

**Vote Corrections**

# Baseline Alignment Proposal

Version 1

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**Hon Judith Collins, Minister of Corrections**

## Section 1: Alignment to Government Priorities

1. The Government was elected with a mandate to lift economic performance. Economic growth alone can deliver New Zealanders permanently higher living standards and fund better-quality public services. Looking ahead, the Government's main priority is to get the economy growing in a sustainable fashion. The Government has identified six key areas where material opportunities exist to lift growth. These are:

- Investment in New Zealand's productive infrastructure
- Removing red tape and improving regulation
- Supporting business innovation and trade
- Improving education and lifting skills
- Lifting productivity and improving services in the public sector, and
- Strengthening the tax system.

Collectively they form an integrated package that will deliver the sustained lift in growth that New Zealand needs. Budget 2010 will support and facilitate progress in all six areas.<sup>1</sup>

2. The Minister's key priorities for the next year ahead, fits within Government's strategic direction as agreed for Budget 2010 and demonstrates clear commitment to the Government strategy of delivering better, smarter public services for less, a three to five year programme of reform within the public sector. In summary, the Minister's key priorities are:

- Competitive tendering for the management of prisons, to enable private management of two existing prisons
- Ensuring adequate prison capacity by:
  - Implementation of double bunking
  - Development of a Public Private Partnership on the Wiri site
- Assuring public safety through effective management of community-based offenders by the progressive introduction of the Community Probation Services Change Programme
- Continuing to expand and improve offender rehabilitation by:
  - Implementation of the new Rehabilitation and Reintegration Services
  - Advance the Associate Minister's Whare Oranga Ake initiative
- Organisational efficiency and excellence.

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<sup>1</sup> Budget Policy Statement 2010 delivered by Hon Bill English, Minister of Finance, 15 December 2009

Maintaining appropriate public services and meeting new spending needs within baseline requires a much greater focus on efficiency, effectiveness and innovation as a priority for the Department so it can deliver better, smarter public services for less.

3. The table below summarises at a very high level how Minister priorities are to be funded either from within baseline, through one-off amounts that could be reallocated to help fund the pressures and Minister priorities for Budget 2010, the agreed \$151.5 million operating allowance or additional funding as requested through Phase Two of Budget 2010.

<b>Minister Priority</b>	<b>Source of Funding</b>
Competitive tendering for the management of prisons, to enable private management of two existing prisons	To be met from within existing baseline from savings generated and expected from performance improvement actions
Ensuring adequate prison capacity by implementing double bunking	Budget 2009 decision
Ensuring adequate prison capacity by development of a Public Private Partnership on the Wiri site	The Department has prepared an overarching Business Case for the Public Private Partnership on the Wiri site and Mt Eden Phase Two (as part of the Capacity Development Programme) that sets out the prison capacity needs over the next 10 years. The Business Case has not been part of the consideration of the \$151.5 million operating allowance for the justice sector. The Department has submitted capital initiatives for new capital and associated operating expenses during Phase Two of Budget 2010
Assuring public safety through effective management of community-based offenders by the progressive introduction of the Community Probation Services Change Programme	Allocation of Department of Corrections 2009/10 surplus
Continuing to expand and improve offender rehabilitation by Implementation of the new Rehabilitation and Reintegration Services	Allocation of Department of Corrections 2009/10 surplus
Continuing to expand and improve offender rehabilitation by advancing the Associate Minister's Whare Oranga Ake initiative	The \$151.5 million operating allowance allocated to the justice sector through Phase One of Budget 2010
Organisational efficiency and excellence	To be met from within existing baseline from savings generated and expected from performance improvement actions. The savings generated and expected will also be allocated to manage existing cost pressures

4. The priorities have been identified in order to increase both efficiency and effectiveness, and have a more targeted approach to reducing re-offending and managing the increasing demand in prison and community probation services.
5. The Department along with other agencies in the justice sector, conducted a detailed examination of its baseline in November 2009 to ensure that priorities can be delivered within current baselines. Section 2 outlines how the priorities and cost pressures are to be funded from within baseline by reprioritising savings expected as a result of the Department implementing its performance improvement actions.
6. Existing baseline expenditure is structured around the provision of the following outputs:
  - Information about offenders to victims of crime, the judiciary and the New Zealand Parole Board
  - Custodial services for remand prisoners and offenders sentenced to imprisonment, including the provision of health services, crime prevention, prisoner transportation and external supervision
  - Prisoner education, prisoner employment, rehabilitative programmes, reintegrative services and psychological services all designed to address the underlying causes of criminal re-offending
  - Ministerial services, the development of policies and the provision of policy advice, and
  - The management and delivery of sentences and orders served in the community.

These outputs are considered to be the most efficient and effective ones to achieve the stated priorities and the following outcomes:

- Compliance with sentences and orders is ensured
- Re-offending is reduced
- Sentence options are used effectively
- Victims of crime are supported, and
- Offenders are managed safely and humanely.

