



Line-By-Line Review of Expenditure

5 FEBRUARY 2009

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Line-by-Line Review of Expenditure

1. Executive Summary

This report addresses the 17 December 2008 Cabinet Business Committee request to carry out a line-by-line review of expenditure to identify:

- a. *savings that can be freed up for Budget 2009;*
- b. *programmes that are inconsistent with the government's priorities, and that should be discontinued;*
- c. *programmes that may be inconsistent with the government's priorities, and that should be looked into;*
- d. *programmes and expenditure that are not efficient or effective;*
- e. *areas where performance information is insufficient to make a judgement about efficiency or effectiveness;*
- f. *the actions that agencies should take to make improvements before the new review period;*
- g. *initiatives of the previous government that are not funded.*

This report is a continuation of work undertaken to partly self fund the 2008 part of Budget business cases, and has been underway for several months as part of the Department's preparation for the budget round.

At an output level, no programmes have been identified that are, or might be, inconsistent with government's priorities. Analysis by output is provided in Appendix One.

The Department continuously reviews the key aspects of its service delivery and has already planned or put in place significant changes in a range of areas. The majority of these changes reduce future capital expenditure requirements, delay or reduce operational expenditure, or increase and improve performance.

The Department is currently under both service delivery and cost pressures and has submitted policy priority and emergency pressures budget bids. Notwithstanding these urgent requirements, the Department has completed a cost reduction review. Potential cost savings of \$10 million to \$15 million have been identified – however, no further significant savings opportunities have been identified that can be implemented without reducing service levels or increasing public risk beyond acceptable levels.

The Department's process of continuous review and constant efficiency improvement has and will continue to hold back cost increases where possible, but these are overwhelmed by the sheer scale of the increasing demand pressures.

2. Introduction

2.1 Summary of Vote Corrections

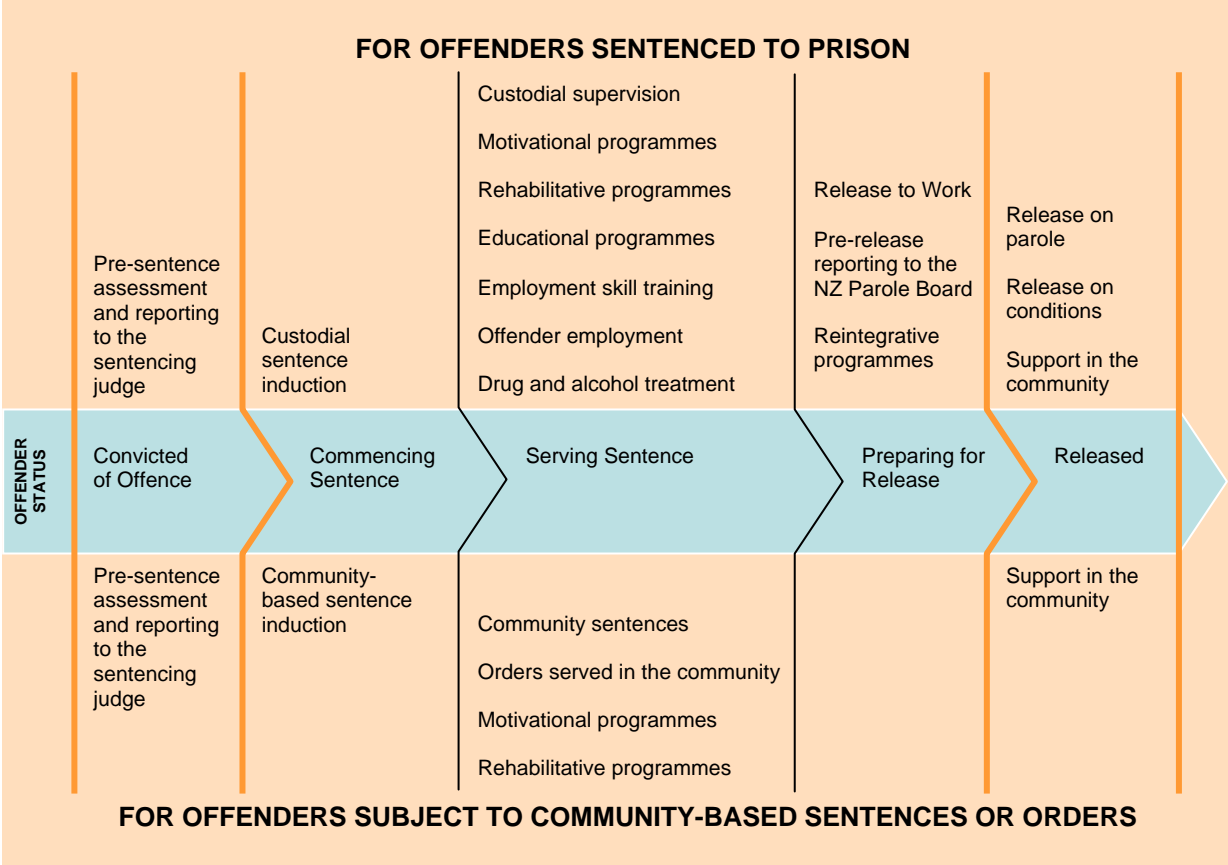
As part of the wider justice sector, the Department contributes to the sector’s overall outcome of a “*Safe and Just Society*”, through three intermediate outcomes, “*Upholding the Integrity of Sentences and Orders*”, “*Reducing Re-offending*”, and “*Offenders Managed Safely and Humanely*”. The Department’s vision statement, expressed in its 2008–2013 Strategic Business Plan, is:

Improving public safety by ensuring sentence compliance and reducing re-offending, through capable staff and effective partnerships.

Underlying this is the commitment that “*to succeed overall, we must succeed for Māori offenders*”.

The Department exists primarily to administer the sentences and orders of the criminal courts. On any given day the Department manages almost 35,000 offenders serving 40,000 community sentences and orders, and around 8,000 prisoners. The Department also provides information, reports and support to the Judiciary to assist with sentencing, and to the New Zealand Parole Board to assist with parole decisions.

The Department’s outputs align with the criminal justice process, from the point where an accused offender is charged with an offence, through to the point where an offender is released from their Corrections managed sentence or order.



Estimated expenditure for 2008/09 is \$965 million (funded by \$931 million of Crown operating revenue, plus \$34 million primarily from prison based industries), with assets totalling nearly \$1.9 billion. As a result of a 2003 Output Pricing Review, the Department is currently funded to deliver services to an “adequate” (“restore and maintain”), rather than a “satisfactory” standard.

The Department achieves standards of compliance, offender safety and security and reducing re-offending that are comparable with the best corrections systems in the world. However, in common with many other countries, meeting society’s expectations and demands has become increasingly challenging.

The Department currently faces two key challenges:

- strong growth in the community offender population, placing ongoing pressure on capacity
- ongoing pressure on prison capacity.

Driving these immediate challenges are some critical issues:

- growth in the community offender population has accelerated following the introduction of several new community sentences in October 2007 (the single biggest changes to community sentencing in New Zealand history) and as a result of continued increases in conviction rates.
- the number of Probation Officers in the Department’s Community Probation and Psychological Services has increased by 95% since 2003 - 48% of probation officers now have less than two years experience. However, the volume of requests for pre-sentence reports, and offenders on sentences continue to grow above funded levels.
- the current growth trend in prison numbers commenced in 2003 when the prison population stood at less than 6,000. Despite slowing, following the introduction of the new community sentences, the prison population currently stands at around 8,000. On existing policy and sentencing settings, the prison population is forecast to exceed 12,500 by 2018.
- current prison capacity is expected to be fully utilised by mid-2010, despite significant expansion over the last four years. This pressure is exacerbated by the need to replace some obsolete and unsafe facilities which cannot be upgraded cost-effectively.
- the over-representation of Māori is a more longstanding challenge. Māori make up almost half of the offenders the Department manages, both in the community and in prison. Reducing Māori re-offending is a major priority for the Department.

The Department has made considerable progress with the capability and productivity of its staff and systems and infrastructure. However overall growth in numbers of offenders to be managed, combined with large numbers of inexperienced staff (over 40 % of frontline staff have less than two years experience, due to extensive recruitment over the past five years), means that staff training and support remain a critical focus for attention. The number of new managers over this period has also significantly increased, resulting in an impact on the quality of management oversight of staff actions and offender management.

Further large-scale growth in the country’s justice sector poses severe fiscal and operational challenges if not restrained. The Department will continue to work with other Justice Sector agencies on strategies to reduce crime and re-offending. However, it will also be seeking funds for additional Probation capacity, to increase the amount of Prison capacity that is double bunked and to commence planning for further prison capacity.

Financial summary 2008/09

The Department operates a balance sheet totalling over \$1.9 billion, including \$1.7 billion of physical assets.

- Estimated total revenue for the 2008/09 financial year is made up of:
 - \$931 million from the Crown
 - \$34 million from other sources (mainly prisoner employment activities, excl. gst)
- Estimated total expenditure including allocation of overheads for the 2008/09 financial year is \$965 million, allocated as follows:
 - \$682 million (70.7%) for prison based services (including primary health care of prisoners), made up of \$554 million for administration of sentences of imprisonment, \$116 million for custodial remand, and \$12 million for transportation of prisoners and their supervision while at Court
 - \$124 million (12.9%) for management of community-based sentences and orders
 - \$100 million (10.4%) on offender rehabilitation, made up of \$62 million on rehabilitation programmes, programmes and services provided by the community, psychological services and reintegrative services, and \$38 million on prisoner education and employment
 - \$51 million (5.3%) for provision of information to the Courts and the New Zealand Parole Board (and administrative services to the latter)
 - \$7 million (0.7%) for provision of policy advice and services such as prison inspectorate, contract management and victim notification.

2.2 Government Priorities

Government has identified a number of priorities for the Justice sector arising out of its pre-election campaign manifesto. Many of these require legislative changes to the Criminal Justice Act, Bail Act and Parole Act. This work is being led by the Ministry of Justice. There are also several specific priorities that relate directly to the Corrections portfolio, which are described below:

Government accepts that if society expects prisoners to change their behaviour on release, they must be kept in humane conditions. However, it also considers that prison facilities should be in keeping with public expectations, by ensuring that conditions of incarceration are not luxurious.

It has looked to the prevalence of privately managed prisons overseas and it considers New Zealand's own experience in this regard with the Auckland Central Remand Prison (from 2000 to 2005) to have been favourable. It considers that opportunities for the private management of prisons within New Zealand should be opened once again, and accordingly says that it will allow for the competitive tendering of prison management on a case by case basis.

Government identifies that imprisonment should not be seen only as a punishment, but as an opportunity for significant rehabilitative interventions to take place. In this regard, it is committed to increasing the number of prisoners accessing drug and alcohol treatment programmes, and to reviewing the screening and treatment of prisoners with mental health problems. It also supports the use of other rehabilitative programmes within prisons and has undertaken to review eligibility for those programmes and to consider whether these can be completed within the community where appropriate. Whilst it acknowledges that there is a cost associated with rehabilitation, government notes that this should be put into context of the costs associated with continuing to imprison offenders who have not been rehabilitated.

