivalents		235,342	100,063
119,989	Receivables	3	121,893	362,224
17,963	Prepayments – benefits and allowances		15,119	1,212
288,446	**Total current assets**		**372,354**	**463,499**
	Non-current assets			
584,006	Receivables	3	612,853	239,103
58	Other advances		53	28
584,064	**Total non-current assets**		**612,906**	**239,131**
872,510	**Total non-departmental assets**		**985,260**	**702,630**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on Accounts receivable – benefits and allowances, refer to Note 3.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

Schedule of Non-Departmental Liabilities

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000	Unaudited Budget 2017 $000
	Current liabilities		
203,725	Accruals – other than government departments	253,740	240,449
99,617	Tax payable	102,667	107,353
606	Other current liabilities	834	-
410	Foreign exchange forward contracts	-	372
304,358	**Total non-departmental liabilities**	**357,241**	**348,174**

Explanations of significant variances against budget are detailed in Note 1.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2017

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

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2017

Unquantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities (2016: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2017 (2016: nil).

Unquantifiable contingent assets

Social Housing – Crown Residual Interest

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

Quantifiable contingent assets

The Ministry on behalf of the Crown has no quantifiable contingent assets (2016: nil).

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2017

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June 2017 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2017 were as follows:

Actual 2016 $000		Actual 2017 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**2**
10	Contributions	5
(10)	Distributions	(7)
2	**Balance at 30 June**	**-**
	Australian Embargoed Arrears	
559	**Balance at 1 July**	**479**
6,174	Contributions	6,747
(6,254)	Distributions	(6,696)
-	Revenue	6
479	**Balance at 30 June**	**536**
	Maintenance	
108	**Balance at 1 July**	**23**
388	Contributions	388
(476)	Distributions	(392)
3	Revenue	3
23	**Balance at 30 June**	**22**
	Netherlands Debt	
11	**Balance at 1 July**	**4**
88	Contributions	86
(95)	Distributions	(79)
4	**Balance at 30 June**	**11**
508	**Total trust monies**	**569**

The Statement of Accounting Policies: Non-Departmental on pages 136 to 137 and Notes 1 to 4 on pages 146 to 150 form part of these financial statements.

Australian Debt Recoveries Trust Account

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

Australian Embargoed Arrears Trust Account

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

Maintenance Trust Account

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

Netherlands Debt Trust Account

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016/2017.

Notes to the Non-Departmental Financial Statements

Note 1: Explanation of major variances against budget

Explanations for major variances from the Ministry's non-departmental budget figures are as follows:

Schedule of income and expenses

Non-departmental capital receipts were lower than budget by $60.948 million, mainly due to lower receipts compared to budget for overseas pension recoveries. This is due to the New Zealand dollar appreciating against overseas currencies as a result of the United Kingdom voting to leave the European Union in July 2016. Non-departmental other expenses were higher than budget by $25.610 million, mainly due to higher expenditure on debt write-downs from interest rate remeasurement.

There are no other significant variances against budget.

Schedule of assets and liabilities

Current and non-current receivables were higher than budget by $133.419 million. This is mainly due to higher levels of current benefit debt at year-end of $57.881 million and a change in the opening balance applied to the actual results since the budget was calculated (in April 2016) of $101.658 million.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Student loans	
-	**Opening nominal balance**	-
1,610,273	New lending	1,572,613
(98,258)	Repayment	(97,622)
(1,522,448)	Loan balance transfer to IRD	(1,485,001)
10,433	Administration fee	10,010
-	**Closing nominal balance**	-
-	**Net carrying value of student loans**	-

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

Note 3: Accounts receivable – benefits and allowances

Balances owed to the Ministry are made up of benefits and allowances overpayments, recoverable assistance and fraud repayments. Interest is not charged on benefit recovery and demands for repayment are restricted to prevent client hardship.

The carrying value and the fair value are the same for these amounts. Since there is no market comparison, the fair value is determined by discounting the expected future cash flows by the appropriate interest rates at year-end. The effective interest rates applied at year-end were between 1.97 percent and 4.75 percent (2.12 percent and 4.31 percent at 30 June 2016).

The fair value of the portfolio as at 30 June 2017 is $735 million ($704 million at 30 June 2016).

