

**Treasury Report:** Budget 2009: Bilateral for Votes Corrections, Courts, Justice and Police (Justice Sector Votes)

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<b>Date:</b>	18 March 2009	<b>Report No:</b>	T2009/622
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**Action Sought**

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	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Bill English)	<b>Read</b> the attached briefing and use it as the basis for making decisions in your bilateral with Hons Power, te Heuheu and Collins at 7 a.m. on 23 March.	8.30 a.m. on Friday 20 March

**Contact for Telephone Discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
Malcolm McKee	Manager, Justice and Asset Management	917 6909 (wk)	021 231 5654	✓
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>				

**Minister of Finance's Office Actions (if required)**

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None.
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**Enclosure:** Yes

## **Treasury Report: Budget 2009: Bilateral for Votes Corrections, Courts, Justice and Police (Justice Sector Votes)**

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Attached is a briefing for the bilateral between the Minister of Finance and the Ministers of Justice, Courts, Corrections and Police at 7 a.m. on 23<sup>rd</sup> March 2009 to discuss the Budget initiatives for Votes Justice, Courts, Corrections and Police.

The bilateral briefing is structured as follows:

Vote Justice	p.3
Vote Courts	p.12
Vote Corrections	p.22
Vote Police	p.32

We expect the key issues for discussion will be:

- Funding for additional prison capacity
- Funding for Community Probation and Psychological Services
- Funding for additional Police

The overview of the justice sector and line-by-line responses that has been prepared for the Expenditure Control Committee meeting on Tuesday 24 March is attached as Appendix One. This provides the strategic context for the future challenges facing the sector.

Please note that we are preparing a separate overview sheet as a part of the meeting agenda that will set out, for each initiative, funding requested by the department, Treasury's preferred recommendation, and alternative options.

### **Recommended Action**

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We recommend that you **read** the attached briefing and use it as the basis for taking decisions in your bilateral with Hons Power, te Heuheu and Collins at 7 a.m. on Monday 23 March 2009.

Malcolm McKee  
**Manager, Justice and Asset Management  
for Secretary to the Treasury**

Hon Bill English  
**Minister of Finance**

## VOTE JUSTICE (MINISTER: HON SIMON POWER)

### Overview of Vote Justice

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1. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister for Vote Justice submitted the following:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Savings	-	(4.117)	(2.186)	(0.761)	(0.444)
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	<i>[deleted – confidentiality of advice]</i>				
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				
<i>Capital (GST excl)</i>					
Savings	-	0.940	-	-	-
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	<i>[deleted – confidentiality of advice]</i>				
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				

### Analysis of Vote

2. Vote Justice baselines are shown in the graph below:

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

3. The funding trends in Vote Justice are marked by 3-yearly increases in funding for running general elections. Aside from this funding, Vote Justice has shown sustained

increases over the period – although a significant proportion of the funding is non-departmental. Non-departmental funding includes Legal Services Agency, Legal Aid, Law Commission, Human Rights Commission, Privacy Commissioner, Independent Police Conduct Authority, Electoral Commission, Electoral Enrolment Centre (NZ Post), Public Trust and Victim Support.

4. The main issues that will affect Vote Justice in Budgets 2010/11 and 2011/12 are the operating costs of ongoing demand pressures in legal aid and the operating costs of the next General Election. There will also be significant capital pressures arising from the Auckland Service Delivery Programme – involving the construction of additional Courthouses in the Auckland region.
5. The Ministry of Justice (including Vote Justice and Vote Courts) have submitted a good line-by-line review (to be discussed at ECC on Tuesday 24 March). As a part of this, the Ministry has identified several areas of ongoing work, with the potential for significant improvements in future Value for Money.
6. Of particular urgency for the next 3–5 years are the:
  - Comprehensive review of legal aid
  - Criminal procedure simplification

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
7. We also note the longer-term work programme involving:
  - Taking a new approach to reduce crime and victimisation
  - Addressing the drivers of crime
8. The next steps in Value for Money for Vote Justice are:

Activity	Possible Result	Timeline
Comprehensive review of legal aid	Recommendations to Cabinet about the scope, funding and administration of Legal Aid (including funding options)	December 2009
Criminal procedure simplification	Recommendations to Cabinet about legislative and operational changes to improve Courts' systems, including interface with Police & other agencies	Late 2010
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>		
Ongoing review of expenditure		Ongoing

## Savings Submitted in Vote Justice

9. Treasury's view on the savings submitted by the Vote is that they are **adequate**.
10. The Ministry of Justice savings appear relatively low as the Ministry identified higher levels of savings (in excess of \$15 million per annum), but have retained the majority of these to cover their "deficit" situation. Treasury has noted the Ministry's contention that they are currently operating in a "deficit" situation, where appropriations do not cover forecast expenditure. Treasury considers that the Ministry should be identifying options for the Ministers of Justice and Courts to consider; so that they have clarity about the level of services can be provided within the appropriated funding. We consider that the perceived "deficit" situation should be resolved before the completion of the Ministry of Justice's Statement of Intent, and any future savings exercises would then release genuine savings back to the Crown.
11. The second savings initiative involves a proposal to extend the Public Defence Service (PDS) pilot. Initial evaluations of this pilot have identified that the PDS has the potential to provide cost-effective alternative service provision (compared to traditional Legal Aid providers). Treasury supports the requested funding in order to provide a basis for the longer-term savings.

### Vote Justice Savings Recommendations

Treasury recommends that you:

- (i) **Support** the savings submitted for Vote Justice

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Ministry of Justice savings		(4.166)	(2.307)	(0.294)	
Expansion of the PDS		0.049	0.121	(0.467)	(0.444)
<b>Total</b>		<b>(4.117)</b>	<b>(2.186)</b>	<b>(0.761)</b>	<b>(0.444)</b>
<i>Capital (GST excl)</i>					
Expansion of the PDS		<b>0.940</b>			

- (ii) **Note** that the Minister of Justice is developing a paper to DOM on the review of legal aid, which will report back by 31 December 2009
- (iii) **Direct** the Ministers of Votes Justice and Courts to report back to ECC by 31 July with a full schedule of completion dates for their proposed value for money work

**Agree/Disagree**

## Emergency Pressures Submitted in Vote Justice

12. The Minister has submitted five emergency pressure bids for entities in the justice sector. The Privacy Commission and Law Commission withdrew their emergency pressure initiatives in recognition of the current fiscal environment.

<i>All figures \$ million</i>	2008/09	2009/10	2010/11	2011/12	2012/13 & outyears
<i>[deleted – confidentiality of advice]</i>					
<i>[deleted – confidentiality of advice]</i>					
Independent Police Conduct Authority		0.783	0.783	0.783	0.783
<i>[deleted – confidentiality of advice]</i>					
Community Law Centres	(2.000)	4.000			
<b>Total Operating Pressures</b>	<i>[deleted – confidentiality of advice]</i>				
<b>Total Capital Pressures</b>	<i>[deleted – confidentiality of advice]</i>				

## Vote Justice Emergency Pressures Recommendations

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

### Independent Police Conduct Authority

15. This initiative seeks funding to support an office in Auckland and respond to demand for services and cost pressures. Treasury supports the provision of some funding to ensure that the Authority is able to maintain public confidence, but recommends that the Authority also considers alternative options to ensure that it can maintain a satisfactory level of services within its appropriations.

Treasury recommends that you  
(v) **Support** this initiative at a scaled amount

### Independent Police Conduct Authority

### Agree/Disagree

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
		0.150	0.150	0.150	0.150
<i>Capital (GST excl)</i>					
	-	0.050			

## Legal Services Agency

16. This initiative seeks funding for *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]* and to increase and extend legal aid rates of payment. Treasury supports the provision of funding to extend increases in rates of payment to lawyers that was agreed in Budget 2008 but only funded for one year (a “funding hole”). *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Treasury recommends that you

- (vi) **Support** this initiative at a scaled amount:

## Legal Services Agency

## Agree/Disagree

	\$million - increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Operating (GST excl)					
Vote Courts		9.914			

- (vii) **Note** that the recommended amount is \$2.2 million less than the \$12.114 million that would fully address the “funding hole”, as per the agreement reached between Ministers on funding for Community Law Centres

## Community Law Centres

17. This initiative seeks funding to maintain current levels of service provided by Community Law Centres. The funding for these services is provided through a number of sources, the most significant of which is the interest earned on the Lawyers and Conveyancers Special Fund. Income from this source has dropped considerably as a result of decreased property sales and decreases to the Official Cash Rate. The funding for Community Law Centres is proposed to be included in the comprehensive review of legal aid.
18. Treasury notes that the Ministry of Justice has proposed the following funding arrangements, and that the Minister of Justice has **already announced that funding has been secured**:

Source	Status/Risk	Amount (\$million)
Special Fund	Assumes 2% OCR rate for 2009/10	2.8
LSA's research & education fund		1.0
FNA/NDOC transfer from Legal Aid	Assumes \$2 million underspend in Legal Aid in 2008/09	2.0
Decrease in legal aid rates of payment	Proposed \$12.114m funding for the “ funding hole” decreases by \$2.2m	2.2
New budget funding		3.0
<b>Total</b>		<b>11.0</b>

19. Notwithstanding the fact that this funding has already been announced, we note the following issues that you may wish to raise with the Minister:

- The Community Law Centres have received significant increases in funding over recent years, as a result of the combination of historically high Official Cash Rate and very high levels of property sales. We have not seen any evidence that CLCs have sought to manage community expectations or services to a level below the highs of recent years, and consider that there may have been genuine alternatives for Ministers to consider.
- The Minister may wish to use the development of a purchase agreement to require CLCs to identify efficiencies (and therefore not utilise the full appropriation).