Connected with this, government is anxious to ensure that prisoners leave prison with better skills for managing life in the community than they possessed when they entered. To that end, it will boost the number of prisoners learning industry based skills through the Corrections Inmate Employment Scheme, and engage with the private sector to secure work opportunities for prisoners that will equip them with relevant and enduring employment skills. It will also expand literacy programmes so that more prisoners leave prison better able to read, write and do maths than when they entered.

Government notes that effective reintegration work with prisoners who have been released from prison is critical in realising the gains made by rehabilitative programmes they have undertaken during their imprisonment. It identifies the significant role played in the provision of reintegration services by non-government organisations such as the Prisoners Aid and Rehabilitation Society (PARS), and the need to carry out a stock take of the support and facilities available to prisoners released from prison, with a specific emphasis on the role played by NGOs.

Priorities proposed by the Minister for 2009 and beyond

Further to the statements above drawn from the Manifesto, on 2 February the Minister of Corrections advised the Prime Minister of her priorities for the Department during 2009, and the rest of the term. We have summarised these as follows:

Fundamental aspects of Corrections business that contribute to public safety, which are ongoing priorities for 2009 and beyond:

- Ensuring sentence compliance and holding offenders to account
- Managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff, and
- Measures that reduce re-offending.

An emphasis on financial prudence, by requiring good judgement and ongoing demonstration of value for money from Corrections expenditure.

Fostering a culture of excellence in the Department of Corrections – including staff capability and professionalism.

Specific initiatives for 2009

1. Managing the increasing offender population (both CPPS and prison)
2. Competitive tendering for the management of prisons
3. Rehabilitation to reduce reoffending (drug and alcohol treatment, and learning industry based skills)
4. Enhancing parole procedures.

Priorities for the rest of the term

1. Review the screening and treatment of prisoners with mental health problems
2. Expand literacy programmes so more prisoners leave prison able to read, write and do maths better than when they arrived
3. In conjunction with Associate Minister, carry out a stock take of support and facilities available to prisoners released from prison including substance abuse treatments, accommodation and employment with particular focus on the role played by non-government organisations
4. Analysis of increasing parole to two thirds without reduction of nominal sentence
5. Amend the Parole Act to ensure that prisoners who are able to work but refuse are not eligible for parole.

2.3 Review of Output Classes against Government priorities

The following table outlines Departmental output classes and appropriations:

Output Class 2008/09 Budget \$m (% of Vote)	Outputs
Output Class 1: Information Services \$43.962 (4.6%)	1.1 Sentencing advice to courts 1.2 Judicial monitoring 1.3 Parole advice to NZ Parole Board 1.4 Home leave reports 1.5 Home detention assessments to NZ Parole Board 1.6 NZ Parole Board progress report 1.7 NZ Parole Board progress report 1.7 Psychological service information 1.8 Information services for extended supervision orders
Output Class 2: Community-Based Sentences And Orders \$124.465 (12.9%)	2.1 Home detention orders 2.2 Home detention sentences 2.3 Community detention sentences 2.4 Intensive supervision sentences 2.5 Supervision sentences 2.6 Community work sentences 2.7 Parole orders 2.8 Orders for post-release conditions 2.9 Orders for post-detention conditions 2.10 Extended supervision orders
Output Class 3: Custody of Remand Prisoners \$116.492 (12.1%)	3.1 Custody of remand prisoners
Output Class 4: Escorts and Custodial Supervision \$11.597 (1.2%)	4.1 Escort services 4.2 Courtroom custodial supervision services
Output Class 5: Custodial Services \$554.305 (57.4%)	5.1 Maximum security male prisoners 5.2 Medium security male prisoners 5.3 Minimum security male prisoners 5.4 Female prisoners 5.5 Male youth prisoners 5.6 Crime prevention
Output Class 6: Prisoner Employment \$38.259 (4.0%)	6.1 Prison-based work and training 6.2 Release to work 6.3 Other work related training 6.4 Community services
Output Class 7: Rehabilitative Programmes And Reintegrative Services \$61.769 (6.4%)	7.1 Responsivity / motivational programmes 7.2 Special treatment units 7.3 Medium-intensity rehabilitation programmes 7.4 Other rehabilitation programmes and activities (community-based) 7.5 Education (prison-based) 7.6 Reintegration interventions 7.7 Community residential centres 7.8 Psychological services
Output Class 8: Services to the New Zealand Parole Board \$7.201 (0.7%)	8.1 Services to the NZ Parole Board
Output Class 9: Policy Advice and Development \$4.936 (0.5%)	9.1 Policy advice and development services 9.2 Ministerial servicing
Output Class 10: Service Purchasing and Monitoring \$1.719 (0.2%)	10.1 Inspectorate services 10.2 Services to victims
Total \$964.705 (100%)	

As a first step in the line by line review, the Department has assessed each output against the Government's priorities, and summarised available evidence for efficiency and effectiveness, including international benchmarks where possible. The detailed results of this exercise are attached as Appendix One.

Summary Conclusion of Output Class review:

This review concluded that the department is not producing any outputs which are, or might be, inconsistent with Government's priorities. In terms of effectiveness and efficiency, most output classes can be shown to be delivering good or excellent results. In particular, the major output classes 5 (Custodial Services) and 3 (Remand), which make up over 70% of the total expenditure of the Department, are delivering results which compare very favourably to appropriate international comparator countries, in terms of cost effectiveness and service delivery indicators.

3. Line-by-line Review of Vote Corrections

3.1 Review Methodology

This review forms part of the continuous performance review process which the Department has been operating for a number of years. The current output line-by-line review has looked specifically at the period following the external output pricing review, which was completed in May 2003. This was a significant review of the costing of all the Department's outputs, and had central agency involvement.

The extensive growth in demand which the Department has successfully been able to accommodate, since its inception in late 1996, has necessitated constant review of performance and productivity from the best strategies of service delivery through to how to minimise back office yet provide the maximum support for front line service. Both efficiency in expenditure and cost effectiveness of service delivery have significantly improved in recent years. This has been achieved through a combination of reviews of organisational structure, operational procedures, work place practices, workforce design and ongoing analysis of expenditure.

Reviews of mechanisms for self funding have been, and remain, an essential component of all budget rounds and initiatives funding options.

In the past two years, the Department has designed and implemented a major structural review to improve performance and increase focus on core delivery objectives.

At the recent Executive Management Team planning session, fundamental business drivers were reviewed and questioned and key strategic options were developed to manage greater cost and demand pressures, including the measures outlined in the remainder of this section:

Capital Asset Management – Prison Capacity

Recent years have seen a substantial increase in prisoner numbers and considerable investment has been made to address the growing prison population through the addition of 2,394 beds over the last five years – 1,621 beds at new prisons and 773 beds at existing prisons.

However, notwithstanding this investment, the 2008 Justice Sector Prisoner Population Forecast indicates that the prisoner population will soon outstrip prison capacity.

To meet the projected demand for prison capacity nearly 12,500 beds will be required by 2018 for permanent occupation, 3,500 more than are currently available. Ensuring provision of this number of beds as the need arises over the next ten years will require funding decisions in Budget 2009, Budget 2010 and Budget 2011.

There is also a need to replace facilities that have reached the end of their effective life¹. In total there are approximately 1,400 beds in obsolete facilities that need funding for refurbishment or replacement over the next ten years.

The new capacity required to meet increased demand, coupled with the replacement of obsolete capacity, means the Department needs to add a total of around 5,000 beds by 2018, at an approximate capital cost of \$1.8 billion.

Reduced Capital Requirement

As part of prudent prison management, the Department regularly considers the likely demand for prison capacity and develops plans to meet this demand. The 2008 Forecast predicted greater growth in the prison population than had been anticipated. This prompted the Department to examine how it planned to meet demand for prison capacity and identify ways that growth could be addressed at a lower cost:

- The Department initiated a review of its facilities standards and construction approach to provide for the use of portable and modular construction methods. This has significantly reduced the capital expenditure associated with the construction component of the capacity requirements.
- In addition the Department intends to increase the use of double-bunking at the four newest facilities. Moving forward, all newly constructed facilities will be designed to incorporate approximately 75% double bunked cells.

This approach to prison development differs considerably from previous development, reflecting a move from emphasising new sites, single cells and particular construction styles.

The expected capital cost saving over the next ten years as a result of the new approach is significant, in the order of \$1.4 billion (reducing the cost from \$3.2 billion to \$1.8 billion). The approach will also result in significant consequential savings in operating expenditure, reflecting lower depreciation expenses and capital charge as a result of the lower capital expenditure.

In addition the more routine administrative expenditures have also been subject to review and savings have been used to offset cost pressures resulting from the continued growth of the Department coupled with the increasing cost of utilities, including fuel, energy etc.

Travel Costs (including international travel):

A Department wide review of travel was undertaken in 2008 and included:

- Review of policies and procedures
- Introducing video conferencing

¹ For example, they are built from unsafe materials, present fire safety risks, are no longer weather tight, are unsafe buildings, and/or fail to provide basic infrastructure and services such as water, waste water and sewerage. As a result, these facilities pose a health and safety risk to staff as well as a risk to inmates, and fail to meet legislative and building code requirements. Due to a combination of the age of the facility, its condition, the original purpose it was built for and its maintainability it is more cost effective to replace these facilities than to try to restore or repair them.

- Reviewing travel booking processes and suppliers

Implementation of the review findings has commenced.

Fleet Management Review:

The departmental vehicle fleet review undertaken in June 2008 presented recommendations to improve management of the fleet and of the associated operating costs together with implementing Government mandatory sustainability and safety criteria and setting departmental standards for emissions and fuel economy.

As a result of the recommendations being accepted, the Department has:

- Joined the syndicated agreement between Police and BP New Zealand for provision of motor fuel to take advantage of potential cost savings over the existing GSB fuel card.
- Set departmental standards (in addition to the Government mandatory criteria) of 199 gm/kilometre for CO₂ emissions and fuel economy of 9.2 litres/100 kilometres for petrol vehicles and 8.3 litres for diesel. These equate to the 2011 standards proposed by the Ministry of Transport.
- Moved to the purchase of diesel passenger vehicles which more effectively comply with emission standards and offer reduced running costs compared with the current petrol vehicles because of better fuel economy.
- Joined syndicated agreements between vehicle distributors and Police, Education and Conservation for the purchase of vehicles at discounts ranging from 10 to 20 percent.
- Commenced implementation of a computerised fleet management system to assist in effectively managing the fleet to minimise operating costs such as servicing and to optimise vehicle utilisation.

Information Technology

The table below demonstrates the Department's success in minimising IT support costs:

	2002	2008	Percent reduction 2002-2008
IT spend per workstation (excl depn and capital charge)	\$5,735	\$3,947	31%
IT spend per FTE (excl depn and capital charge)	\$4,523	\$4,141	8.6%

These reductions have been delivered during a period during which IT costs for most businesses have grown significantly.

Legal Services

A review of Legal Services and the balance between the utilisation of internal and external providers.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Key Components of the Line-by-Line Review

Many continuous improvement tasks, including those listed above, have been built into this review.

The key components of this review have been:

- *Holistic Review*

As a single operating entity, is the distribution of resources appropriate and does it match the delivery expectations of the Department?