Social benefit and other receivables

As at 30 June 2017

Actual 2016 $000		Actual 2017 $000
	Social benefit receivables	
1,377,577	Nominal value of receivable	1,375,005
1,377,577	Gross value of receivables	1,375,005
(673,614)	less provision for impairment[117]	(640,276)
703,963	Net social benefit receivables	734,729
31	Other receivables	17
703,994	**Total receivables**	**734,746**

	Total receivables are represented by:	
119,989	Current	121,893
584,006	Non-current	612,853
703,995	**Balance at end of the year**	**734,746**

	Social benefit receivables **Movements in the carrying value of the loans are as follows:**	
564,460	**Balance at 1 July**	**703,963**
399,596	Face value of new receivables during the year	323,587
(319,746)	Receivables repaid during the year	(326,159)
59,653	Subsequent net impairment	33,338
703,963	**Balance at 30 June**	**734,729**

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment gains of $33 million during the 2016/2017 year (2016: $60 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 percent would decrease fair value by approximately $36.168 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $41.339 million. Since there are no contractual repayment terms, future cash flows assume that existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

117 Impairment of social benefit receivables includes an increase of $23.883 million of remeasurement due to changes in interest and collection cost rates.

Interest rate risk is the risk that the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between (0.15) percent and 0.44 percent from 1 July 2016 to 30 June 2017 (2016: (1.99) percent and (0.60) percent).

Credit risk is the risk that the benefit debt is not repaid before the borrower dies. Benefit policy does not require recipients to provide any collateral or security to support advances made. As the total benefit debt is dispersed over a large number of borrowers, there is no material individual concentration of credit risk. The credit risk is reduced by compulsory deductions from benefit and superannuation payments, provided hardship is not caused.

Note 4: Financial instruments

Financial instrument categories

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

Actual 2016 $000		Actual 2017 $000
	Loans and receivables	
150,494	Cash and cash equivalents	235,342
31	Debtors and other receivables	17
150,525	**Total loans and receivables**	**235,359**
	Fair value through surplus or deficit – held for trading	
410	Derivative financial instrument liabilities	-
	Financial liabilities measured at amortised cost	
204,331	Creditors and other payables	254,574

Fair value hierarchy

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- quoted market price (level 1) – financial instruments with quoted process for identical instruments in active markets
- valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position.

Actual 2016 $000		Actual 2017 $000
	Financial liabilities	
	Observable inputs	
410	Foreign exchange derivatives	-

There were no transfers between the different levels of the fair value hierarchy.

Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise its exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from the need to reimburse the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office to hedge the currency risk. At balance date, the Ministry had no foreign exchange forward contracts (2016: liability of NZ$0.410 million).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2016: no significant foreign exchange exposures).

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or that the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of the Ministry's business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

The Ministry is permitted to deposit funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard & Poor's credit rating of AA). These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables (refer Note 3), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet its commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Actual 2016 $000		Actual 2017 $000
	Creditors and other payables	
204,331	Less than six months	254,574
204,331		**254,574**

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Ministry's forward exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undisclosed cash flows.

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than six months $000	6-12 months $000	1-2 years $000
2017						
Forward foreign exchange contracts	-	-				
- outflow			-	-	-	-
- inflow			-	-	-	-
2016						
Forward foreign exchange contracts	410	-				
- outflow			10,013	10,013	-	-
- inflow			9,603	9,603	-	-

Statements of Expenses and Capital Expenditure

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2017.