Treasury recommends that you

(viii) **Support** this initiative as previously agreed between Ministers

#### Community Law Centres

#### Agree/Disagree

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Forecast underspend (Legal Aid)	(2.000)	2.000			
Funding from legal payment rate		2.200			
New funding		3.000			
<b>Total</b>		<b>7.200</b>			

#### Vote Justice – Analysis of Policy Priorities

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









## VOTE COURTS (MINISTER: HON GEORGINA TE HEUHEU)

### Overview of Vote Courts

26. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister for Vote Courts submitted the following:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Savings	-	2.443	(16.394)	(17.247)	(17.255)
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities					
<b>Total funding requested</b>					
<i>Capital (GST excl)</i>					
Savings	-	3.000	0.165	-	-
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities					
<b>Total funding requested</b>					

### Analysis of Vote

27. Vote Courts baselines are shown in the graph below:

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

28. The Vote has received increases in funding due to increased demand in Courts (leading to additional courtrooms and judicial numbers), increased remuneration (particularly for field staff) and the implementation of significant new areas of legislation.
29. The main issues that will affect Vote Courts in Budgets 2010/11 and 2011/12 are continued demand pressures (particularly on District Courts), and the operating costs associated with the proposed construction of additional Courtrooms as part of the Auckland Service Delivery Strategy.
30. Longer-term value for money activities have been discussed earlier under Vote Justice.

### Savings Submitted in Vote Courts

31. The Minister submitted one savings initiatives for Improving the Collection of Fines. Treasury supports this initiative.
32. The Minister had also been invited to submit savings options for the Disputes Tribunals. However, no savings options were provided. Following some discussion with the Ministry, Treasury has proposed further savings in the administration of Disputes Tribunals that will potentially result in an increase in mean resolution time from 30 days to 35 days.

### Vote Courts Savings Recommendations

Treasury recommends that you:

- (xix) **Support** the savings submitted for Vote Courts.

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Improving the Collection of Fines		2.443	(16.394)	(17.247)	(17.255)
<i>Capital (GST excl)</i>					
Improving the Collection of Fines		3.000	0.165		

- (xx) **Support** the additional savings identified by Treasury.

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Disputes Tribunals		(0.162)	(0.284)	(0.284)	(0.284)

- (xxi) **Note** that the additional savings may result in an increase to the service delivery timeframe from 30 days to 35 days.

- (xxii) **Note** that further value for money work that may impact on Vote Courts is covered under Vote Justice.



## Emergency Pressures Submitted in Vote Courts

33. The Minister has submitted two emergency pressure bids – one for emergency cost pressures in the Ministry of Justice and one to support a new judicial appointment. Treasury supports the funding to support the new judicial appointment, and recommends support for two components of the Ministry of Justice emergency pressures. The Ministry of Justice has withdrawn the remuneration pressures component.

<i>All figures \$ million</i>	2008/09	2009/10	2010/11	2011/12	2012/13 & outyears
Mitigating Court waiting times		12.404	13.615	13.758	13.916
<i>[deleted – confidentiality of advice]</i>					
Improving Court Security		2.078	2.884	3.590	3.390
New Judicial Appointment		0.230	0.197	0.197	0.197
<b>Total Operating Pressures</b>	<i>[deleted – confidentiality of advice]</i>				
<b>Total Capital Pressures</b>					

## Vote Courts Emergency Pressures Recommendations

### New Judicial Appointment

34. This initiative seeks funding for the costs of supporting an additional Associate Judge of the High Court (2 FTEs of registry staff, plus other costs). The salary costs for the Associate Judge are funded under a Permanent Legislative Authority (PLA). Treasury supports this initiative.

Treasury recommends that you:

- (xxiii) **Support** this initiative at the level proposed by the Minister.

### New Judicial Appointment

	<b>Agree/Disagree</b>				
	<i>\$million - increase/(decrease)</i>				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
<i>Operating (GST excl)</i>					
Vote Courts		0.230	0.197	0.197	0.197
<i>Capital (GST excl)</i>					
Vote Justice	0.046				

### Mitigating Court Waiting Times

35. This initiative proposes to appoint two additional District Court Judges and eight Community Magistrates, and increase courtroom capacity in central Auckland. Recent growth in cases before the courts in Auckland has been high (7% per annum for criminal summary), and while some efficiency gains have been made, they have not kept pace with this increase. The Ministry of Justice has two key programmes of work underway to increase available courtrooms (Improving Auckland Service Delivery) and improve efficiency (Criminal Procedure Simplification). This initiative will enable action to be taken on the areas of highest demand over the next 1-3 years, as the two longer-term programmes of work are completed.

### *Mitigating court waiting times*

<i>All figures \$ million</i>	2008/09	2009/10	2010/11	2011/12	2012/13 & outyears
Vote Courts		5.814	7.603	7.603	7.603
Vote Police		4.631	4.053	4.196	4.354
Vote Corrections		1.959	1.959	1.959	1.959
<b>Total Operating Pressures</b>		<b>12.404</b>	<b>13.615</b>	<b>13.758</b>	<b>13.916</b>
Vote Courts		0.230			
Vote Police		3.167			
Vote Corrections		2.596			
<b>Total Capital Pressures</b>		<b>5.993</b>			

36. Treasury's view is that the Vote Courts component is well-developed and includes cost-effective options for managing demand (for example the increased use of Community Magistrates). We consider that the Vote Police component should be funded at a lower level, and Police directed to undertake further work to improve efficiencies at the interface of Police and Courts activities. Given the considerable investment likely in CPPS in Budget 2009, we consider that some of the increased capacity will support this initiative.

Treasury recommends that you:

- (xxiv) **Support** this initiative at a scaled amount

### *Mitigating Court Waiting Times*

### **Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts		5.000	7.000	7.000	7.000
Vote Police		2.000	2.000	2.000	2.000
Vote Corrections					
<i>Capital (GST excl)</i>					
Vote Justice	-	0.230			
Vote Police		1.500			
Vote Corrections					

### **Te Hurihanga**

37. This initiative provides a range of options for continuing or closing the Te Hurihanga programme, a residential and community-based treatment programme for young male offenders.

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



Treasury recommends that you:

(xxv) **Support** this initiative at a scaled amount

*Te Hurihanga*

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts		0.590			

### Improving Court Security

38. This initiative proposes funding for an additional 35 Court Security Officers, 8 front-of-house Court Security Officers and 2 Regional Managers, and associated equipment. This proposal would more than double current security staffing levels. Treasury does not consider that a compelling case has been provided, particularly as the initiative states that “it is not possible to determine with any degree of certainty whether these incidents could have been avoided through having more Court Security Officers present in courts buildings and more consistent and regular scanning”. We note however, that this issue remains an area of high concern for the judiciary and provide a scaled option below, should the Minister wish to consider it in the context of other justice sector priorities.

Treasury recommends that you:

**Option 1** (Treasury preferred option)

(xxvi) **Do not support** the initiative.

**Agree/Disagree**

**OR Option 2**

(xxvii) **Support** the initiative at a scaled amount to support increased security measures at priority courthouses.

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts		0.500	1.000	1.500	2.000
<i>Capital (GST excl)</i>					
Vote Justice		0.200	0.200	0.200	0.200

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

## Vote Courts – Analysis of Policy Priorities

40. Vote Courts has submitted:
- Implementation of the Offenders Levy  
*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
41. In addition, Vote Courts has submitted initiatives which are discussed in the lead vote as identified below:

Initiative Name	Lead Vote
Additional Police Staff	Police
<i>[deleted – confidentiality of advice]</i>	
A Fresh Start for Young Offenders	Social Development

### Implementation of the Offenders Levy

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts	-	1.022	1.462	1.441	1.465
<i>Capital (GST excl)</i>					
Vote Justice	-	1.287	-	-	-

42. The department seeks funding to support the implementation of the Offenders Levy (\$50 levied on convicted offenders), which will be used to support services to victims. The establishment of the Offenders Levy has been agreed by Cabinet, and a Bill has been introduced. The nature of the services and mechanisms for providing services to victims have not yet been considered by Cabinet. The department has sought funding for the full operating cost of implementing the Levy. However, the department is also forecasting revenue from the Levy from 2009/10 onwards.
43. Treasury considers that funding should be provided for the initial establishment costs (2009/10), given the lack of certainty over the timing of legislation.
44. We consider that there are three funding options beyond the establishment year:
- Fully fund the administration of the Levy, as requested by the department;
  - Fund a base level of administration of the Levy, to be topped up by revenue from the Levy;
  - Require the department to fund all administration costs by revenue from the Levy.

## **Vote Justice Priority (Offender Levy) Recommendations**

Treasury recommends that you:

(xxviii) **Support** the initiative at a scaled amount.