- *By Service Line*

Is this the optimal method with the available resources to achieve objectives? What resources could be saved or transferred without reducing service effectiveness and efficiency?

- *By General Ledger Count Code*

A review of each individual category of expenditure.

Each of the reviews has been co-ordinated by a sub-committee of the Executive Management Team and has involved all General Managers and their Senior Management Teams.

3.2 Departmental Growth

In order to evaluate the scope for change it is important to recognise where the Department is currently.

A key aspect of this is the rapid growth which the Department has been able to manage in recent years.

	Departmental Growth				
	Actual 2003/04	Actual 2004/05	Actual 2005/06	Actual 2006/07	Actual 2007/08
Demand Growth					
Community Offenders as at 30 June	39,686	40,549	41,366	45,619	55,626
Average annual Prison Population	6,264	6,806	7,410	7,734	7,864
Peak Prison Demand	6,609	7,111	7,686	8,151	8,457
Physical Growth					
Additional prison beds*		430	779	535	650
Total Department FTEs	4,612	5,111	5,798	6,451	6,911
Total Input Costs (\$m)	488	538	659	765	923

* A total of 2,394 beds were added as part of the Regional Prison Development Programme (1,621 beds) and existing site expansion programmes (773 beds).

Growth in Prison Population and Community-based Sentences and Orders

The number of offenders apprehended, remanded and sentenced has increased substantially in recent years resulting in increases in the number of offenders the Department manages – both those offenders serving community-based sentences and orders, and remand and sentenced prisoners. The prison population grew by 26%, while the community-based offender population grew by 40% since 2003/04.

For offenders serving community-based sentences and orders, the majority of growth occurred during 2007/08 with the implementation in October 2007 of a range of new community-based sentences and orders that were introduced as a result of the previous Government's Effective Interventions package.

Not only have the numbers of community-based sentences grown, but also the complexity of managing a greater range of sentences and orders has increased significantly. Increases have occurred both to new sentences and orders and to those being managed on a daily basis (muster) – the latter is also partly due to increased sentence lengths. Prior to the implementation of the new sentences and orders, increases in operational costs reflected the increased recruitment of new staff required to meet the increase in demand, along with the training and necessary resources required to enable new staff to do their work well. As well, intensive training was provided to existing staff in the management of the new sentences and orders.

In recent years we have managed and increased our assets to accommodate a substantial increase in the prison population. In 2007/08 we completed the Regional Prisons Development Programme, a ten-year programme to build four new facilities incorporating 1,621 new prison beds (see table above).

Benchmarking and Delivering Best Practice

The Department participates in various international correctional forums for communicating best practice and learnings in offender management. These include the National Corrections Advisory Group (NCAG) and the International Roundtable for Correctional Excellence (IRCE). The National Corrections Advisory Group, comprises representatives from each Australian jurisdiction, and New Zealand.

The IRCE comprises the Chief Executive Officers of 10 jurisdictions - Canada, Norway, Sweden, Finland, Scotland, Denmark, Ireland, Netherlands, Belgium and New Zealand. IRCE's aim is to foster best practice in corrections amongst jurisdictions which share similar correctional philosophies and practices.

The Department compares a range of indicators against comparative international correctional systems to identify good practice, which in turn helps it to improve its business. However, overall, no one jurisdiction is demonstrably better than another, and some jurisdictions perform better in some areas than others, but not overall.

International comparative information (including Australia, Scotland, England & Wales and Canadian federal system) shows that New Zealand is achieving good results in offender management and sentence compliance, and current performance on key indicators are as follows:

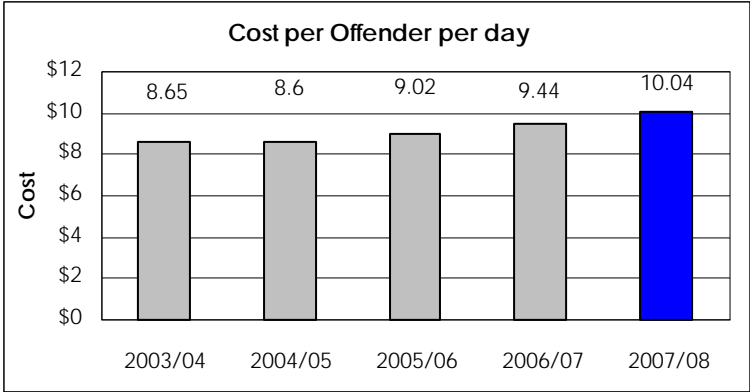
- escape rate per 100 prisoners – mid rank of those surveyed
- % of positive general random drug tests by prisoners – improved over last five years and mid rank of those surveyed
- serious assault prisoner on prisoner - consistently lower than most surveyed
- serious assault prisoner on staff - improved in last 4 years, low international rates
- unnatural deaths in custody - halving of rate over last 5 years, second to lowest internationally.

New Zealand is also one of a few comparative countries that has faced year on year growth in their prison population (remand and sentenced) over the last five years, however the staff to prisoner ratio (both frontline and total prison staff) has reduced during that period.

3.3 Cost Effectiveness Indicators

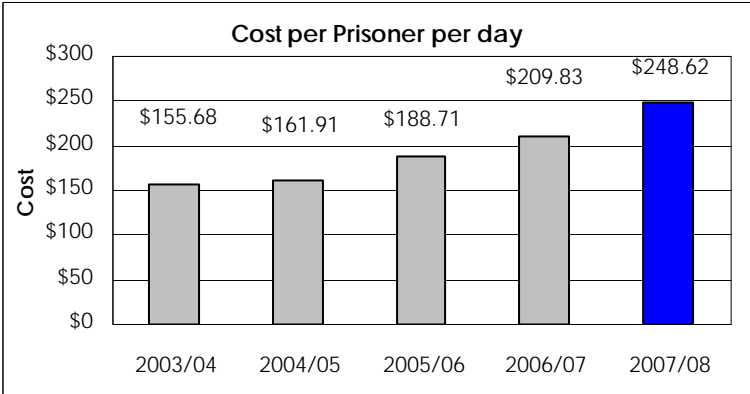
A high level review of the core international indicators shows that delivery increases have been cost effective.

Cost per community based offender per day

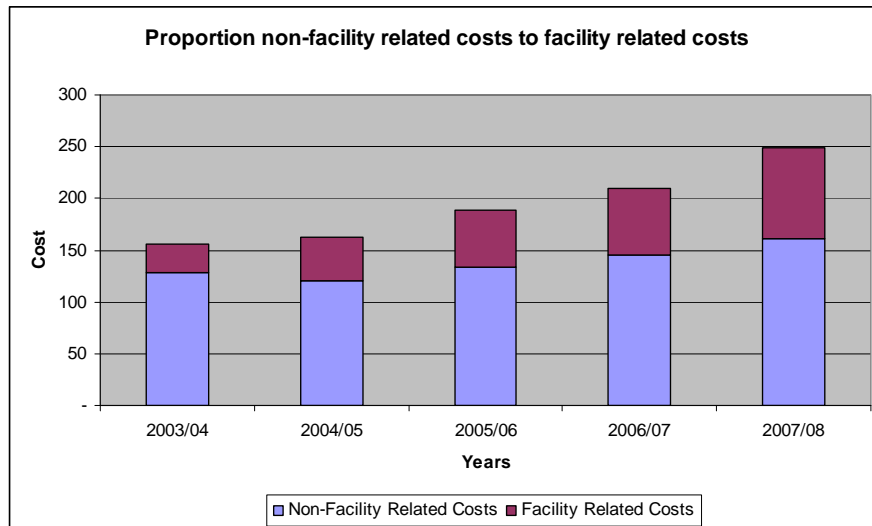


The cost per community-based offender per day is an assessment of the costs of managing community-based offenders. The introduction of the new sentencing structure has increased the range of community sentences available and the average intensity of community-based sentences and orders and required tighter management of offenders who, under previous legislation, would have received a custodial sentence. Each sentence is designed differently to provide a hierarchy of sentencing options for judges in line with the severity of offending.

Cost per prisoner per day

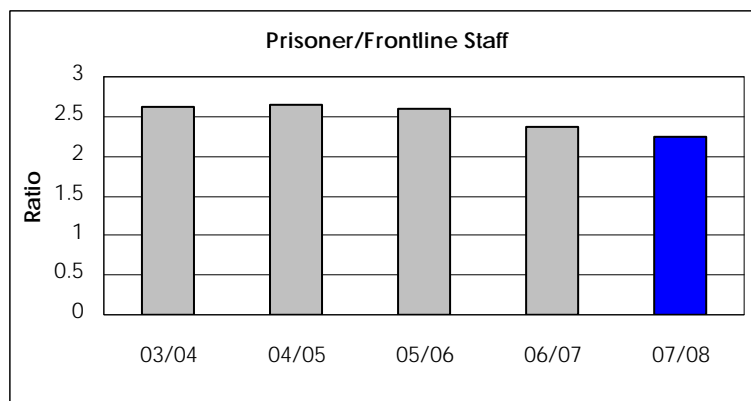


The cost per prison based offender per day is an assessment of the costs of accommodating a prisoner. The cost per prison-based offender per day has increased steadily over the last five years due mainly to the operating cost implications (particularly increased depreciation) of the capital investment in building additional prison facilities and upgrading existing facilities. The cost of facilities has increased from 19% of total prison-based offender costs to 35% of prisoner based offender costs per day. However, the cost per prisoner per day including additional facilities costs is still comparable to other international jurisdictions.



Over the same period, Prison Services experienced significant muster growth, with the average number of remand and sentenced prisoners increasing by 1,600 (representing a 26% increase in prisoners held in custody). The additional recruitment, training and salary costs required to meet the increased demand contributed to the growth in cost per prisoner per day.

Prisoner / Frontline staff



The ratio of prisoners to full-time equivalent (FTE) frontline staff identifies the number of Prisoners for each prison staff member and thus the level of staff supervision available to manage prisoners in custody. Lower ratios allow prison staff to provide better supervision and more active management of prisoners. This improves security and allows more interventions and interventions tailored to individual prisoner needs and circumstances.

The changing profile of our prisoner population is towards a greater portion of prisoners requiring higher security classifications. These offenders in turn require greater levels of management and intervention and serve longer prison sentences.

3.4 Analysis of Cost Increases

Review of Historical Input Expenditure

	2004	2005	2006	2007	2008	Variance
	\$'million	\$'million	\$'million	\$'million	\$'million	2004-2008
Personnel costs	240.9	265.6	322.6	378.1	443.0	202.1
Operating costs	150.2	169.7	191.6	206.5	232.1	81.9
Depreciation and amortisation	44.5	48.8	62.5	77.3	117.9	73.4
Capital charge	51.9	53.8	82.1	103.3	130.6	78.7
	487.5	538.0	658.7	765.3	923.6	436.1
Other Expenses	7.7	(11.6)				
Total Expenses	495.2	526.5	658.7	765.3	923.6	436.1

Personnel Costs

The largest increase in expenditure has been in personnel costs. Personnel costs represent \$443 million out of the total expenditure of \$923 million (48%). This is because the single biggest component in managing offenders is direct involvement of staff. This increases to 65% of expenditure if depreciation and capital charge are excluded.