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

For the year ended 30 June 2017

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[118] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[119] 2017 $000	Location of end-of-year performance information[120] 2017
	Vote Social Development					
	Departmental output expenses					
7,029	Adoption Services	3,998	-	3,998	3,998	1
382,924	Care and Protection Services	316,957	-	316,957	316,957	1
12,505	Children's Action Plan	8,780	-	8,780	8,780	1
-	Corporate Support Services	25,000	-	25,000	25,000	1
11,187	Data, Analytics and Evidence Services	11,684	22	11,706	12,510	1
1,518	Designing and Implementing Social Investment	8,309	-	8,309	9,018	1
36,981	Income Support and Assistance to Seniors	43,167	45	43,212	43,781	1
49,518	Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments	48,054	68	48,122	49,209	1
45,054	Investing in Communities	37,290	-	37,290	39,163	1
6,227	Management of Service Cards	4,602	16	4,618	4,879	1
15,129	Management of Student Loans	15,083	-	15,083	15,545	1
15,794	Management of Student Support	16,667	45	16,712	17,356	1
-	Place-based initiatives - national support	252	-	252	610	1
-	Place-based initiatives - Tairāwhiti Local Leadership	194	-	194	205	1
6,081	Planning, Correspondence and Monitoring	6,310	6	6,316	6,344	1
20,421	Policy Advice	19,798	23	19,821	20,167	1
386	Processing of Veterans' Pensions	464	-	464	588	1
5,685	Promoting Positive Outcomes for Disabled People	3,949	2	3,951	4,045	1
888	Promoting Positive Outcomes for Seniors	850	-	850	1,010	1
131,321	Youth Justice Services	95,528	-	95,528	95,528	1
4,835	Property Management Centre of Expertise	-	-	-	-	
2,856	Youth Development	-	-	-	-	
756,339	**Total departmental output expenses**	**666,936**	**227**	**667,163**	**674,693**	

118 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

119 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

120 The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

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

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

For the year ended 30 June 2017

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[121] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[122] 2017 $000	Location of end-of-year performance information[123] 2017
	Departmental other expenses					
-	Transformation Programme: Investing in New Zealand Children and their Families	21,128	-	21,128	21,128	1
-	**Total departmental other expenses**	**21,128**	**-**	**21,128**	**21,128**	
	Departmental capital expenditure					
112,314	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the Public Finance Act 1989	84,406	-	84,406	103,798	1
112,314	**Total departmental capital expenditure**	**84,406**	**-**	**84,406**	**103,798**	

121 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2017

Expenditure including Remeasurements 2016 $000	Appropriation title	Expenditure including Remeasurements 2017 $000	Remeasurements[124] 2017 $000	Expenditure excluding Remeasurements 2017 $000	Appropriation Voted[125] 2017 $000	Location of end-of-year performance information[126] 2017
	Non-departmental output expenses					
2,157	Children's Commissioner	2,157	-	2,157	2,157	4
75,080	Community Participation Services	81,818	-	81,818	82,631	2
18,773	Counselling and Rehabilitation Services	16,874	-	16,874	16,879	2
8,382	Education and Prevention Services	9,194	-	9,194	9,279	2
2,693	Emergency Housing Response	6,167	-	6,167	10,445	2
12,331	Families Commission	14,092	-	14,092	14,092	5
84,509	Family Wellbeing Services	84,798	-	84,798	84,913	2
113,750	Strong Families and Connected Communities	107,229	-	107,229	109,144	2
3,344	Student Placement Services	3,329	-	3,329	3,512	3
755,268	Part Payment of Rent to Social Housing Providers	-	-	-	-	
8,588	Services for Young People	-	-	-	-	
439	Youth Development Partnership Fund	-	-	-	-	
1,085,314	**Total non-departmental output expenses**	**325,658**	**-**	**325,658**	**333,052**	
	Non-departmental other expenses					
(41,782)	Debt Write-downs	91,943	(23,883)	68,060	97,891	3
1,542	Extraordinary Care Fund	817	-	817	2,308	3
-	Hurunui/Kaikōura Earthquake Employment Support	17,388	-	17,388	17,540	2
18,124	Out of School Care Programmes	17,779	-	17,779	19,410	2
664	Support for the Provision of Social Housing Supply	-	-	-	-	
(21,452)	**Total non-departmental other expenses**	**127,927**	**(23,883)**	**104,044**	**137,149**	
	Non-departmental capital expenditure					
152,317	Recoverable Assistance	184,850	-	184,850	196,191	3
1,610,273	Student Loans	1,572,613	-	1,572,613	1,634,026	3
1,762,590	**Total non-departmental capital expenditure**	**1,757,463**	**-**	**1,757,463**	**1,830,217**	

124 Debt Write-downs in 2016/2017 includes $23.883 million of remeasurement due to changes in interest rates. The Ministry is appropriated for expenditure excluding remeasurement.
125 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.
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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2017