**Option 1:** Initial development costs only (**Treasury's preference**).

	<b>Agree/Disagree</b>				
	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts		1.022			
<i>Capital (GST excl)</i>					
Vote Justice	-	1.287			

**OR Option 2:** Initial development costs and a portion of administration costs.

	<b>Agree/Disagree</b>				
	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Courts		1.022	0.500	0.500	0.500
<i>Capital (GST excl)</i>					
Vote Justice	-	1.287			

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







## VOTE CORRECTIONS (MINISTER: HON JUDITH COLLINS)

### Overview of Vote Corrections

53. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister of Corrections submitted the following:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Savings	-	-	-	-	(11.000)
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	<i>[deleted – confidentiality of advice]</i>				
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				
<i>Capital (GST excl)</i>					
Savings	-	-	-	-	-
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	<i>[deleted – confidentiality of advice]</i>				
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				

### Analysis of Vote

54. Vote Corrections baselines are shown in the graph below. The Vote has received significant increases in funding since 2001/02 primarily due to the construction and operation of **2394 new prison beds**.

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

## Treasury comment on Department of Corrections Line by Line Review

55. Treasury's view on the savings submitted by the Minister of Corrections is that they are **inadequate**. Given the size of Vote Corrections (operating expenses for 2008/09 = \$969 million), and the significant growth in the Vote since 1998/99 (+132% in nominal terms), our view is that there is scope for the department to put significantly larger savings on the table. Savings of **at least 2-3% per annum (\$20-30 million)** should be achievable. However, we recommend that you accept the savings offered here.

## Next Steps for Value for Money in Vote Corrections

56. We note that since receiving feedback from Treasury on the draft review, Barry Matthews has gained the Minister of Corrections' approval to undertake a thorough line by line review of the Department. This review will be conducted by a panel of both private and public sector members (including Treasury). We are very supportive of this review.
57. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]* Corrections should also look to improve performance measures so that external parties are able to assess the efficiency and effectiveness of dollars spent in the Vote.

## Pressures on Future Budgets

58. The main issues that will affect Vote Corrections in Budgets 2010/11 and 2011/12 are the funding that the Department will be seeking to increase prison capacity.
59. Our prison population is currently just over 8000 people. Forecasts indicate that this is likely to reach over 11,000 by 2016.
60. Corrections plan to respond to this forecast involves the construction of 3500 new prison beds and the replacement of 1400 beds which it deems to be obsolete. The capital cost of this plan is \$1.75 billion, the bulk of which will hit Budget 2010. The operating implications of this plan, once fully implemented, are estimated at \$350 million per annum.

## Savings Submitted in Vote Corrections

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### Vote Corrections Savings Recommendations

Treasury recommends that you:

- (xlv) **Support** the savings submitted for Vote Corrections

**Agree/Disagree**

- (xlvi) **Note** that the Department of Corrections has committed to undertaking a thorough value for money review of expenditure

- (xlvii) **Direct** the Minister of Corrections to report back to ECC by 31 July 2009 on the findings of this review

**Agree/Disagree**



## Emergency Pressures Submitted in Vote Corrections

61. The Minister has submitted an emergency pressure bid with 6 separate components:

<b>All figures \$ million</b>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
Community Probation and Psychological Services Capacity	-	30.276	34.546	34.337	34.623
Enhancing Parole and Home Detention Management	-	17.538	24.735	23.462	23.462
<i>[deleted – negotiate without prejudice]</i>					
Prisoner Escort Vehicles	-	0.925	0.940	1.035	1.313
<i>[deleted – negotiate without prejudice]</i>					
Mitigating Court Waiting Times (Vote Courts lead)	-	1.959	1.959	1.959	1.959
<b>Total Operating Pressures</b>	-	<b>61.359</b>	<b>81.120</b>	<b>88.660</b>	<b>92.648</b>
<b>Total Capital Pressures</b>	-	<b>36.588</b>	<b>23.707</b>	<b>1.500</b>	<b>2.900</b>

## Vote Corrections Emergency Pressures Recommendations

### Restoring Community Probation & Psychological Services Capacity to Manage Increased Demand

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	30.276	34.546	34.337	34.623
Treasury	-	30.276	34.546	34.337	34.623
<i>Capital (GST excl)</i>					
Department	-	14.903	4.218	-	-
Treasury	-	14.903	4.218	-	-

62. This component seeks funding for the department to manage increased numbers of offenders on community sentences and orders. Corrections' view is that this funding will restore Community Probation and Psychological Services (CPPS) to a 'satisfactory' standard:

- 134 FTE probation officers
- 20 FTE psychologists
- 26 managers to strengthen the organisational structure
- funding demand growth for electronic monitoring services
- funding demand growth for intensive re-integrative support for high risk child sex offenders
- funding for rehabilitative programmes delivered by community providers
- supporting infrastructure (buildings, cars etc.)

63. We recommend that you support this bid. It is clear both from the bid itself and from the Auditor-General's report into the department's management of offenders on parole that CPPS is currently struggling to deliver services to adequate standards. From Treasury's perspective, this bid did not provide sufficient evidence of the performance improvements that the government would get if it funded this bid. Neither was it clear

what is meant by a 'satisfactory' standard. However, given the potential risks associated with CPPS, two areas of work are underway which give us a level of confidence in recommending that you fund this bid:

*CPPS plan and expert panel*

64. CPPS have developed a 'Plan to Improve Compliance with Procedures for Managing Parole Orders.' An expert panel is being established to ensure that this plan is implemented effectively. This panel will help to determine whether the current CPPS operating model is fit for purpose, and ensure that performance measures are developed so that CPPS's performance can be tracked over time.

*Value for Money review*

65. The Chief Executive, Barry Matthews, has committed to a thorough value for money of Corrections. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

Treasury recommends that you:

- (xlvi) **Support** the initiative 'Restoring Community Probation & Psychological Services Capacity to Manage Increased Demand' at the level requested by the Minister

*Restoring CPPS Capacity to Manage Increased Demand*

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Corrections	-	30.276	34.546	34.337	34.623
<i>Capital (GST excl)</i>					
Vote Corrections	-	14.903	4.218	-	-

**Enhancing the Quality of Parole and Home Detention Management**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	17.538	24.735	23.462	23.462
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	18.489	18.489	-	-
Treasury	-	-	-	-	-

66. This component seeks funding for Community Probation and Psychological Services to increase the level of monitoring of parolees and home detainees from **satisfactory** to **good**. The resources sought are over and above those sought in *Restoring Community Probation & Psychological Services Capacity to Manage Increased Demand*.

- 133 FTE probation officers
- 3 FTE psychologists
- 26 management and support staff
- Supporting infrastructure (buildings, cars etc.)

- additional electronic monitoring services
- review of computer system

67. We recommend that you **do not support** this initiative for the following reasons:

- The department will already be dealing with a significant (14%) increase in Probation Officer numbers if *Restoring Community Probation & Psychological Services Capacity to Manage Increased Demand* is funded. We understand that the department would struggle to implement a further increase this year.
- It is not clear what performance improvement the government would get from moving from a so-called 'satisfactory' to a 'good' standard.
- CPPS is going to be substantially reviewed this year. It would be better to wait until the outcome of these reviews to see whether additional funding is needed, and if the current operating model needs to be changed.
- This bid has been produced in a rush by the department so we have had no opportunity to test whether their costings are robust.

Treasury recommends that you:

- (xlix) **Do not support** the initiative 'Enhancing the Quality of Parole and Home Detention Management'.

**Agree/Disagree**

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

## Prisoner Escort Vehicles: Implementation of New Permanent Vehicle Standards

	<i>\$million – increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	0.925	0.940	1.035	1.313
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	0.600	1.000	1.500	2.900
Treasury	-	-	-	-	-

70. This component seeks funding to replace the department's prisoner escorting vehicles to provide separate prisoner compartments, in order to fulfil recommendations from a report by the Ombudsman into Liam Ashley's death.
71. Treasury recommends that you **do not support** this initiative. This is not the only option available to fulfil the Ombudsman's requests. The department should look to fulfil the Ombudsman's requests within baselines.

Treasury recommends that you:

- (li) **Do not support** the initiative 'Prisoner Escort Vehicles: Implementation of New Permanent Vehicle Standards;

**Agree/Disagree**

- (lii) **Direct** the Department of Corrections to fulfil the Ombudsman's requests from within baselines.

**Agree/Disagree**

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

### Mitigating Waiting Times in the Criminal Courts in Auckland (Vote Courts lead)

74. Corrections is also seeking funding for this initiative, which is discussed under the Vote Courts section of this briefing.

## Vote Corrections – Analysis of Policy Priorities

75. The Minister of Corrections has submitted the following policy priority initiatives:

### Prison Capacity

	<i>\$million – increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	23.600	57.600	61.700	65.600
Treasury	-	23.600	57.600	61.700	65.600
<i>Capital (GST excl)</i>					
Department	-	<i>[deleted – confidentiality of advice]</i>		-	-
Treasury	-			-	-

76. The department seeks funding to increase prison capacity now, and to begin design/planning work for further prison capacity.
77. Treasury considers that increasing New Zealand's imprisonment rate is not good value for money expenditure, as there is little evidence that increasing imprisonment rates improves community safety, reduces re-offending, or acts as a deterrent.
78. Given the upward trend indicated by 2008 Prison Population Forecast, however, our view is that investment in additional prison capacity is needed to avoid a very high risk situation in Prison Services. Furthermore, our view is that investment in some design and planning work for potential additional expansion would be prudent.

This bid has the following components:

#### *Double bunking (\$66 million ongoing operating + \$145 million capital)*

- This is funding to construct and operate **993 double bunks** at 5 different prison sites.
- Treasury's view is that urgent action is needed to increase prison capacity in the short term. However, Corrections' business case is not as robust as we would usually expect for a decision of this magnitude. Therefore we recommend that you **agree** to provide this funding, but also direct Corrections to report back to Cabinet on progress and updated financial information before construction contracts are signed.