The majority of the increase (\$114 million) is due directly to the addition of 2,500 FTEs. Throughout this growth, the focus has been on frontline staff. As per the SSC guidelines, the Department's workforce is still at 84% front-line and 16% support staff.

The remaining cost increase is due to the necessary cost increases to ensure staff pay and conditions are appropriate for the size and nature of each role, and are competitive enough in the relevant markets to recruit staff. At the same time, there has been a significant increase in the ability to provide the appropriate training to front line staff, in order to ensure that they can adequately carry out their responsibilities.

There are several important points to consider when reviewing the headcount increases:

i) Target Staffing Levels

Throughout this period of growth, it has been very difficult to attract, recruit, train and maintain the continually increasing staff numbers required. It has only been for short periods that target levels have been achieved.

This has meant constant pressure to improve efficiency, in order to find new ways to achieve target service levels with less staff.

As can be seen from the initiatives considered to reduce costs, staffing and staff management are a primary focus.

ii) Community Probation & Psychological Services is currently seriously understaffed to maintain current satisfactory service levels given the increasing demand requirements. In addition, it is operating with a high proportion of new managers and staff who have low experience levels.

iii) Prison staffing is largely driven by the physical configuration of the prison buildings and is not easily adjusted without reducing service levels or compromising staff and prisoner safety.

iv) The recent restructure has clearly identified and grouped together the majority of the administrative support personnel. Review procedures are underway or are already in place and work is commencing on improving efficiency in these areas, releasing resources for frontline application.

Operating Costs

Operating Costs					
\$'million	2004	2005	2006	2007	2008
Operating lease rentals	8.1	8.9	11.4	11.9	13.4
Audit fees for financial statements' audit	0.2	0.2	0.2	0.3	0.3
Audit fees for NZ IFRS transition	0.0	0.0	0.0	0.0	0.0
Fees to auditors for other services provided	0.2	0.2	0.2	0.1	0.1
Computer costs	13.5	12.1	10.2	10.2	11.0
Contract management	16.3	18.5	11.7	12.0	15.3
Administration	34.9	21.7	28.2	32.1	37.2
Receivables written off during period	0.0	0.0	0.1	0.2	0.1
ACC Partnership Programme	0.0	0.0	0.0	0.0	0.9
Inventory expenses	0.0	0.0	0.0	0.0	8.6
Other operating costs	22.2	30.6	18.2	27.4	19.5
Biological assets revaluation - Forestry revaluation/(devaluation)	3.6	-5.3	4.8	0.5	0.3
Loss on sale or disposal of physical, intangible and biological assets	0.0	0.7	0.8	0.9	1.9
	99.0	87.7	85.8	95.5	108.6
Facilities maintenance	27.3	34.2	43.7	46.4	51.0
Offender management costs	24.3	47.5	62.1	64.6	72.4
	150.6	169.4	191.6	206.5	232.1

As can be seen above, general operating costs of \$100 million have been well managed and maintained at approximately the same level since 2004.

The two main areas which have increased over the period are naturally:

Offender Management Costs (increase of \$48 million)

The increase in Offender Management related costs are driven by the increased range and complexity of community based sentences and increased Offender and Prison populations.

Since 2004, there has also been a significant growth in the number and scope of Rehabilitative Programmes and Reintegrative Services managed by the Department. This includes significant increases in Prisoner education and employment programmes and the addition of 5 Drug Treatment Units and 2 Special Treatment Units within Prison Services, and increased deliveries of community-based Sex Offender, Domestic Violence and Tikanga Maori programmes to meet growing demand.

Increased prisoner numbers have lead to direct increases in Health Services and offender rations (significant food price rises in 2005 had a material impact on offender management costs).

Facilities Maintenance Costs (increase of \$24 million)

The two key drivers in this area are:

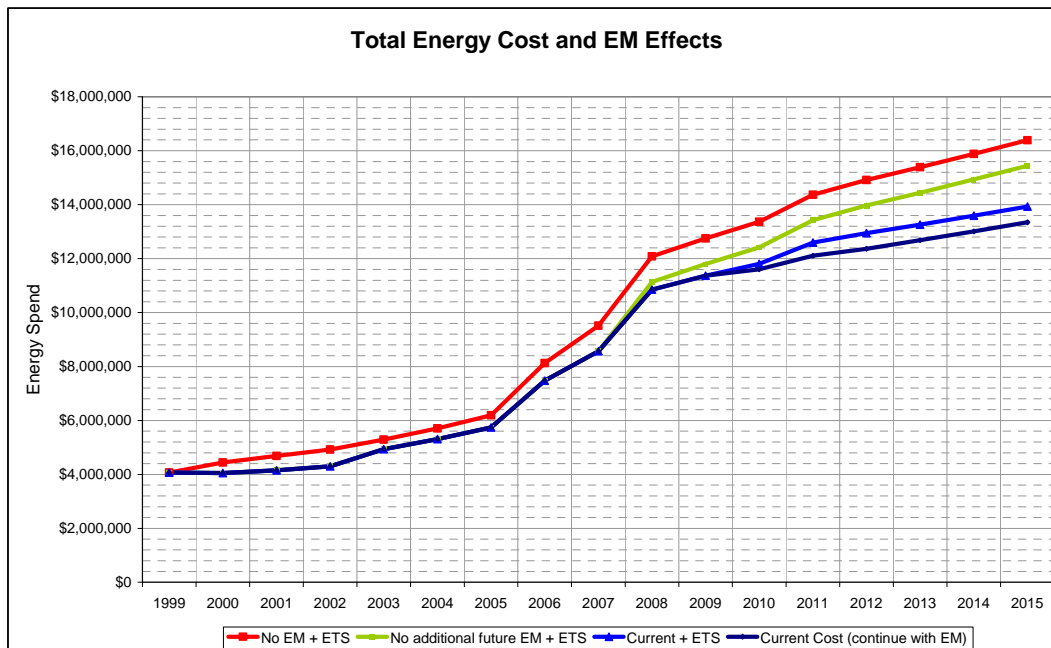
- Building Maintenance (increase of \$10 million)

While these cost increases have been necessary and driven by the considerable growth in prison capacity, alongside the age related deterioration in the quality of buildings, the following activities have been undertaken to minimise the costs as much as possible:

- Field structure review completed and implemented
- Capex expenditure review completed
- Zero based opex budget review completed for 2008/09
- 2008/2013 Asset Management Operational Strategy and Asset Management Plan

- Utilities and rates (increase of \$9 million)

The increase was driven through increased usage given the expansion of the facilities and the large wholesale electricity price rises through this period. For this reason the Department has instigated a number of energy saving efficiencies as part of its Energy Management plan, based on the Government's energy and sustainability strategies. The plan includes fitting solar water-heating systems to prisons and designing highly efficient hot water systems for the Department's newest Prisons. The Department won the Ministry for the Environment's 2007 Govt3 Sustainable Improvement in Energy Efficiency Award.



Depreciation and Capital Charges

The cost increases in depreciation and capital charges are a direct function of the increase in the prison capacity and cannot be adjusted in the short to medium term. No further analysis is provided.

3.5 Previous Self Funding Options and Decisions

In July 2008, the Department reported to Cabinet on the funding required for the 2008/09 Collective Bargaining and Related Wage Pressures (EXG Min 08 5/1 refers) – the financial implications are summarised below.

Component	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000
CPPS Collective Agreements	1,266	7,521	10,126	10,126	10,126
Remuneration Review	-	4,779	4,779	4,779	4,779
Administration Review	-	332	332	332	332
ACC Levy Increases	-	683	683	683	683
Total	1,266	13,315	15,920	15,920	15,920

As part of the preparation of that paper, the then Minister of Corrections, with assistance from the Department, considered options for funding from within the Department's baseline.

Cabinet agreed that for 2008/09 \$10 million be funded from within the Department's baseline, and that for 2009/10 and outyears the Department fund \$5 million from within its baseline. This broadly reflected the following savings:

- A phased approach in 2008/09 to the recruitment of the additional 88 probation officers approved in Budget 08. As predicted, this generated one-off savings in 2008/09 of approximately \$5 million.
- Savings from the temporary closure of prison facilities (Dunedin and Wellington Prisons) of approximately \$5 million per annum. Cabinet noted that should the Department be required to reopen Wellington Prison in the future, in order to accommodate increases in the prisoner muster, then the Department would seek additional funding to reopen and operate this facility.

Further savings options considered at the time were not pursued further as they were considered to result in one of more of the following:

- Frontline service cuts
- Erosion of Departmental capability
- Increased operational risk.

The Cabinet paper noted that in addition to the contribution from within the Department's baseline described above, the Department was already providing funding from within its baseline towards the operating cost of a number of initiatives. Subsequently, the Department also self-funded the impact of additional long service leave entitlements as a result of changes in common leave provisions announced by Cabinet in May 2008². The baseline contributions are summarised below.

Summary of Baseline Contributions

Initiative	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000
Contributions already reflected in internal Departmental budgets					
2008 Wages Pressures	1,266	10,000	5,000	5,000	5,000
Impact of the 2007 Asset Revaluation	-	6,494	7,002	5,572	6,556
Cellphone Jamming	-	1,200	1,200	1,200	1,200
<i>[deleted – commercial activities]</i>					
Impact of Common Leave Provisions	5,355	-	-	-	-
Contributions that have yet to be internally funded					
<i>[deleted – confidentiality of advice]³</i>	<i>[deleted – confidentiality of advice]</i>				
Total Baseline Contribution	6,621	19,694	13,902	22,772	23,756

[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]

² The impact of the additional provision in long service entitlements resulted in the Department exceeding its appropriation for 2007/08 across five output classes.

³ *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

3.6 Unfunded Initiatives of the Previous Government

Previous commitments and initiatives for which the Department has not identified self funding options, and which do not meet Budget 2009 criteria (i.e. not Government priority or emergency) are described below.

- *Implementation of the Corrections (Mothers with Babies) Amendment Act*

The Corrections (Mothers with Babies) Amendment Act that was passed by Parliament on 11 September 2008. The Act expands the existing Mothers with Babies in Prison Programme, by raising the upper age limit children can reside in prison with their mothers from nine months to two years of age. It also enables women of all security classifications, and accused prisoners, to participate.

To meet the intentions of the Act, the Department would establish and run a Mothers with Children in Prisons Programme, that would provide eight places across two women's prisons - Auckland Region Women's Corrections Facility (Auckland) and Christchurch Women's Prison (Christchurch). However, the Department has not received the requisite funding to enable it to implement the Programme.

- *Funding for the Identification Verification Service*

In November 2008 Cabinet agreed that Departments contribute funding by way of a levy towards the cost of the Identification Verification Service [CBC Min (08) 29/11 refers].

The unfunded financial implications of these initiatives are detailed below.

Initiative	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000
<i>Implementation of the Corrections (Mothers with Babies) Amendment Act</i>				
Operating Impact	-	795	1,590	1,590
Capital Impact	-	1,747	-	-
<i>Identification Verification Service</i>				
Operating Impact	-	593	-	-
Capital Impact	-	171	-	-

4. Possible savings identified during the line by line review

The Department has reviewed possible savings scenarios and determined that there are limited realistic savings options that can be realised for inclusion budget 2009/10. The Department has, however, identified opportunities for review and further analysis to determine if there are operational or cost efficiencies (refer table below) that can be incorporated into subsequent budget cycles. A number of the options identified will have some upfront costs (redundancies, investment in technology etc.) prior to any savings being realised.