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[127] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[128] 2017 $000	Location of end-of-year performance information[129] 2017
	Multi-category appropriations					
-	**Emergency Housing MCA**	**8,131**	**-**	**8,131**	**23,652**	
	Non-departmental output expenses					
-	*Emergency Housing Services*	6,768	-	6,768	14,624	1
-	*Provision of Emergency Housing Places*	1,363	-	1,363	9,028	1
662,669	**Improved Employment and Social Outcomes Support MCA**	**657,043**	**1,577**	**658,620**	**673,653**	
	Departmental output expenses					
299,870	*Administering Income Support*	279,498	1,217	280,715	289,438	1
295,521	*Improving Employment Outcomes*	298,677	307	298,984	299,246	1
67,278	*Improving Work Readiness Outcomes*	78,868	53	78,921	84,969	1
339	**Independent Advice on Government Priority Areas MCA**	**418**	**-**	**418**	**518**	
	Non-departmental output expenses					
339	*Other Advice*	418	-	418	364	3
-	*Policy Advice*	-	-	-	154	3
-	**Partnering for Youth Development MCA**	**10,295**	**2**	**10,297**	**10,515**	
	Departmental output expense					
-	*Administering Youth Development*	2,492	2	2,494	2,682	1
	Non-departmental output expense					
-	*Increasing Youth Development Opportunities*	7,803	-	7,803	7,833	1
29,409	**Social Housing Outcomes Support MCA**	**46,731**	**452**	**47,183**	**54,380**	
	Departmental output expense					
28,129	*Services to Support People to Access Accommodation*	39,640	452	40,092	44,830	1
	Non-departmental output expense					
-	*Services Related to Supporting Outcomes for those in need of or at risk of needing Social Housing*	3,443	-	3,443	5,000	1
	Non-departmental other expense					
1,280	*Housing Support Package*	3,648	-	3,648	4,550	1

127 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.
128 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.
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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2017

Expenditure including Remeasure-ments 2016 $000	Appropriation title	Expenditure including Remeasure-ments 2017 $000	Remeasure-ments[130] 2017 $000	Expenditure excluding Remeasure-ments 2017 $000	Appropriation Voted[131] 2017 $000	Location of end-of-year performance information[132] 2017
-	**Social Housing Purchasing MCA**	**822,579**	**-**	**822,579**	**899,924**	
	Non-departmental output expenses					
-	*Part Payment of Rent to Social Housing Providers*	815,277	-	815,277	847,994	1
-	*Services Related to the Provision of Social Housing*	400	-	400	400	1
	Non-departmental other expense					
-	*Support for the Provision of Social Housing Supply*	6,902	-	6,902	51,530	1
7,376	**Social Sector Trials MCA**	**2,012**	**1**	**2,013**	**2,111**	
	Departmental output expense					
2,265	*National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials*	764	1	765	700	1
	Non-departmental output expense					
5,111	*Non-Governmental Organisation led Social Sector Teams and Contracted Programmes and Services*	1,248	-	1,248	1,411	1
699,793	**Total multi-category appropriations**	**1,547,209**	**2,032**	**1,549,241**	**1,664,753**	