#### *Initial planning work for prison beds at Wiri and [deleted – confidentiality of advice] (\$15 million capital)*

- Cabinet recently agreed to fund \$9 million capital for *[deleted – confidentiality of advice]*. The total funding sought for *[deleted – confidentiality of advice]* Wiri and *[deleted – confidentiality of advice]* (\$24 million) will allow Corrections to develop stage 2 business cases for all three sites, which will be considered in Budget 2010.

- Agreeing to this funding now does not commit to building at these prisons, but will mean that the department will be able to present robust information on which to make investment decisions in Budget 2010. (For example, at this stage we would not be able to recommend which of these projects should have priority, as the department needs to do further work). The total capital cost for these three projects, if implemented, would be approximately \$1.1 billion.
- Treasury's recommends that you **agree** to provide funding for initial planning work at Wiri and *[deleted – confidentiality of advice]*. Given the total potential fiscal cost of this project, our view is that \$24 million is a reasonable up front investment to ensure that robust business cases are prepared.

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

### **Vote Corrections Priority (Prison Capacity) Recommendations**

Treasury recommends that you:

- (liv) **Support** funding for two components of the Prison Capacity initiative, at the levels requested by the Minister

**Agree/Disagree**

	<i>\$million – increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Double bunking	-	23.600	57.600	61.700	65.600
Wiri & <i>[deleted – confidentiality of advice]</i> planning	-	-	-	-	-
<i>Capital (GST excl)</i>					
Double bunking	-	124.800	20.000	-	-
Wiri & <i>[deleted – confidentiality of advice]</i> planning	-	15.000	-	-	-

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

### Double bunking

- (lix) **Direct** the Department of Corrections to report to Cabinet before construction contracts for double bunking are signed (no later than 31 July) on an updated business case and the results of Independent Quality Assurance of that business case;

**Agree/Disagree**

- (lx) **Direct** the Department of Corrections to produce stage 2 business cases for the *[deleted – confidentiality of advice]*, Wiri and *[deleted – confidentiality of advice]* projects consistent with CAB Min (07) 44/11 standards, in time for submission as part of Budget 2010.

**Agree/Disagree**

### Prisoner Health – *[deleted – confidentiality of advice]* Drug Treatment Units

	<i>\$million – increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	<i>[deleted – confidentiality of advice]</i>				
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	<i>[deleted – confidentiality of advice]</i>				
Treasury	-	-	-	-	-

79. The department seeks funding for the following:
- *[deleted – confidentiality of advice]*
  - 3 60-bed **Drug Treatment Units**, which would double the number of prisoners able to receive drug and alcohol treatment by 2011, as per the government's manifesto commitment
80. Corrections has not quantified either the impact that this initiative will have on the prison population, or the cost saving to the justice sector that could result from reducing reoffending. Given the fact that the outcomes are unclear we recommend that you do not support it.
81. However, given the government's specific commitment to double the number of prisoners able to receive drug and alcohol treatment by 2011, you could consider funding the Drug Treatment Units only. *[deleted – confidentiality of advice]*

### Vote Corrections Priority (Prisoner Health) Recommendations

Treasury recommends that you:

**Option 1** (Treasury preferred option)

(Ixi) **Do not support** funding for this initiative in Budget 2009

**Agree/Disagree**

**OR Option 2**

(Ixii) **Support** the initiative at a scaled amount to support funding for Drug Treatment Units only

*Prisoner Health Drug Treatment Units only*

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
<b>Scaled option:</b> Drug Treatment Units only	-	0.476	1.777	2.475	2.475
<i>Capital (GST excl)</i>					
<b>Scaled option:</b> Drug Treatment Units only	-	1.300	2.600		

**OR Option 3**

(Ixiii) **Support** this initiative at the level requested by the Minister

*Prisoner Health Full Programme*

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
	<i>[deleted – confidentiality of advice]</i>				
<i>Capital (GST excl)</i>					
	<i>[deleted – confidentiality of advice]</i>				

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



## VOTE POLICE (MINISTER: HON JUDITH COLLINS)

### Overview of Vote Police

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82. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister for Vote Police submitted the following:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Savings	-	(14.200)	(5.500)	(5.500)	(5.500)
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	-	33.771	60.840	68.519	75.733
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				
<i>Capital (GST excl)</i>					
Savings	-	-	-	-	-
Emergency pressures	<i>[deleted – confidentiality of advice]</i>				
Policy priorities	<i>[deleted – confidentiality of advice]</i>				
<b>Total funding requested</b>	<i>[deleted – confidentiality of advice]</i>				

### Analysis of Vote

83. Vote Police has received significant increases in funding in the past three years to support increases to Police staffing of 1,000 sworn staff and 250 non-sworn staff.

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

## Treasury comment on NZ Police Line by Line Review

84. The submission from NZ Police does not meet the instructions provided by Cabinet, and does not provide enough information to give confidence that officials have genuinely investigated a full range of options that could be subject to further consideration by Ministers. Notwithstanding the time constraints, NZ Police could have identified a more comprehensive range of options for further investigation. The lack of information provided by NZ Police on efficiency, effectiveness, performance and cost-effectiveness highlights a concerning lack of information and analysis on which to prioritise future Government investment in NZ Police.

## Next Steps for Value for Money in NZ Police

85. Treasury supports an in-depth review of value for money in NZ Police. Our view is that it would be desirable for this review to be led by the Commissioner of Police, and enable the Commissioner to consider a wide range of ways in which value for money could be enhanced (including alternative service delivery options).

## Pressures on Future Budgets

86. The main issues that will affect Vote Police in Budgets 2010/11 and 2011/12 are:
- Continued external pressure to increase overall sworn Police numbers, despite a lack of evidence that this will contribute directly to a decrease in crime or increase in community safety
  - *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

## Savings Submitted in Vote Police

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87. Treasury's view on the savings submitted by Vote Police is that they are **not adequate**. The savings are made up of a one-off timing delay of \$8.7 million and ongoing savings of \$5.5 million (0.4% of baseline). Treasury considers that NZ Police should be aiming for savings in the range of 1.5-3% of its \$1.3 billion baseline (\$19-39 million).  
*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
88. Treasury's view is that the performance measures and reporting by NZ Police is not of a standard that enables Treasury to form an assessment of whether NZ Police are delivering services in a way that is effective, efficient or cost-effective.
89. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
90. Some of the questions that you may wish to raise in relation to Vote Police include:
- What do you consider to be the most accurate measure of whether NZ Police is providing value for money?
  - If you could only get funding for one thing, what would it be? Why?

- If you did not get any additional funding for new sworn staff or remuneration, what would you recommend doing differently to deliver policing services more effectively?

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

### **Vote Police Savings Recommendations**

Treasury recommends that you:

- (lxv) **Support** the savings submitted for Vote Police.

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
		(14.200)	(5.500)	(5.500)	(5.500)

- (lxvi) **Agree** that Vote Police **should be** considered for further fundamental value for money work.

**Agree/Disagree**

- (lxvii) **Direct** the Minister of Vote Police to report back to ECC by 31 July 2009 with Terms of Reference for an in-depth review of value for money, to enable the Commissioner to manage future demands on NZ Police.

**Agree/Disagree**

- (lxviii) **Note** that Treasury would expect any review to have a number of linked components, including as a minimum:

- Assessment of whether the output class structure and related performance information supports NZ Police to demonstrate value for money (potential outcomes could include changes to the output class structure, performance measures, Statement of Intent goals and reporting)

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

## Emergency Pressures Submitted in Vote Police

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92. The Minister has submitted two emergency pressure bids – one for NZ Police pressures and the other for Ministry of Justice-related pressures (for reducing Court waiting times). The initiative relating to reducing Court waiting times is discussed under Vote Courts. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
93. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

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

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

## Vote Police – Analysis of Policy Priorities

99. Vote Police has submitted:

- Taser Implementation
- Additional Police Staff

100. In addition, Vote Police has submitted initiatives which are discussed in the lead vote as identified below:

Initiative Name	Lead Vote
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	
A Fresh Start for Young Offenders	Social Development

### Taser Implementation

	\$million - increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
<i>Operating (GST excl)</i>					
Department	-	5.319	1.195	1.195	1.839
<i>Capital (GST excl)</i>					
Department	-	0.521	-	-	-

101. The department seeks funding to complete the rollout of Tasers to the remaining eight Police districts.

102. Treasury considers that this not good value for money expenditure, as we have not seen evidence that the existing rollout of Tasers has led to improved services and/or reduction in harm. Treasury recommends that NZ Police develops alternative phasing options, once evidence of the benefits of Tasers in New Zealand can be demonstrated. One option may be for NZ Police to assess the value of Tasers for each District and reprioritise existing baseline funding on a case-by-case basis if Tasers are considered to be the highest priority intervention.