At this early stage, the Department estimates that savings in the order of \$10 million to 15 million per annum are achievable in the short to mid term from the opportunities identified with initial savings of \$4 million available for inclusion in budget 2009/10, \$11 million in 2010/11 and increasing to a total of \$15 million from 2011/12.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials], service delivery cuts have been considered out of scope as they were considered to compromise the effectiveness of the Department's overall performance and to significantly impact on the Department's outcomes.

Some of the opportunities identified will result in operational efficiencies that will enhance the Department's ability to deliver services effectively in the future. Further work is required to confirm each estimate of potential saving, and to determine which opportunities to implement (some of the opportunities are mutually exclusive – implementing one may exclude or significantly reduce the potential saving from another).

As discussed earlier, the Department has yet to find internal funding options to make the baseline contribution of *[deleted – confidentiality of advice]*⁴. Any savings, in the first instance, will be utilised to address *[deleted – confidentiality of advice]*, prior to being available to fund other Departmental budget initiatives or releasing funding from within Corrections baseline.

	2009/10 \$ million	2010/11 \$ million	2011/12 \$ million	2012/13 \$ million
Funding Deficit				
<i>[deleted – commercial activities]</i>				
<i>[deleted – confidentiality of advice]</i>				
Sub-total Funding Deficit	4	15	15	4
Less Optimistic Levels of Saving Opportunities Identified in this Review	4	10	15	15
Cumulative Funding (Deficit)/Surplus after Savings Opportunities <i>(From identified estimated potential savings)</i>	-	(5)	(5)	6
Budget Bids Submitted by the Department of Corrections				
Policy Priorities – Operating Impact			<i>[deleted – confidentiality of advice]</i>	
Emergency Pressures – Operating Impact			<i>[deleted – confidentiality of advice]</i>	
Total Cumulative Additional Funding Required⁵			<i>[deleted – confidentiality of advice]</i>	

⁴ *[deleted – confidentiality of advice]*

⁵ Excludes bids where the Department is not the lead agency, despite some of these bids having funding implications for the Department.

4.1 Opportunities Already Under Review

Opportunity	Description	Rationale	Estimate of Potential Saving	Timeline for Completion of Review, Further Analysis, and Confirmation of Potential Savings	Comment
Review support service structures	<ul style="list-style-type: none"> Review HR functions and staff levels to streamline and release efficiencies Streamline the delivery of finance and planning services within Business Information and Planning Communication structures – Consolidate external and internal communications 	Further changes to the structure of support services to deliver on intended outcomes of the Head Office review and subsequent implementation of a shared services model	<i>[deleted – confidentiality of advice]</i>	Planning to be completed and savings to be confirmed by June 2009	Support Services Limited savings will be visible in 2009/10 Main savings will not be visible until 2010/11
CIE	A review of CIE industries are underway to determine how to reduce cost the delivery in the Output Class 6 requirements	CIE is the majority of output class 6.1. Total output class of \$38 million			
Implementation of New Travel Policy	Over the last nine months the Department has been revising its travel policy. A new travel policy, codifying practices and entitlements, will be considered by the EMT in February 2009.	Initial results of a review of travel expenditure has indicated savings that could be realised by strengthening compliance with travel policy.	<i>[deleted – confidentiality of advice]</i>	New policy to be considered in February 2009. Savings to be confirmed by April 2009	Department Wide Savings applicable from 2009/10
Service delivery options for Systems and Infrastructure	Review service delivery options under the shared services model for system infrastructure	Effective and efficient delivery of system infrastructure following implementation of the shared services model.	Yet to be estimated	Review to be completed by June 2009	Saving will be in the form of improved performance rather than reduction in cost of services

4.2 Opportunities Where Reviews Have Yet to Be Commissioned

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

The above tables produce a gross savings potential of approximately \$14 million to \$16 million, plus savings still to be quantified. This range is predicated on 100% allocation of funding bids to the Department in the current budget process. Given the critical nature of the bids to service delivery, any effective reduction in the necessary funding would mean the above frontline cost savings would not materialise. It is therefore considered that the most meaningful figure that should be considered for savings is a reduction in support services of \$10 million to \$15 million.

4.3 Reasonableness Check

On completion of the individual work-streams, the individual outcomes were considered together with findings from the other workstreams and the following key questions challenged:

- Is it feasible that a Department operating with \$923 million is limited to potential savings of \$10 million to \$15million, while the debated line by line review indicates that this is a stretch target?; and
- Why is that the case?

Non Discretionary Costs

The capital charge and depreciation charges are non-discretionary and difficult to reduce in the short term without asset sales.

This effectively removes \$250 million from the scope of the exercise.

Priority Focus for CPPS

There are significant performance pressures and issues with CPPS. It is not appropriate that they are subject to a cost reduction programme when there is clear indication that the priority must be performance improvement. Currently CPPS are the focus of the Department's emergency bid. This removes a further \$138 million from the scope of the process.

Condition of the Physical Assets

The Services & Infrastructure (\$107 million) has put forward a series of innovative approaches to reducing capital cost and minimising the growth in operating expenditure. However, given the serious widespread deterioration of the prisons physical capacity increased funding will be required for maintenance to keep the prison assets operating at their current level. Further reduction in this area could not be viewed as an enduring cost reduction strategy.

Prison Operations

At \$350 million (excluding depreciation and capital charge) this is a substantial component of overall expenditure. This is a frontline operation and is highly procedure and process driven. These procedures and processes have been gleamed through years of experience and lessons learned on safe and human prisoner management. Many operating procedures are driven by safety concerns and building structures and layouts. These are not easily changed.

Prisons management has recently undergone major organisational structure changes, improving efficiency and effectiveness. It is a major tribute to Prisons that they have been able to sustain the immense growth which has occurred.

The line by line review has identified areas where some savings may be sought, however, these are untried and represent a major change to operating procedures.

They would require considerable support from staff and Unions to implement effectively.

These, combined with the increasing pressures and changes associated with the expansion of double bunking in an environment of no or minimal scope for wage or allowance increases, will be exceptionally difficult.

Support Services

The potential savings identified include a \$5 million (8%) reduction in cost.

As the Department is only undertaking activities directly in line with Government priorities there is no significant scope for cost elimination. On the basis that we are submitting priority and emergency bids in order to meet existing and forecast demand, a possible reduction of \$10 million to \$15 million would appear reasonable.

5. 2009 Budget Process

5.1 Department of Corrections Bids

Department bids submitted for Budget 2009 (excludes bids where the Department is not the lead agency, despite some of these bids having funding implications for the Department)

Bid Title	Description	Net Capital Impact (\$ millions)					Total Capital	Net Operating Impact (\$ millions)					Total Operating
		2008/09	2009/10	2010/11	2011/12	2012/13		2008/09	2009/10	2010/11	2011/12	2012/13	
Policy Priorities													
Prisoner Health – <i>[deleted - confidentiality of advice]</i> Drug Treatment Units	This bid is to increase the availability of alcohol and other drug treatment services <i>[deleted - confidentiality of advice]</i> to prisoners in the criminal justice system	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>											
Prison Capacity	Funding for development of Stage 2 business cases for <i>[deleted - confidentiality of advice]</i> , and implementation of increased double-bunking at four newest facilities and as part of Mt Eden Phase One.		-	28.800	66.100	70.400	76.100	241.400					
		<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>											
Sub-total Policy Priorities		-	-	-	-	-	-	<i>[deleted - confidentiality of advice]</i>					
Emergency Pressures													
Restoring Community Probation & Psychological Services Capacity to Manage Increased Demand	Seeks additional resources to manage the unanticipated volume growth at the 'satisfactory' standard of service.	-	14.903	4.218	-	-	19.121	-	30.276	34.546	34.337	34.623	133.782
		<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>											
		<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>											
Prisoner Escort Vehicles: Implementation of New Permanent Vehicle Standards	Funding for the phased replacement of the Department's prisoner escort vehicle fleet to provide separate compartments, delivering enhanced community safety, increased custodial security and maximises prisoner and staff safety. The proposal follows on from two reports on prisoner transportation published by the Inspector of Prisons and the Office of the Ombudsmen	-	0.600	1.000	1.500	2.900	6.000	-	0.925	0.940	1.035	1.313	4.213
Sub-total Emergency Pressures		<i>[deleted - confidentiality of advice]</i>											
Total Bids		<i>[deleted - confidentiality of advice]</i>											

5.2 Fiscal Risks

Specific Fiscal Risks

The Pre-election Economic and Fiscal Update (page 67 refers) included the following unquantified specific fiscal risk in respect of Vote Corrections:

Corrections – Capital Projects (unchanged, unquantified risk)

The Government is currently considering a range of options to address continued forecast growth in the prison population, including the asset management of current Corrections facilities, and increased prison capacity. This risk is unquantified as the quantum of the risk will vary greatly depending on the options chosen. If approved, any capital injections would increase gross debt while operating funding would decrease the operating balance.

This risk remains under active consideration by Ministers and is still likely to eventuate.

Other Fiscal Risks

The Department has a number of other fiscal risks that it is seeking to mitigate.

Mt Eden Capital Contingency (\$4 million)

The Minister of Finance has abolished the unspent capital contingency that was established for the redevelopment of Mt Eden.

Despite the identification of savings through value management the project remains close to budget. Cost risk remains due to price increases (such as steel) and exchange rate movement since project approval was received in April 2008. It is anticipated that the Department will still require the \$4 million that was previously established as a capital contingency in order to complete the project.

Treaty Settlements

[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]

Rates

All Councils are currently in the process of reviewing their options for the gathering of rates revenue. There appears to be a general move towards a full capital based rating system which will have a very significant impact on prison facilities, given the high capital value of improvements on these sites. The financial impact of this change in rating methodology may occur from as early as 1 July 2009. This risk will not be able to be quantified with any great certainty until at least May 2009 but could be quite high. For example, information received to date regarding rates for Northland Region Corrections Facility is that they could increase from \$120,000 to \$500,000 per annum.

6. Conclusion

This report has addressed the 17 December 2008 Cabinet Business Committee request to carry out a line-by-line review of expenditure to identify the following areas:

- *Savings that can be freed up for Budget 2009;*

Potential savings opportunities of \$10 million to \$15 million have been identified for further review during the financial year ending June 2010 and for effective implementation the following financial year. Limited savings will be available for inclusion in Budget 2009/10.

Any savings realised will be offset in the first instance against existing self funding commitments of \$4 million in 2009/10, growing to \$15 million in 2010/11.

The Department has submitted priority and emergency bids of *[deleted – confidentiality of advice]* per annum as part of Budget 2009/10. Savings options to offset those bids, fully or in part, have not been identified, which therefore leaves the Department with a potential funding shortfall of up to *[deleted – confidentiality of advice]* over the forecast period.