130 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

For the year ended 30 June 2017

Expenditure including Remeasurements 2016 $000	Appropriation title	Expenditure including Remeasurements 2017 $000	Remeasurements[133] 2017 $000	Expenditure excluding Remeasurements 2017 $000	Appropriation Voted[134] 2017 $000	Location of end-of-year performance information[135] 2017
	Benefits or related expenses					
1,163,674	Accommodation Assistance	1,126,980	-	1,126,980	1,146,156	3
182,138	Childcare Assistance	198,590	-	198,590	205,345	3
376,943	Disability Assistance	376,965	-	376,965	380,022	3
432	Family Start/NGO Awards	191	-	191	705	3
289,558	Hardship Assistance	352,527	-	352,527	356,979	3
1,671,316	Jobseeker Support and Emergency Benefit	1,697,015	-	1,697,015	1,712,139	3
12,266,832	New Zealand Superannuation	13,043,292	-	13,043,292	13,069,729	3
142,893	Orphan's/Unsupported Child's Benefit	152,103	-	152,103	154,067	3
1,152,990	Sole Parent Support	1,158,572	-	1,158,572	1,176,096	3
11,438	Special Circumstance Assistance	10,941	-	10,941	11,644	3
485,653	Student Allowances	464,857	-	464,857	495,091	3
11,158	Study Scholarships and Awards	12,109	-	12,109	19,167	3
1,523,016	Supported Living Payment	1,532,617	-	1,532,617	1,537,220	3
1	Transitional Assistance	3	-	3	65	3
185,849	Veteran's Pension	175,018	-	175,018	176,353	3
3,247	Work Assistance	2,349	-	2,349	2,923	3
41,088	Youth Payment and Young Parent Payment	46,172	-	46,172	47,595	3
39,940	Benefits Paid in Australia	-	-	-	-	
19,548,166	**Total benefits or related expenses**	**20,350,301**	**-**	**20,350,301**	**20,491,296**	
23,943,064	**Total annual and permanent appropriations**	**24,881,028**	**(21,624)**	**24,859,404**	**25,256,086**	
	Multi-year appropriations					
	Departmental output expenses					
-	Administering Support for the Mental Health and Employment Social Bond Pilot	-	-	-	40	1
-	Claims Resolution	1,837	-	1,837	2,000	1
	Non-departmental output expense					
-	Mental Health and Employment Social Bond Pilot	241	-	241	241	2
-	**Total Multi-year appropriations**	**2,078**	**-**	**2,078**	**2,281**	
23,943,064	**Total annual, permanent and multi-year appropriations**	**24,883,106**	**(21,624)**	**24,861,482**	**25,258,367**	

133 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

134 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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5. The Families Commission Annual Report.

Transfers approved under section 26A of the Public Finance Act

The approved appropriation includes adjustments made in the Supplementary Estimates. There were no transfers made under section 26A of the Public Finance Act.

Statement of Expenses and Capital Expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2017

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

Nil.

Expenses and capital expenditure incurred in excess of appropriation

Nil.

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

Nil.

Statement of Departmental Capital Injections

For the year ended 30 June 2017

Actual Capital Injection 2016 $000	Type of appropriation	Actual Capital Injection 2017 $000	Approved Appropiation 2017 $000
2,300	Ministry of Social Development – Capital injection	9,483	9,483
2,300	**Total**	**9,483**	**9,483**

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

For the year ended 30 June 2017

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

Appendix: Information Sharing with New Zealand Police, the Ministries of Health, Justice, and Education, and the Children's Action Plan Directorate[1]

The Ministry of Social Development is the lead agency for the Information Sharing Agreement for Improving Services for Vulnerable Children (the AISA). The Ministry must report annually, in its annual report, on the following information specified by the Privacy Commissioner.

This is the second report on this AISA. It covers the period 1 July 2016 to 30 June 2017.

Information sharing between the New Zealand Police, the Ministries of Social Development, Health, Justice, and Education, and the Children's Action Plan (CAP) Directorate[2]

Description	Progress
Number of referrals made to The Hub	1,465 children
Number of individuals whose information is shared under the agreement, or where the number is not known, the best estimate of that number	422
Number of vulnerable children[3] identified	1,465
Number of referrals (by pathway):	
• Universal services	113
• Child, Youth and Family	59
• Children's Team[4]	1139
Number of children successfully exited with outcomes achieved	158
Number of complaints received about an alleged interference with privacy under the agreement and the disposition of those complaints	0
Number of reported instances of improper access to/use of information by Hub worker	0
Amendments to the AISA	0

Qualitative feedback on the AISA and commentary on audits

No audits were conducted on the AISA in 2016/2017.

1 From 1 April 2017, to be read as the Ministry for Vulnerable Children, Oranga Tamariki.
2 From 1 April 2017, to be read as the Ministry for Vulnerable Children, Oranga Tamariki.
3 A 'vulnerable child' is defined as any child whose referral does not result in a 'no further action' by The Hub.
4 Referrals to one of the Children's Teams that operate with the Vulnerable Children's Hub: Hamilton, Canterbury or Counties Manukau (and Whangarei from May 2017).

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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

New Zealand Government