### Vote Police Priority (Taser) Recommendations

Treasury recommends that you:

#### **Option 1** (Treasury preferred recommendation)

(lxxi) **Do not support** this initiative at the proposed amount

**Agree/Disagree**

(lxxii) **Note** that, should NZ Police identify additional savings during Budget 2009, Treasury would rank this initiative below all other justice sector initiatives

**OR Option 2**(lxxiii) **Support** this initiative with a rephased implementation**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Police	-	3.257	3.257	1.195	1.839
<i>Capital (GST excl)</i>					
Vote Police	-	0.271	0.250	-	-

**Additional Police Staff****Total Request (Votes Police and Courts)**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Police request	-	25.033	50.646	58.663	65.345
Courts request	-	3.353	3.023	3.027	3.026
<b>Total Department</b>	-	<b>28.386</b>	<b>53.669</b>	<b>61.690</b>	<b>68.371</b>
<i>Capital (GST excl)</i>					
Police request	-	<i>[deleted – confidentiality of advice]</i>			
Courts request	-	<i>[deleted – confidentiality of advice]</i>			
<b>Total Department</b>	-	<i>[deleted – confidentiality of advice]</i>			

103. The department seeks funding for an additional 600 Police – 300 for Counties Manukau by December 2010, and a further 300 nationwide by December 2011.
104. Treasury considers that the fiscal environment provides an opportunity to stop the bidding war on sworn Police numbers and support NZ Police to focus within their current baseline funding on improving the cost-effectiveness of NZ Police. We note that the policy rationale and risks of not funding additional staff only refer to the Government's pre-election commitments. No evidence is provided that increased sworn Police numbers in either Counties Manukau or nationwide will contribute to reductions in crime or improvements in community safety.
105. No measures are provided of the current service delivery performance of NZ Police, nor any information on how additional personnel will improve service delivery performance. Treasury would have expected to see quantifiable benefits across a range of measures for the requested expenditure of over \$265 million for the period. Examples of benefits that could be identified and quantified would include reductions in crime, increases in response times, increases in resolution times and rates, improvements in community safety/reduced victimisations, increased crime prevention measures and so on.
106. Treasury's assessment of the short to medium term pressures on the justice sector is that Police actions also have a significant impact on driving up fixed costs through increasing volumes of offenders at low levels of seriousness through the pipeline. Evidence of this can be seen in the decreases in use of diversion (down 23%) and

referrals to Youth Aid (down 37%). Furthermore, the recent increases in Police numbers have coincided with a significant increase (24%) in prosecutions at low levels of seriousness – 28,000 extra convictions at the least serious end of the scale (convictions with a maximum sentence of 10 days in prison). More than half of these extra convictions had a maximum sentence of 1 day or less in prison.

107. We consider that NZ Police should be encouraged to focus resources on delivering increased preventative work alongside a focus on being tough on serious crime. We also consider that NZ Police have significant potential to refocus existing resources to support increased cost-effectiveness – for example by increasing the use and roles of non-sworn staff, in ways that enable more effective utilisation of sworn staff. Similarly, building on both NZ Police and justice sector innovations (such as Criminal Justice Support Units, criminal procedure simplification, early disclosure agreements with the Public Defence Service) could provide further efficiencies if rolled out across more Districts.
108. Treasury's preferred recommendation is to decline any further increases in sworn Police numbers and to support NZ Police to develop alternative options for improving the cost-effectiveness of NZ Police. These could be reported back to the Government at the same time as any further value for money work is completed.
109. If Ministers consider that additional sworn Police to be a high priority for the justice sector, Treasury considers that the next best option is to agree an additional 300 Police only (without necessarily tagging to a particular location), and to support NZ Police to develop alternative options for improving the cost-effectiveness of NZ Police (including additional Police).
110. *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]* While we have not been able to develop a full set of alternative costings, there is potential to direct NZ Police to develop further options for consideration.
111. We note that there is a significant difference in the cost of recruiting additional Police (and feasibility of meeting recruitment/retention targets), depending on the date from which recruitment is counted. NZ Police have identified two options – one starting from 30 November 2008 and the other starting from 31 December 2008.

	<i>\$million - increase/(decrease)</i>				
<b>Police component only</b>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<b>Start 30 Nov 2008</b>					
<i>Operating (GST excl)</i>		22.323	43.450	47.057	49.713
<i>Capital (GST excl)</i>		<i>[deleted – confidentiality of advice]</i>			
<b>Start 31 Dec 2008</b>					
<i>Operating (GST excl)</i>		25.033	50.646	58.663	65.345
<i>Capital (GST excl)</i>		<i>[deleted – confidentiality of advice]</i>			

112. Treasury's advice is to use the start date of 30 November 2008, if any funding is agreed.



113. *[deleted - confidentiality of advice]*. Treasury recognises the current accommodation pressures that NZ Police face in Auckland and support funding for the immediate pressures in 2009/10 and 2010/11. We consider that NZ Police should complete Stage 1 and 2 business cases before Ministers consider any further funding.

### **Vote Police Priority (Additional Staff) Recommendations**

Treasury recommends that you:

**Option 1** (Treasury preferred recommendation)

- (lxxiv) **Do not support** this initiative

**Agree/Disagree**

- (lxxv) **Direct** the Minister to identify a range of options for improving cost-effectiveness of NZ Police (including additional Police) as a part of the report back to ECC by 31 July 2009.

**Agree/Disagree**

**OR Option 2**

- (lxxvi) **Note** that this initiative can “count” recruitment from different start dates.

**Agree/Disagree**

- (lxxvii) **Agree** that, if any funding is provided, to “count” recruitment from 30 November 2008.

**Agree/Disagree**

- (lxxviii) **Support** this initiative at a reduced level for an additional 300 Police by 31 December 2010 (recruitment start date from 30 November 2008).

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Police		20.500	38.500	38.500	38.500
Vote Courts		2.500	2.500	2.500	2.500
<i>Capital (GST excl)</i>					
Vote Police	-	7.895	12.114		
Vote Courts		0.212			

- (lxxix) **Direct** the Minister to identify alternative costings for the recruitment of 300 Police by 31 December 2011 for consideration by joint Ministers by 3 April 2009.

**Agree/Disagree**

- (lxxx) **Direct** the Minister to identify a range of options for improving cost-effectiveness of NZ Police (including additional Police) as a part of the report back to ECC by 31 July 2009.

**Agree/Disagree**

**OR Option 3**

(lxxxi) **Note** that this initiative can “count” recruitment from different start dates.

**Agree/Disagree**

(lxxxii) **Agree** that, if any funding is provided, to “count” recruitment from 30 November 2008.

**Agree/Disagree**

(lxxxiii) **Support** this initiative at a reduced level for an additional 600 Police nationwide by 31 December 2011, including 300 Police in Counties Manukau by 31 December 2010 (recruitment date from 30 November 2008).

**Agree/Disagree**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Vote Police		22.323	43.450	47.057	49.713
Vote Courts		3.000	3.000	3.000	3.000
<i>Capital (GST excl)</i>					
Vote Police	-	7.895	12.114		
Vote Courts		0.212			

(lxxxiv) **Direct** the Minister to identify alternative costings for the recruitment of all 600 Police by 31 December 2011 for consideration by joint Ministers by 3 April 2009.

**Agree/Disagree**

(lxxxv) **Direct** the Minister to identify a range of options for improving cost-effectiveness of NZ Police (including additional Police) as a part of the report back to ECC by 31 July 2009.

**Agree/Disagree**

## The Justice Sector: Line by Line Reviews

New Zealand Police (Vote Police)
Ministry of Justice (Votes Justice & Courts) <sup>1</sup>
Department of Corrections (Vote Corrections)

### 1. The Past:

#### Overview of changes to the Criminal Justice Sector since 2000/01

In recent years, the Criminal Justice Sector has grown faster than both the Health and Education sectors. Since 2001/02, real funding for the core Justice Sector agencies has increased by **over 50%** (operating expenditure).

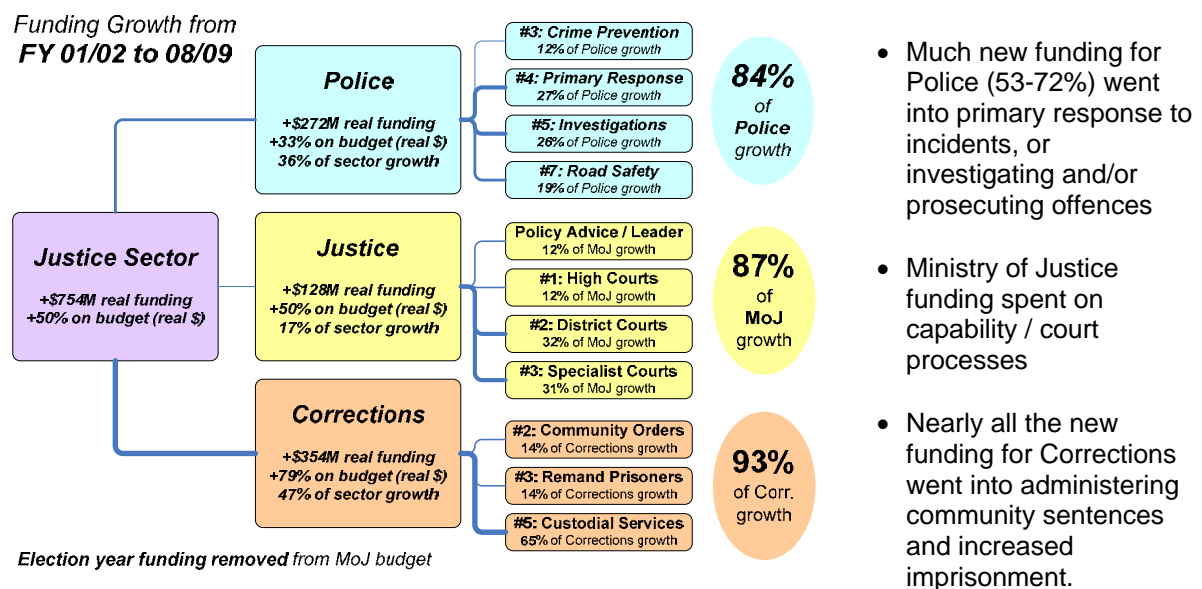
This growth in expenditure has followed the decisions of Government to change sentencing legislation and invest more in the Criminal Justice Sector. Operating expenditure has grown for all the key sector agencies.