The potential savings opportunities identified and the 2009 budget bids have taken into account the existing pressures resulting from the continued growth in demand across both CPPS and PS, as well as substantial future growth in demand for services across the same areas. The Department has already made baseline contributions to previous self-funding commitments of \$7 million to \$24 million per annum.

- *Programmes that are inconsistent with the government's priorities, and that should be discontinued; and programmes that may be inconsistent with the government's priorities, and that should be looked into;*

At an output level, no programmes have been identified that are, or might, be inconsistent with government's priorities. Analysis by output is provided in Appendix One.

- *Programmes and expenditure that are not efficient or effective;*

Subject to continuous review – no items have been identified. Information by output is provided in Appendix One.

- *Areas where performance information is insufficient to make a judgement about efficiency or effectiveness;*

Performance information has not been a limiting factor in this review.

- *The actions that agencies should take to make improvements before the new review period;*

The department has a priority and emergency bid within the current budget process. The implementation of activities if funding is approved, or the rapid design of essential risk mitigation strategies if not approved will be the primary focus before the new review period.

- *Initiatives of the previous government that are not funded.*

The key requirement in this section is to fund implementation of the Corrections (Mothers with Babies) Amendment Act.

Appendix One: Assessment of Outputs against the Government’s Priorities and Summary of Available Evidence of Output Efficiency and Effectiveness

Output class 1: Information Services

Under this output class the Department provides information about offenders requested by the courts and the New Zealand Parole Board to inform their respective decision –making process. Information provided includes judicial monitoring reports, psychological reports, pre-sentence assessment reports, reparation reports, home detention reports and assessments, oral information reports, home leave reports, parole assessment reports, and information for extended supervision orders.

The costs under this output class include the time Probation Officers spend preparing reports and attending court hearings.

Individual Outputs	Consistency with Government priorities set out in Manifesto statement, and as advised by the Minister of Corrections to the Prime Minister on 2 February	Output Efficiency and Effectiveness
1.1 Sentencing advice to courts <ul style="list-style-type: none"> Preparation of reports for sentencing judges Attendance of probation officers at court 	<p>This is consistent with the Minister’s proposed priority for 2009 of <i>ensuring sentence compliance and holding offenders to account</i> because it enables Judges to make sentencing decisions based on a sound knowledge of an offender’s profile, risks and previous criminal history. It ensures sentencing options are used effectively.</p>	<p>Timeliness and quality standards have decreased for delivery of advice to the Courts as volumes of requests for sentencing advice have grown well above resourced levels. Productivity measures have been introduced to reduce the gap and a budget bid will be made for 2009.</p>
1.2 Judicial monitoring <ul style="list-style-type: none"> Preparation of reports advising of offender’s progress and sentence compliance 	<p>This is consistent with the Minister’s proposed priority for 2009 of <i>ensuring sentence compliance and holding offenders to account</i> because it enables Judges to determine how well an offender is complying with the terms of their sentence.</p>	<p>This is still a very new provision, with low levels of uptake by the judiciary so far.</p>
1.3 Parole advice to NZ Parole Board <ul style="list-style-type: none"> Assessment reports providing advice to the Parole Board on critical aspects of offender’s sentence compliance, suitability for release and identified needs. 	<p>This is consistent with the Minister’s proposed priority for 2009 of <i>ensuring sentence compliance and holding offenders to account</i> because it enables the Parole Board to make sound decisions about release, including the level of risk that the offender presents, and the terms and conditions that should apply to that release to ensure that offenders are managed appropriately, and communities are kept safe.</p>	<p>The number of assessment reports requested by the New Zealand Parole Board was greater than forecast and led to 16 per cent more reports being prepared than expected for 2007/08. Due to the importance of parole assessment reports, the Department had to prioritise this work ahead of other areas in order to meet agreed standards. Resources have been re-allocated from areas of work such as sentence planning in prisons (Output Class 5) to ensure the quality and volume requirements of this output are met.</p>

<p>1.4 Home leave reports</p> <ul style="list-style-type: none"> • Reports assessing the suitability of sponsor and residence, and likely community safety, where offender is being considered for home leave. 	<p>This is consistent with the Minister's proposed priority for 2009 of <i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i> because it enables the Department to make sound decisions about whether an offender can be granted home leave depending on the particular situation into which they will be released and whether the other parties involved can be trusted to keep the offender secure.</p> <p>It also supports the wider objective of ensuring community safety because it ensures that offenders are not released into situations that are not secure or that could potentially lead them into re-offending.</p>	<p>Numbers of requests for home leave reports have been reducing overtime.</p>
<p>1.5 Home detention assessments to NZ Parole Board <i>Now obsolete</i></p>	<p>This output has been phased out because prisoners no longer apply to the Parole Board for home detention. Offenders detained at home are now either sentenced to Home Detention by the courts, or have Parole Board imposed residential restrictions as a condition of parole.</p>	
<p>1.6 NZ Parole Board progress report</p> <ul style="list-style-type: none"> • Reports to Parole Board on offender's compliance with conditions of their parole 	<p>This output is consistent with the Minister's proposed priority for 2009 of <i>ensuring sentence compliance and holding offenders to account</i> because it enables the Parole Board to monitor an offender's compliance with the terms of their parole for the purposes of making further decisions about their ongoing management.</p> <p>It also supports the wider objective of ensuring community safety because it enables the Parole Board to make decisions about recalling offenders who are not complying properly with the terms of their parole.</p>	<p>This is still a very new provision and volumes are still low.</p>

<p>1.7 Psychological service information</p> <ul style="list-style-type: none"> • Provision of psychological reports on offenders to sentencing judges and to Parole Board 	<p>This output is consistent with two of the Minister's proposed priorities for 2009: <i>ensuring sentence compliance and holding offenders to account</i> and <i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i></p> <p>Reports from psychological services enable both Judges and the Parole Board to make decisions that take account of an offender's psychological profile, thereby ensuring that offenders, fellow prisoners, staff and wider members of the community are not exposed to unsafe risks and that mentally ill offenders receive appropriate treatment.</p> <p>It also supports the wider objective of ensuring community safety.</p>	<p>Performance standards continue to be met for this output. Feedback is regularly sought from the Parole Board, and changes made where appropriate.</p>
<p>1.8 Information services for extended supervision orders</p> <ul style="list-style-type: none"> • Provision of reports to sentencing judges and to Parole Board in respect of child sex-offenders who are eligible for extended supervision. Reports include psychological health assessments of offenders. 	<p>This is consistent with the Minister's proposed priority for 2009 of <i>ensuring sentence compliance and holding offenders to account</i> because it enables sentencing Judges and the Parole Board to make decisions about the ongoing monitoring of certain offenders based on an accurate understanding of their psychological profile and potential triggers for offending risks.</p>	<p>Performance standards continue to be met for this output.</p>

Output class 2: Community-based Sentences and Orders

Under this output class the Department manages the delivery of community-based sentences and orders through offender management and sentence management services. These activities and services contribute to the outcome of 'sentences and orders are complied with'. Community-based sentences currently include sentences of Home Detention, Community Detention, Intensive Supervision, Supervision and Community Work. Community-based orders include Parole, Residential Restrictions, Post-Release Conditions, Post-Detention Conditions, and Extended Supervision for serious child-sex offenders. Offenders may be subject to more than one sentence or order if a concurrent sentence has been imposed.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>2.1 Home detention orders</p> <ul style="list-style-type: none"> • Monitoring compliance with Home Detention 	<p>This output class is consistent with the Minister's proposed priority for 2009 of <i>ensuring sentence</i></p>	<p>The last financial year had only 9 months of the new sentencing structure, so it is difficult to assess</p>

<p>orders issued by the Parole Board, including any orders for participation in rehabilitation, reintegration or counselling therapies.</p>	<p><i>compliance and holding offenders to account</i> because the outputs are directed firstly at ensuring as appropriate set of options for the judiciary to match with an offender. Secondly, sentence compliance and enforcement action if offenders do not comply is the critical aim of this output class.</p>	<p>appropriate levels of sentence compliance. However, with the exception of community work, all sentence completion target were met or exceeded, and levels of enforcement action increased during the year, indicating a greater level of action by staff in this area.</p>
<p>2.2 Home detention sentences</p> <ul style="list-style-type: none"> Monitoring compliance with Home Detention sentences imposed by the sentencing court, including any orders for participation in rehabilitation, reintegration or counselling therapies. 	<p>It is also consistent with the priority of <i>managing the impact of an increasing offender population</i> because a number of these sentence types were devised to be an effective alternative to further increases in prison numbers.</p>	<p>Since the 2003 Output Pricing Review, agreed levels of service are based on a model of an adequate standard (“restore and maintain”) rather than a “satisfactory” level. Significant increases in volumes above resourced levels, high proportions of inexperienced staff and managers, have resulted in decreased levels of performance. This is being actively monitored and action taken to address any major issues as necessary.</p>
<p>2.3 Community detention sentences</p> <ul style="list-style-type: none"> Monitoring compliance with community detention sentences imposed by the court, including curfews and orders to stay at a specific address. 	<p>It underpins the wider objective of ensuring community safety because they enable the Department to properly monitor offenders who are being managed within the community.</p>	<p>Properly comparable international bench marks are not readily available for the management of community based sentences and orders because of huge differences in the nature of community based sentence types between countries.</p>
<p>2.4 Intensive supervision sentences</p> <ul style="list-style-type: none"> Ensuring compliance with in-depth, focussed interventions prescribed as a part of an offender’s sentence. The range of interventions that may be required mean that the level of supervision required by Probation Officers is intensive. 		
<p>2.5 Supervision sentences</p> <ul style="list-style-type: none"> Ensuring compliance with specific terms of sentence 		
<p>2.6 Community work sentences</p> <ul style="list-style-type: none"> Ensuring compliance with specific terms of sentence 		
<p>2.7 Parole orders</p> <ul style="list-style-type: none"> Ensuring compliance with specific conditions of release imposed by Parole Board 		
<p>2.8 Orders for post-release conditions</p>		

<ul style="list-style-type: none"> • Ensuring compliance with post release conditions imposed by the court at the time of sentencing. This is applicable to prisoners serving short sentences. 		
<p>2.9 Orders for post-detention conditions</p> <ul style="list-style-type: none"> • Ensuring compliance with post detention conditions imposed by the court at the time of sentencing. This is applicable to prisoners serving sentences of home detention. 		
<p>2.10 Extended supervision orders</p> <ul style="list-style-type: none"> • Ensuring compliance with conditions imposed on high risk child sex-offenders by Parole Board through extended supervision orders. 		

Output class 3: Custody of Remand Prisoners

Under this output class the Department provides custodial services in a safe, secure and humane environment for remand prisoners. Remand prisoners are people charged with offences and people convicted but not yet sentenced. The cost of this output class includes the cost of accommodation, supervision, security, food and medical care.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>3.1 Custody of remand prisoners</p> <ul style="list-style-type: none"> • Provision of safe, secure and humane custodial services for people charged with an offence who have not been convicted, or who have been convicted but have not yet been sentenced. 	<p>This output is relevant to the Minister’s proposed priorities of <i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i>,</p> <p><i>This output is also consistent with the Government’s priority of ensuring that the state of prisons meets public expectations by providing conditions that are humane but not luxurious</i> because the Department’s custodial services are governed by the Corrections Regulations 2005, which set out minimum standards (including minimum international standards) for the containment of prisoners.</p> <p>In this context, current policy work on tendering for the management of prisons on a case by case basis and on capacity issues generally also supports priorities identified by the Government (tendering for prison management) and proposed by the Minister (capacity issues generally).</p>	<p>This output class has been under pressure to maintain standards of safety and security in the face of ongoing growth in numbers. Demand is substantially determined by arrest rates and judicial decisions. There will be increased pressures on this output class as the Bail Act amendments are enacted.</p> <p>International comparative information for NZ (including Australia, Scotland, England & Wales and Canadian federal system) is based on all prisoners, both sentenced and remand. NZ has shown very good results in terms of secure and humane containment, especially given the growth in numbers of prisoners.</p> <p>Remand prisoners now make up around 20% of all prisoners.</p> <ul style="list-style-type: none"> • unnatural deaths in custody - halving of rate over last 5 years, second to lowest internationally • escapes – mid rank • serious assaults (prisoner to prisoner) consistently low • serious assaults (prisoner to staff) improved in last 4 years, low levels internationally • unlock hours have declined over 5 years from average of 11 hours per day to 7.1; current Australian state averages range from 8.9 to 12.1 • staff to prisoner ratio (both frontline and total prison staff) – NZ consistently lowest. As a proxy measure of efficiency, this strongly

		indicates that NZ prisons operate a robust and effective system.
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Output class 4: Escorts and Custodial Supervision

Under this output class the Department provides for services to transport prisoners in a safe, secure and humane environment to and from court, and their supervision while at court. The cost of this output class includes the time Corrections Officers spend attending court hearings.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
4.1 Escort services <ul style="list-style-type: none"> Transportation of prisoners 	<p>These outputs are relevant to the Minister's proposed priorities of <i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i> because they ensure that people on remand, and convicted offenders can be transported to and from prison securely, and that their required attendance at court can be managed safely and without threat to other participants in the judicial process, or disruption to the judicial process itself.</p> <p>This is also an output class where the Department has sought competitive tenders from private companies for delivery of services.</p>	<p>This output class has been under pressure to maintain standards of safety and security, due to high volumes, and the complexity of transport and Court supervision arrangements (such as large multiple defendant trials).. Demand is substantially determined by arrest rates and judicial decisions, as well as the match between the location of suitable prison beds and place of arrest/court appearance.</p> <p>Escort services are provided in-house by Corrections and Police staff, except in the Auckland region where the service is contracted to a private company. The current contract applies only in the Auckland region as private contracting on a national basis proved to be more expensive because of the relatively low number of escort tasks undertaken outside of Auckland/Northland, as well as the geography and low population density of some regions..</p>
4.2 Courtroom custodial supervision services <ul style="list-style-type: none"> Supervision of prisoners while at court 		

Output class 5: Custodial Services

Under this output class the Department provides custodial services and administers custodial sentences in a safe, secure and humane environment for all offenders sentenced to imprisonment. The cost of this output class includes the cost of accommodation, supervision, security, sentence management, food and medical care.

Individual Outputs	Consistency with Government priorities:	Output Efficiency and Effectiveness
5.1 Maximum security male prisoners <ul style="list-style-type: none"> Confinement of maximum security male prisoners 	<p>These outputs are relevant to, and consistent with the Government's key priorities for prison services:</p> <p><i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i>, because these outputs deliver the basic custodial services for all sentenced prisoners</p> <p><i>ensuring that the state of prisons meets public expectations by providing conditions that are humane but not luxurious</i> because the Department's custodial services are governed by the Corrections Regulations 2005, which set out minimum standards (including minimum international standards) for the containment of prisoners. These outputs include the funding for prison based health services, including mental health screening.</p> <p><i>ensuring sentence compliance and holding offenders to account</i> because it provides the services and facilities by which offenders sentenced to imprisonment are contained and managed.</p> <p>In this context, current policy work on tendering for the management of prisons on a case by case basis and on capacity issues generally also supports priorities identified by the Government (tendering for prison management) and proposed by the Minister (capacity issues generally).</p>	<p>High levels of compliance are achieved on key indicators such as escapes, random drug tests as well as minimum safety standards such as assaults and deaths in custody (including suicides).</p> <p>Cost per prisoner has increased; but is still good by international standards. Cost drivers - substantial capital costs from building new prisons and increasing physical security – are discussed in detail elsewhere in this report.</p> <p>International comparisons with Australia, Scotland, England & Wales and Canadian federal system (including both remand and sentenced prisoners) show:</p> <ul style="list-style-type: none"> random drug testing – NZ mid rank, with significant improvement over the last 5 years unnatural deaths in custody - halving of rate over last 5 years, second to lowest internationally escapes – mid rank serious assaults (prisoner to prisoner) consistently low serious assaults (prisoner to staff) improved in last 4 years, low levels internationally unlock hours have declined over 5 years from average of 11 hours per day to 7.1; current Australian state averages range from 8.9 to 12.1 staff to prisoner ratio (both frontline and total staff) – NZ consistently lowest. As a proxy
5.2 Medium security male prisoners <ul style="list-style-type: none"> Confinement of medium security male prisoners 		
5.3 Minimum security male prisoners <ul style="list-style-type: none"> Confinement of minimum security male prisoners 		
5.4 Female prisoners <ul style="list-style-type: none"> Confinement of female prisoners 		
5.5 Male youth prisoners <ul style="list-style-type: none"> Confinement of male prisoners under the age of 18 years; and vulnerable male prisoners aged 18 – 19 years. 		

		measure of efficiency, this strongly indicates that NZ prisons operate a robust and effective system.
5.6 Crime prevention <ul style="list-style-type: none"> • Random drug testing in prisons • Use of drug dogs • Use of checkpoints to reduce the availability of drugs and other contraband 	<p>This is consistent with government priority of <i>clamping down on gangs and their drug trade</i>. Corrections Amendment Bill (No 2) 2008 further supports this priority within the prison context because it enables the Department to combat criminal activities within prisons (especially those related to drugs) more effectively.</p> <p>It also supports the Minister's proposed priority of <i>ensuring sentence compliance and holding offenders to account</i>.</p>	<p>Initiatives such as the implementation of the cellphone jamming technology, improved prison security and an increase in the number of drug dog detection teams have reduced the supply of drugs into prisons. Several of these initiatives have involved an initial capital or implementation cost. Drug treatment programmes have also reduced the demand for drugs.</p> <p>The effectiveness of these efforts is shown in the results of the general random drug testing programme - during 2007/08 13 per cent of prisoners tested positive for drugs, compared with 34 per cent in 1997/98.</p>

Output class 6: Prisoner Employment

Under this output class the Department provides prisoners with the opportunity to gain recognised qualifications and work experience through a range of employment-related activities and training. A diverse range of structured activities is available including catering, forestry, grounds maintenance, farming and manufacturing. Release-to-work opportunities are also provided to eligible prisoners.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
6.1 Prison-based work and training <ul style="list-style-type: none"> • Provision of employment • Work-based training • Assessment of NZQA units 	<p>This output supports the Government priority of <i>more prisoners working, with the intention of improving their rehabilitation, and to reduce reoffending</i>.</p> <p>This output contributes directly to the Government priority of <i>boosting the number of prisoners learning industry-based skills through Corrections Inmate Employment by 1000 by 2011</i>, and the priority of <i>talking to private companies about opportunities for meaningful work and training for prisoners</i>.</p>	<p>International evidence is clear that improvements in work related skills reduce reoffending. Equivalent local analysis has not been undertaken but outcome measures are being developed to show the effectiveness of work and training in reducing reoffending.</p> <p>This output class is seen as having significant value in supporting rehabilitation, as well as constructive use of time supporting good order in the prison environment. Increasingly, activities are focused on meeting identified regional labour market gaps, and on securing NZQA-linked qualifications.</p>

		Over 2007/08 566 new prisoner positions were established and an increase in average hours worked by prisoners was achieved, but the number employed was lower than forecast – primarily because of the drop in prison numbers following the new community sentences. Achievement of NZQA credits is improving (NZQA units achieved across all areas doubled during 2007/08) as more CIE instructors have assessment accreditation.
6.2 Release to work <ul style="list-style-type: none"> Eligible prisoners are released during the day to be employed in workplaces outside the prison 	<p>This output supports the Government priority of <i>more prisoners working, with the intention of improving their rehabilitation, and to reduce reoffending.</i></p> <p>Some prisoners stay on with the same employer after release from prison, which also contributes to priorities for support of released prisoners.</p>	During 2007/08, more fulltime work was available for prisoners eligible for Release to Work, and more prisoners were able to work more hours.
6.3 Vocational training <ul style="list-style-type: none"> Employment related training other than on-the-job training. Includes national certificates in trade training and driver licensing 	This output also contributes directly to the Government priority of <i>boosting the number of prisoners learning industry-based skills through Corrections Inmate Employment by 1000 by 2011.</i>	New training providers for Vocational training were engaged from June 2008. Numbers of prisoners receiving training are still building up. The results of this training have not yet been able to be evaluated, but will be.
6.4 Community services <ul style="list-style-type: none"> Prisoners nearing their release date and who meet eligibility criteria, work outside the prison boundaries during the day in supervised work parties. 	This output supports the Government priority of <i>more prisoners working, with the intention of improving their rehabilitation, and to reduce reoffending</i> by providing unpaid community work for prisoners who cannot be placed in employment.	This output is currently very small (involving less than 100 prisoners at any one time). Difficulty in recruiting supervisory staff has reduced the numbers of prisoners able to be placed in this type of work. This output may become more important if private sector employment becomes more difficult to find.