Major contributors to the increase in Justice Sector expenditure have been:

- 2561 extra Police staff
- 2394 new prison beds

Evidence to date does not suggest that either of these initiatives have had a significant effect on improving community safety or reducing reoffending rates (i.e. relative to the level of investment). Furthermore, we do not have evidence that the high (and increasing) imprisonment rates contribute to safer communities in the long term, act as a deterrent or rehabilitate offenders.

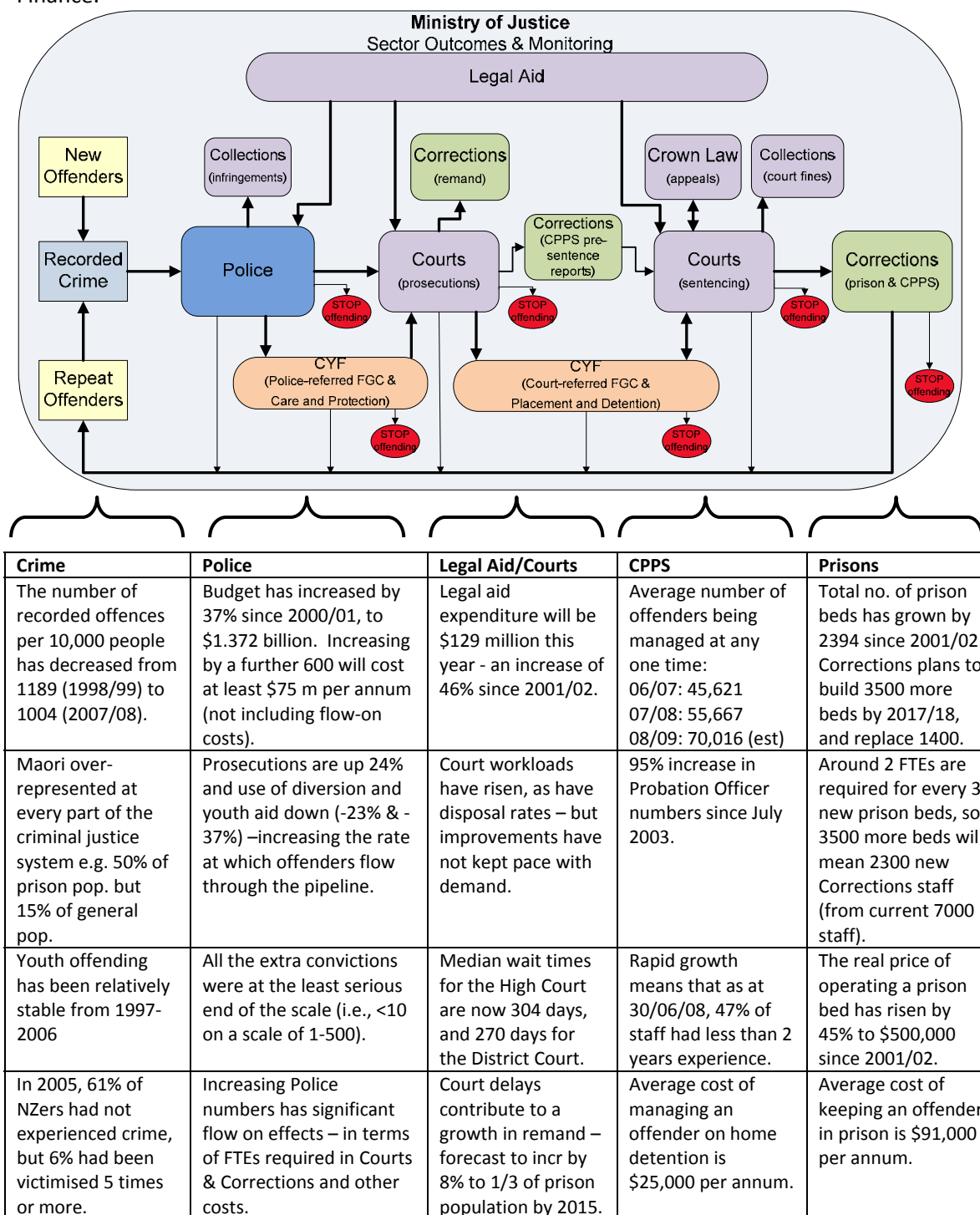
#### Where has the Extra Money Gone?



<sup>1</sup> This briefing focuses on the criminal justice sector. Vote Treaty Negotiations is being considered elsewhere.

## 2. The Present: The Criminal Justice Sector “Pipeline”

The diagram below provides an indication of how people flow through the criminal justice system. By looking at the drivers of the prison population and the status of current flows of people (volumes, delays etc), it is possible to identify key points within the “pipeline” where increased efficiency and effectiveness (including, in some cases additional funding) will decrease some of the costs of crime to the justice sector. Some value for money review initiatives have been identified by Ministry of Justice in their submission to the Minister of Finance.



An ongoing emphasis on value for money within the criminal justice sector is essential – or cost pressures will continue to rise. However, we also need options that will bend forecast future spending back to sustainable levels.

Vote	Police	Justice	Courts	Corrections
2008/09 Baseline	\$1372m	\$403m	\$730m	\$969m
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>				
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>				
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### 3. The Future:

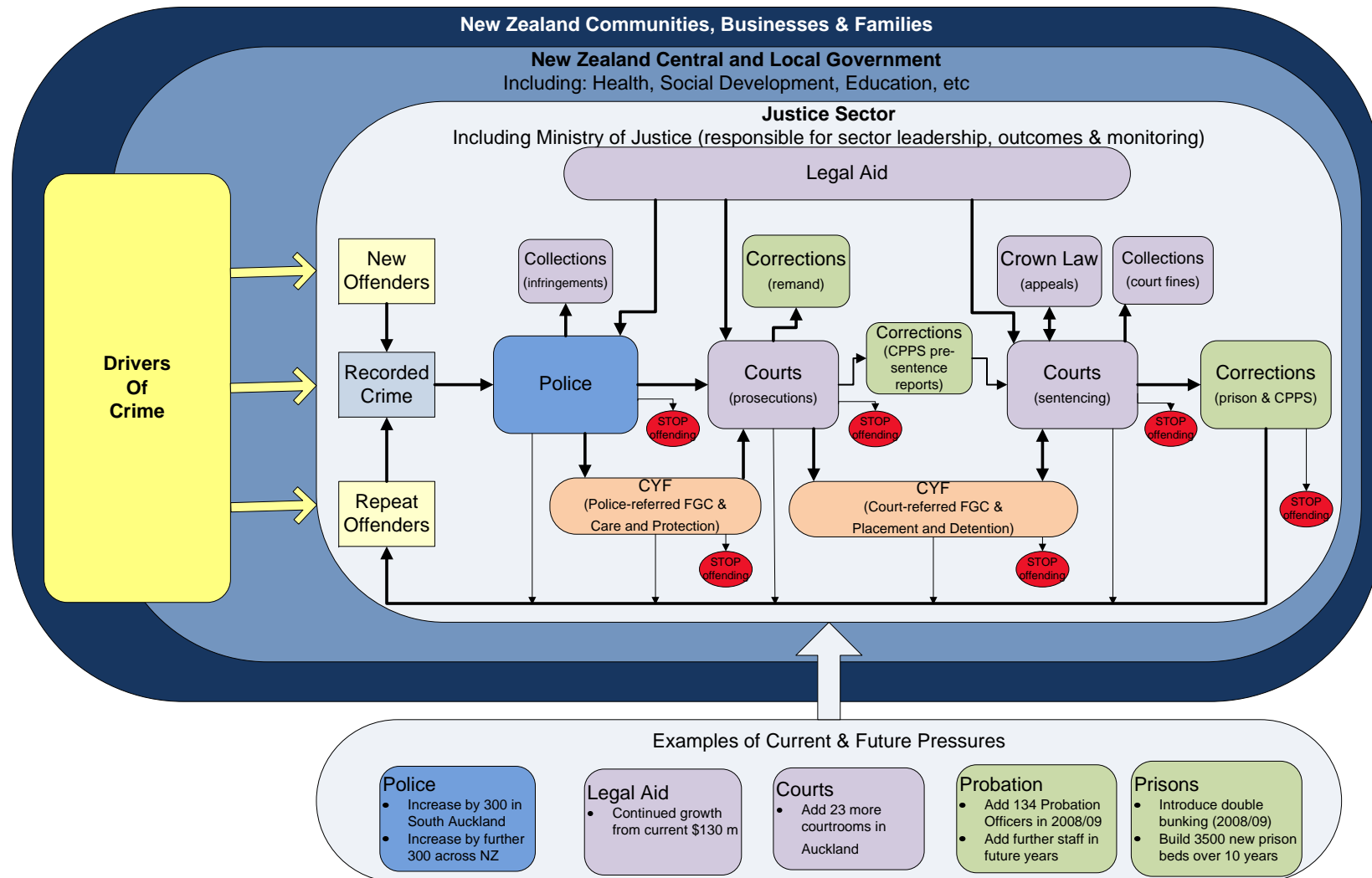
#### Greatest Potential Long Term Gains May Lie Outside the Justice Sector