Output class 7: Rehabilitative Programmes and Reintegrative Services

Under this output class the Department provides rehabilitation and reintegration services to offenders serving both custodial and community-based sentences and orders. These services include:

- Responsivity programmes to improve offenders' motivation to address the causes of their criminal offending
- Rehabilitation programmes to address the causes of criminal offending. Assessment tools determine programme eligibility according to an offenders' criminogenic needs, responsivity and risk of re-offending
- Reintegrative services to prepare for an offender's release into the community, including support for families/whānau. Emphasis is placed on services that reinforce and sustain behavioural changes by building up basic skills that support reintegration into the community
- Specialist psychological services, including psychological treatment of offenders.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>7.1 Responsivity / motivational programmes</p> <ul style="list-style-type: none"> • Short motivational programmes for medium-risk short-serving sentenced prisoners • Tikanga Maori programmes for community-based offenders and sentenced prisoners (including youth in Young Offenders Units) • Christian-based programmes for sentenced prisoners housed in the Faith-based Unit at Rimutaka Prison. 	<p>This output supports the Government's priority for rehabilitation, by seeking to address the causes of offending, and giving offenders the tools to stop offending if they so chose.</p>	<p>Research on outcomes from rehabilitative programmes has shown that significant reductions in reconvictions can be achieved when appropriately trained staff deliver good programmes to appropriate offenders.</p> <p>The Department subjects its rehabilitative programmes to thorough outcomes analysis. Ongoing research and evaluation of these programmes also means the Department can address the Minister's proposed priority on financial prudence, by exercising good judgment and demonstrating value for money, on the basis that effective rehabilitative programmes can show an associated drop in recidivism, as well as value for money.</p> <p>Corrections has been specifically evaluating the effectiveness of its culturally targeted programmes, and the evaluation of the Tikanga programmes has shown they are successful.</p>
<p>7.2 Special treatment units</p> <ul style="list-style-type: none"> • Sex-offender treatment programmes for prisoners convicted of sex offending against children • Violence prevention programmes for violent male prisoners housed in the Violence Prevention Unit at Rimutaka Prison and at the 	<p>This output is consistent with the Government's priority <i>to double the number of prisoners able to receive drug and alcohol treatment to 1000 by 2011</i> because it delivers these programmes.</p> <p>This output supports the Government's priority for rehabilitation, by seeking to address the causes of</p>	<p>The Department evaluates its specialist treatment programmes to a standard that is internationally comparable, and enables good decision making on operational effectiveness.</p> <p>Good evidence is available of reduced re-offending from sex offender treatment units (2008</p>

<p>Pacific Focus Unit at the Springhill Corrections Facility</p> <ul style="list-style-type: none"> • Drug treatment programmes for highly recidivist offenders with identified alcohol and drug-related needs. Also includes the delivery of alcohol and drug treatment programmes within special treatment units • Intensive rehabilitative programmes for high-risk male offenders. 	<p>offending, and giving offenders the tools to stop offending if they so chose.</p>	<p>results showed an 8% reduction in reimprisonment after 24 months).</p> <p>The initial drug and alcohol treatment programmes showed 14% reduction in reimprisonment 24 months after release (pilot programme results 2006). Results from the newer programmes have not been so strong to date (2007/08 result was 10% reduction after 12 months), but the new DTUs are still in an establishment stage.</p> <p>Evaluations of the Violence Prevention programmes are underway but have not been concluded yet.</p>
<p>7.3 Medium-intensity rehabilitation programmes</p> <ul style="list-style-type: none"> • Medium Intensity Rehabilitation Programme • Short Rehabilitation Programme • Maori Therapeutic Programmes delivered in Māori Focus Units and the Northland Regional Corrections Facility • Relapse prevention programmes for offenders who complete medium-intensity multiple needs and intensive criminogenic programmes • FOCUS programmes for youth in Young Offenders Units. 	<p>This output supports the Government's priority for rehabilitation, by seeking to address the causes of offending, and giving offenders the tools to stop offending if they so chose.</p>	<p>The Department evaluates its rehabilitation programmes to a standard that enables good decision making on operational effectiveness. Programmes delivered within this output have been significantly redeveloped in response to earlier evaluations of their effectiveness.</p> <p>Maori therapeutic programmes are currently under evaluation.</p>
<p>7.4 Other rehabilitation programmes and activities (community-based)</p> <ul style="list-style-type: none"> • Sex offender treatment programmes • Domestic violence programmes • Alcohol and drug programmes 	<p>This output supports the Government's priority for rehabilitation, by seeking to address the causes of offending, and giving offenders the tools to stop offending if they so chose.</p> <p>These programmes are provided by community based providers to offenders serving their sentence or order in the community.</p>	<p>These are externally designed and delivered programmes. All domestic violence programmes must be accredited through the Ministry of Justice accreditation programme. From time to time Corrections undertakes evaluations of the successfulness of these programmes. They do tend to have very low completion rates reflecting the difficulty for community providers in maintaining the motivation levels of community based participants (for offenders, and non-offenders alike),</p>
<p>7.5 Education (prison-based)</p> <ul style="list-style-type: none"> • Provision of foundation learning in numeracy and literacy skills and ESOL 	<p>This output supports the government priority of <i>expanding literacy programmes so more prisoners leave prison able to read, write and do maths</i></p>	<p>International evidence is clear that improvements in work related skills reduce reoffending. Improved screening of prisoners is designed to</p>

<ul style="list-style-type: none"> • Provision of secondary school level education 	<p><i>better than when they arrived.</i></p> <p>This output supports the wider objective of ensuring community safety, by improving prisoners' prospects of employment on release from prison, and not reoffending.</p>	<p>better identify prisoners who would benefit from basic education, and a new Foundation Skills programme (Literacy and Numeracy) is being implemented during 2008/09. The results of this are not yet able to be evaluated</p>
<p>7.6 Reintegration interventions</p> <ul style="list-style-type: none"> • Reintegrative programmes (Parenting and Living Skills) provided in prison prior to release • Reintegrative services (from pre-sentence to post-release) provided by the NZ Prisoners Aid and Rehabilitation Society (NZPARS) • Supported accommodation services 	<p>This output is relevant to the Government priority of <i>carrying out a stock take of support and facilities available to prisoners released from prison, including substance abuse treatments, accommodation and employment with a particular focus on those delivered by NGOs</i>, because many of the present range of such services are funded from this output.</p> <p>This output supports the wider objective of ensuring community safety, by improving prisoners' prospects of successfully returning to the community on release from prison, and not reoffending.</p>	<p>Many of the services provided from this output are delivered by community providers under contract. The Department has been focusing on clearer specification of expected services, and agreed measures of effectiveness on which to evaluate services provided. Previous agreements have been based on service levels (e.g. hours delivered) but are moving to include more effectiveness measures.</p> <p>In 2007/08, more prisoners than forecast started a pre-release programme (1,105 starts) but completion rates were affected by transfers (79% completion rates were achieved, rather than forecast 90%).</p> <p>During 2007/08 NZPARS delivered 8% more hours than it had been funded to supply, at no additional cost to the Department.</p> <p>Reviews are underway, designed in the first instance to ensure that existing Departmental reintegrative resources are most effectively allocated. This will ensure that robust assessments of contracted services can be made.</p>
<p>7.7 Community residential centres</p> <ul style="list-style-type: none"> • Montgomery House • Te Ihi Tu • Salisbury Street Foundation 	<p>This output supports the Government's priority for rehabilitation, by seeking to address the causes of offending, and giving offenders the tools to stop offending if they so chose.</p>	<p>All these services are currently run by private providers under contract. The Department has been focusing on clearer specification of expected services, and evaluation of services provided. A decision has been made recently not to renew the Te Ihi Tu contract following an evaluation which found no measurable effect on recidivism (or re-offending) rates.</p>

<p>7.8 Psychological services</p> <ul style="list-style-type: none"> • Provision of psychological services to offenders serving both custodial and community-based sentences. This links into various other programme-based interventions. • Bicultural therapy. 	<p>This output supports the wider objective of ensuring community safety, by providing intensive services to high risk offenders on an individual and group basis to address the causes of offending, and giving offenders the tools to stop offending if they so chose.</p>	<p>Year to date performance in this output continues to be strong against targets. There is still a high level of unmet need, leading to waiting lists. At times the Department has used private practitioners to help cover gaps.</p>
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Output class 8: Services to the NZ Parole Board

Under this output class the Department provides funding for, and administrative services to, the New Zealand Parole Board. This assists the New Zealand Parole Board to meet its independent statutory responsibilities.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>8.1 Services to the NZ Parole Board</p> <ul style="list-style-type: none"> • Provision of administrative services to the NZ Parole Board 	<p>Enables the Parole Board to focus on its core business by servicing all administrative functions such as travel, secretarial services, setting of hearing dates. Also contributes to Government priority of supporting victims.</p>	<p>Quality and timeliness standards are met.</p>

Output class 9: Policy Advice and Development

Under this output class the Department provides advice and develops policies that contribute to improving service delivery, including policies that improve outcomes for Māori and Pacific peoples, and the development of effective criminal justice sector legislation. Services also include the development of service standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

Also included in this output class are functions such as responding to ministerial correspondence and parliamentary questions, Official Information Act requests, and requests from the Office of the Ombudsmen.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>9.1 Policy advice and development services</p> <ul style="list-style-type: none"> • Provision of advice and development of policies contributing to: <ul style="list-style-type: none"> ○ improved service delivery ○ better outcomes for Maori and Pacific people ○ effective legislation. • Development of service standards • trend analysis 	<p>This output is required to deliver on Government priorities by ensuring that the necessary analysis (including policy, research and legal) is done in order to develop policy for the Department, and to best deliver the right services to meet Government's priorities, in the most cost-effective way.</p>	<p>Performance standards are consistently met. Policy advice is benchmarked by participation in public sector wide review exercises to ensure the quality of advice and analysis. These annual evaluations of the quality of Corrections policy advice have shown improving quality, and has ranked our papers in the middle range.</p> <p>Policy work is externally peer reviewed by service</p>

<ul style="list-style-type: none"> programme evaluation 		<p>delivery groups and by other government departments if it is for Cabinet consideration.</p> <p>Justice sector agencies collaborate extensively to improve efficiency and effectiveness, including legislative development and cross sector analysis such as forecasts.</p>
<p>9.2 Ministerial servicing Responses to:</p> <ul style="list-style-type: none"> Ministerial correspondence Parliamentary questions OIA requests Requests from the Ombudsman 	<p>This output is required to ensure the proper management of basic functions of government.</p>	<p>Timeliness and quality standards are assessed continuously. Processes were revised in early 2008 to improve timeliness and quality.</p>

Output class 10: Service Purchase and Monitoring

This output class includes:

- The provision of inspectorate services
- The development, management and monitoring of services from external providers
- Agreements with other Government agencies
- Community funding contracts with external providers
- Contracts with Community Residential Centres.

It also includes the development and maintenance of service specifications and national systems, and provision of victim notification services and offender records services.

<i>Individual Outputs</i>	<i>Consistency with Government priorities:</i>	<i>Output Efficiency and Effectiveness</i>
<p>10.1 Inspectorate services</p> <ul style="list-style-type: none"> Monitoring of systems and standards in relation to sentence management, investigates incidents and complaints received from offenders and ensures that the complaints system within prisons is working as intended. 	<p>This is consistent with the Government's priority of <i>ensuring that the state of prisons meets public expectations by providing conditions that are humane but not luxurious</i> because the Department's custodial services are governed by the Corrections Regulations 2005, which set out minimum standards (including minimum international standards) for the containment of prisoners. This output provides independent monitoring of compliance with minimum standards.</p> <p>This output is also relevant to the Minister's</p>	<p>Efficient and high quality administration of the prisons internal complaints system by the Inspectorate has helped improve efficiency of prison services by reducing the number of complaints that have needed to be referred to external agencies for resolution. A co-operative relationship with the Office of the Ombudsmen has also speeded up the resolution of many minor issues.</p>

	proposed priorities of <i>managing the impact of an increasing offender population whilst ensuring the safety and wellbeing of staff</i> , because it supports the proper use of safety procedures by staff.	
10.2 Services to victims <ul style="list-style-type: none"> Administration of the victim notification services. The Department also has a responsibility to notify eligible victims about specific events detailed in the Victims' Rights Act 2002. 	This output is relevant to the Government's priorities concerning victim services, because it covers Correction's responsibilities to victims under current legislation, which are very limited and specific.	It is very difficult to measure efficiency and effectiveness of this output because demand is very hard to forecast. Timeliness standards are achieved, and informal feedback from victims is generally positive.