Key messages:

1. There are some genuine emergency pressures in the justice sector – largely in Courts and Corrections. Some funding will need to be allocated for these areas in Budget 2009.
2. There is significant potential for continued growth in expenditure – from policy choices within the justice sector, and the flow-on impacts of increasing Police numbers.
3. Overall, while the sector is data-rich it is poor at developing performance measures and reporting on performance – particularly cost-effectiveness and value for money.
4. We suggest that Ministers should treat with caution any request for funding where the agency is unable to:
  - a. Articulate what performance aspect will change, and by how much
  - b. Demonstrate that pre-existing investment is delivering value for money
  - c. Identify credible alternative options and a basis for prioritising between them
  - d. Specify potential flow-on costs to other parts of the sector
5. Apart from genuine emergency pressures, we recommend that the sector focus on demonstrating performance and value for money of existing \$3.462 billion expenditure (with specific areas of focus identified for each agency below). The next priority should be to target drivers of growth and costs impacting in the next 1-5 years.
6. We support the proposed shift to focus on the drivers of crime – and recognise that the Budget 2009 initiatives create some room to develop alternative policy responses, as it alleviates some critical short term pressures.
7. The challenge is to ensure that the “drivers of crime” policy responses are:
  - a. Timely
  - b. Based on strong evidence that they work
  - c. Able to be impeccably implemented to deliver the promised results
  - d. Have a clear timeline for when results will be demonstrated
  - e. Bold and large enough to genuinely change the growth trajectory of the justice sector

The Minister of Justice is signalling an intention to shift focus to the drivers of crime – which will require increased engagement from agencies (and communities) outside the justice sector

Value for money work largely focuses on ensuring that the justice sector is operating effectively – but does not address the drivers of crime that may sit outside the justice sector. There is considerable scope to further improve value for money in the justice sector.



**Table One: Review against how well CBC Min 08 32/6 criteria have been addressed**

Criteria	4.1 Savings	4.2 Inconsistent programmes - discontinue	4.3 Inconsistent programmes – investigate	4.4 Inefficient or ineffective	4.5 Insufficient performance info	4.6 Actions for improvement	4.7 Unfunded initiatives
NZ Police	<i>\$14.2m (year 1), \$5.5m ongoing</i>	<i>No response provided.</i>	<i>No response provided.</i>	<i>No response provided.</i>  <i>Treasury considers assessment of efficiency and effectiveness to be an area of weakness across NZ Police.</i>	<i>No response provided.</i>  <i>Treasury considers performance information to be an area of weakness across NZ Police.</i>	<i>Very limited response (3 options identified but no detailed information).</i>  <i>Discussions have indicated that NZ Police is developing further options.</i>	<i>N/A</i>
Ministry of Justice	<ul style="list-style-type: none"> <li>• <i>Vote Justice average \$1.87m</i></li> <li>• <i>Vote Courts average \$12.37m</i></li> <li>• <i>Good savings options for future</i></li> </ul>	<i>A satisfactory response in the timeframe. All programmes considered and a limited number identified for stopping.</i>	<i>A satisfactory response in the timeframe. All programmes considered, now need to see what further work will be proposed.</i>	<i>Judgements made, but lacks clear assessment criteria to show how programmes have demonstrated effectiveness.</i>	<i>Limited performance information provided (including a lack of linkages to cost-effectiveness and outcomes).</i>	<i>Wide ranging options identified. Now need to see clear commitment to work programme.</i>	<i>Not identified, but MOJ forecasts ongoing “deficits”. Also significant demand risks in Courts.</i>
Department of Corrections	<i>\$11m in 2012/13 and outyears</i>	<i>No programmes were identified.</i>	<i>No programmes were identified.</i>	<i>Nothing was identified.</i>	<i>Nothing was identified.</i>	<i>Nothing was identified, but CE has since demonstrated willingness to undertake thorough value for money review.</i>	

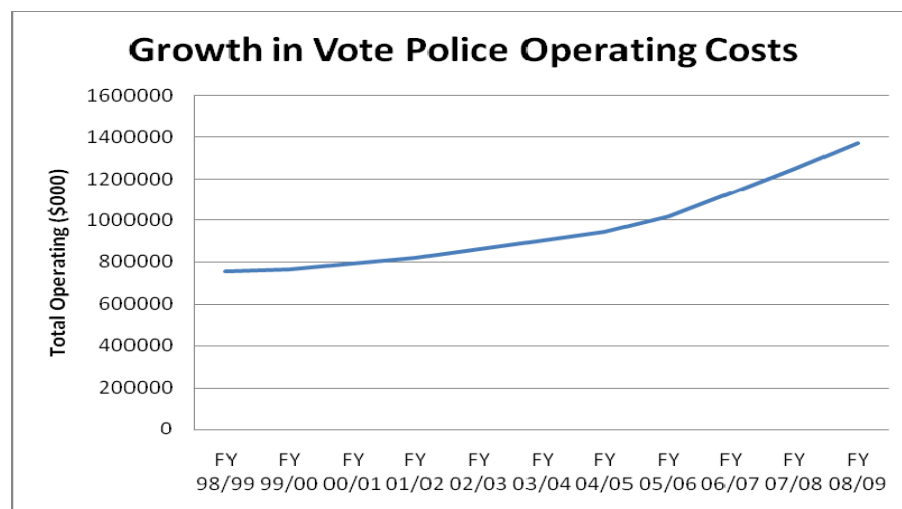
## Annex 1: Vote team critique of New Zealand Police submission

Responsible Minister Hon Judith Collins

### Funding

Departmental Output Expenditure – \$1,372 million (2008/09)

Departmental Output Expenditure growth from FY 00/01	+37% of starting budget	+ \$582 million
Savings offered as part of Budget 2009	-0.4% pa (2011/12 year)	-\$5.5 million
Emergency Pressures Bids	+7.3% pa (2011/12 year)	+\$100 million



### Departmental staff FTE

Staff numbers have grown by 2,561 over the last eight years (2001/02-2007/08). Over the last three years (including 2008/09) an additional 1,250 staff have been added. Personnel and related costs make up approximately 72% of the NZ Police baseline.

### General comment on quality of NZ Police analysis

The submission from NZ Police does not meet the instructions provided by Cabinet, and does not provide enough information to give confidence that officials have genuinely investigated a full range of options that could be subject to further consideration by Ministers. Notwithstanding the time constraints, NZ Police could have identified a more comprehensive range of options for further investigation. The lack of information provided by NZ Police on efficiency, effectiveness, performance and cost-effectiveness highlights a concerning lack of information and analysis on which to prioritise future Government investment in NZ Police.

### Savings

Treasury considers that NZ Police should be aiming for savings in the range of 1.5-3% of baseline (\$19-39 million). The savings proposed by NZ Police are low and have not included consideration of alternative options for service delivery that may allow NZ Police to manage future demand and cost increases. However, Treasury also recognises that, should NZ Police initiate a future work programme as suggested below, then priority should be given to that programme, rather than seeking additional savings at this time.

### Emergency pressures

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



### **Proposed future work programme**

NZ Police has provided very limited information, although have informally indicated a range of areas that are now being looked into. **Treasury considers that NZ Police should be a high priority for an in-depth review of value for money**, to enable the Commissioner to manage future demands on NZ Police. We would expect any review to have a number of linked components, including as a minimum:

- Assessment of whether the output class structure and related performance information supports NZ Police to demonstrate value for money (potential outcomes could include changes to the output class structure, performance measures, Statement of Intent goals and reporting)
- Identification of alternative service delivery options for NZ Police, to manage future demands (potentially including changes to the use of technology, resourcing mix and capital requirements)

## Annex 2: Vote team critique of Ministry of Justice submission

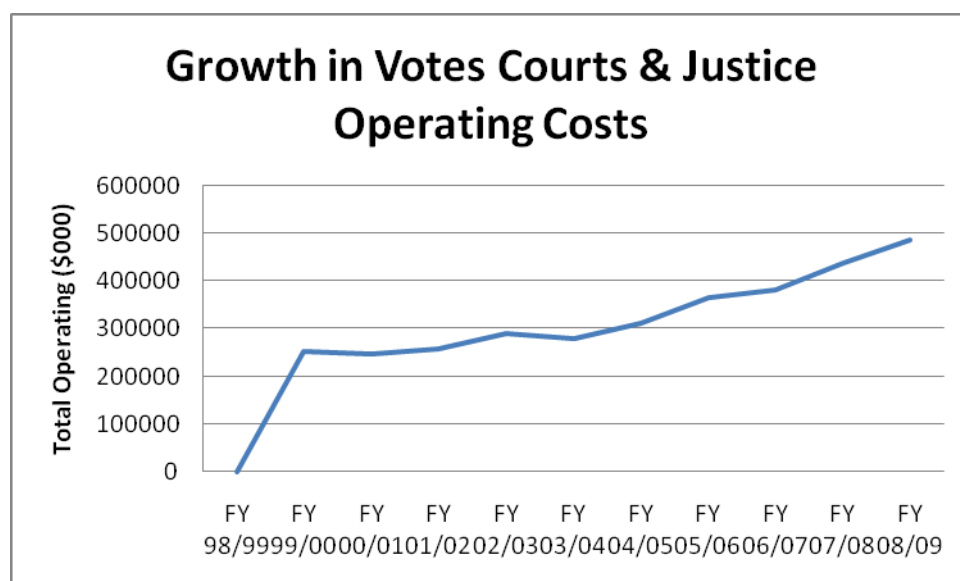
Responsible Minister Hon Simon Power

Vote Justice: Hon Simon Power/Vote Courts: Hon Georgina te Heuheu

### Funding

Departmental & Non-Departmental Output Expenditure – \$1,121 million (2008/09)

Departmental Output Expenditure growth from FY 03/04 <sup>2</sup>	+127% of starting budget	+\$261.1 m
Non-Departmental Output Expenditure growth from FY 03/04	+135 % of starting budget	+\$311.2m
Savings offered	-1.5% pa (2011/12 year)	-\$17.7m
Emergency Pressures Bids	+4.7% pa (2011/12 year)	+\$53.5m



### Departmental staff FTE

Staff numbers have grown by 1,013 over the last eight years (2001/02-2007/08) – from 2,117 to 3,046.

### General comment on quality of Ministry of Justice analysis

The Ministry of Justice has, in the time available, undertaken a wide-ranging review of both the potential for making immediate savings and areas where fundamental reviews of aspects of the justice system could provide sustainable future savings (such as Legal Aid, criminal simplification, rights to trial by jury, etc). However, there are some inconsistencies in the level and depth of analysis across the identified areas, particularly in relation to the criteria being used to assess efficiency and effectiveness. We also note a variable response from the Crown entities in the justice sector and we consider that Crown entity Boards need to undertake a more fundamental review of how they intend to provide services over the medium term.

### Savings

Treasury considers that the Ministry of Justice has identified a reasonable range of savings, with considerable potential in some of the longer-term initiatives. However we are concerned that the Ministry considers that it is currently operating in a “deficit” situation, where appropriations do not cover forecast expenditure – we consider that the Ministry should be identifying options for

<sup>2</sup> In 2003 Courts merged with the Ministry of Justice. Therefore, this analysis is from 2003/04 (instead of 1999) to 2008/09 to avoid distorting the trend with costs associated with the merger.

Ministers to consider so that Ministers have clarity about what level of services can be provided within the appropriated funding. Treasury has also noted that some of the short term savings options should be treated with caution, as they are largely in the form of reduced inputs, or less staff, which could impact on the longer term effectiveness of the organisation and, more significantly, may lead to increased costs in other parts of the Justice sector.

### **Emergency pressures**

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

### **Proposed future work programme**

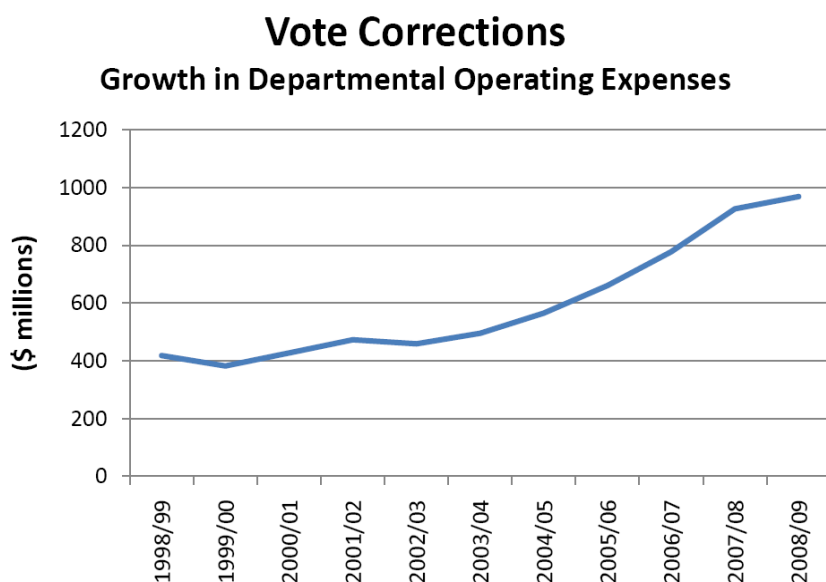
The Ministry of Justice has outlined an ongoing programme of work, that has considerable potential to improve the sustainability of services provided within the justice sector. In addition, the proposed work encompassed in “*taking a new approach to reduce crime and victimisation*” and “*addressing the drivers of crime*” will take the analysis beyond the justice sector (and potentially engage multiple agencies across both public and private sectors). In view of the work already proposed, Treasury considers that the Ministry of Justice should not be a high priority for an in-depth review of value for money.

### Annex 3: Vote team critique of Department of Corrections submission Responsible Minister Hon Judith Collins

#### Funding

Departmental Output Expenses for 2008/09 = \$969 million

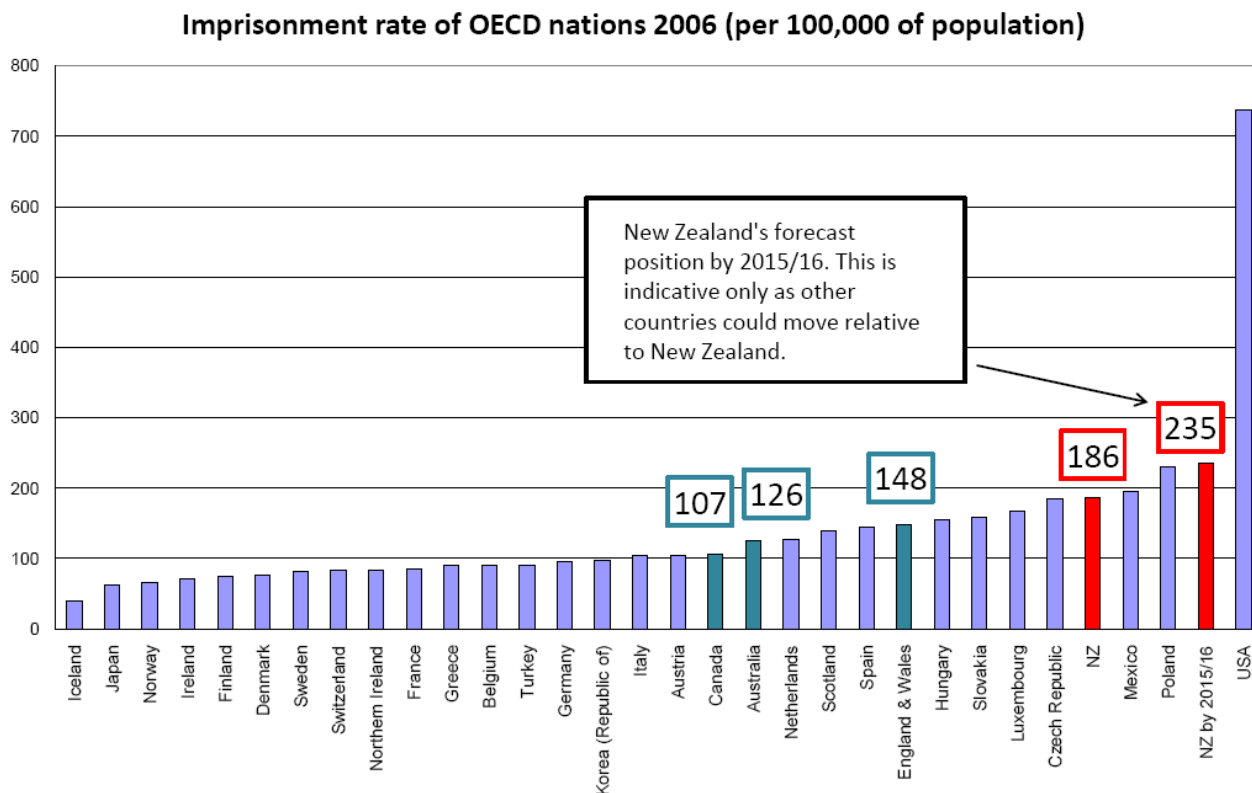
Departmental Output Expenditure growth from FY 98/99	+ 132% of starting budget	+ \$550.585m
Savings offered for Budget 2009	- 1% in 2012/13 only	- \$11m in 2012/13 only



Vote Corrections has received significant increases in funding since 2001/02 primarily due to the operation of **2394 new prison beds**.

There is no evidence that this has either improved community safety or reduced reoffending rates.

The 2008 Justice Sector Prison Population forecast indicates that steady growth in NZ's imprisonment rate will continue.



#### Increase in Departmental Staff FTEs

2003/04	2004/05	2005/06	2006/07	2007/08
4612	5111	5798	6451	6911

(data taken from 2007/08 Annual Report)

#### **General comment on quality of Department of Corrections' analysis**

This line by line review did not adequately meet Cabinet's instructions. Given the size of Corrections' baseline (\$969 million) and the significant growth in Vote Corrections since 1998/99 (+132% in nominal terms), our view is that **there is scope for the department to put significantly larger savings on the table**. Savings of at least 2-3% per annum (\$20-30 million) should be achievable.

The review also lacked concrete evidence of the efficiency and effectiveness of Corrections' outputs, and focused on the pressures that Corrections is facing rather than on getting better value for money and options for improvement.

#### **Proposed future work programme**

Since receiving feedback from Treasury on the draft review, Barry Matthews has gained the Minister of Corrections' approval to undertake a **thorough value for money review of the Department**. This review will be conducted by a panel of both private and public sector members (including Treasury). We are supportive of this review.

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*. Corrections should also look to improve performance measures so that external parties are able to assess the efficiency and effectiveness of dollars spent in the Vote.