Protecting the safety of the public is the Department's number one priority.

The Department has increased its focus on improving and building organisational health and capability in order to deliver core outputs, priorities and contribute effectively to achieving outcomes.

7. The Department will continue to deliver high quality services in response to the fiscally restrained environment. The Department is committed to absorbing the level of pre-existing cost pressures and continue to deliver existing services and productivity improvements within its existing baseline for 2010/11. However, the Department faces significant unfunded fiscal challenges in the future years and therefore intends to absorb as much of the identified cost pressures with the internal efficiency savings realised from initiatives included in The Way Forward performance improvement programme as outlined in paragraph 8, Section Two.

## Section 2: Reprioritisation

1. Section Two demonstrates how Minister priorities, existing cost pressures, and cross-vote initiatives developed by justice sector agencies are to be funded either from within baseline, through the reallocation of one-off amounts or the agreed \$151.5 million operating allowance.
2. Section Two consists of the following parts:
  - A justice sector overview supporting the Department's Baseline Alignment Proposal
  - How the Department proposes to deal with unfunded pressures whilst delivering on Minister priorities
  - Funding obtained through the agreed justice sector allocation process for Minister and justice sector priorities
  - A brief summary of the Budget 2010 Capital Initiatives supporting Minister priorities, and
  - Consideration of future risks.

### ***Justice Sector Overview***

3. The justice sector's reports for Budget 2010 Phase 1 and Phase 2<sup>2</sup> highlighted that the justice sector cannot cope with ongoing volume pressures in a fiscally sustainable way. In Budget 2010, the immediate service delivery risks and Vote Ministers' priorities that the justice sector cannot absorb or defer currently amount to \$189.688m operating (excluding operating expenses relating to the Prison Capacity Business Case and the Courts and Criminal Matters Bill).<sup>3</sup> Aside from these pressures, in Budget 2010 the justice sector proposes to absorb \$624m pressures within baselines<sup>4</sup> and has identified fiscal risks for future Budgets of \$614m.<sup>5</sup>
4. Over the past decade the demand for justice sector services has substantially increased and is reflected in higher volumes of prosecutions, court cases, prisoners, and offenders managed in the community. The current business model is underpinned by an

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<sup>2</sup> The justice sector's reports for Phase 1 and Phase 2 were:

- Phase 1: Justice Sector: Budget 2010 Baseline Examination (7 December 2009)
- Phase 2: Justice Sector Budget 2010 Capital Proposals and Preliminary Strategic Choices: Sector Overview (5 February 2010).

<sup>3</sup> Appendix 5 of the Phase 1 report identified residual pressures of \$435.901m operating expenses. Based on further work since Phase 1 the sector proposes in Phase 3 to allocate funding to \$189.688m of these pressures. (The changes include: scaling back the PIAs, and clarifying the service delivery risks and Vote Ministers' priorities for Budget 2010 funding). Note: the Prison Capacity proposals will be considered by Cabinet in the capital bids process, outside the justice sector Budget 2010 process.

<sup>4</sup> See Appendix 3 of the Phase 1 report.

<sup>5</sup> See table 2 in this briefing. Table 2 outlines the currently known and quantified (\$614m) operating risks for future Budgets (this updates the \$548m risks for future Budgets identified in Phase 1: refer Appendix 6 of the Phase 1 report).

extensive legislative and policy framework (often built on legislation that is over 50 years old). This model cannot cope with continued increases in demand.

5. The justice sector has considered a range of strategic options that will help to transform its business model to be more fiscally sustainable. The key strategic choices are the Police, Courts and Corrections' Performance Improvement Actions (PIAs) that aim to reduce volumes through the courts and prisons, and improve the efficiency and effectiveness of the criminal justice system – thus contributing to the Government's drive for 'better, smarter public services for less'.<sup>6</sup> Sector Ministers have agreed that these PIAs are an important priority for the justice sector.
6. The sector is proposing to allocate operating funding in Budget 2010<sup>7</sup> for criminal justice PIAs – Criminal Procedure Simplification (CPS), Electronic Operating Model (EOM) and Audio-Visual Links (AVL) – these initiatives will improve efficiency in the courts and provide other benefits, at a lower level, for Police and Corrections. These PIAs also complement and support important aspects of other sector PIAs – the Police Comprehensive Approach to Policing Excellence (CAPE), such as the alternative resolutions and case management initiatives, and Corrections' The Way Forward, in particular the Community Probation Service change programme and the focus Corrections is taking in relation to rehabilitation and reintegration.
7. The sector has developed scaled-back options for funding CPS, EOM and AVL in Budget 2010 and out-years, and will sequence implementation in a coordinated way. Funding for CAPE is not sought in Budget 2010 and Corrections proposes to self-fund the initial implementation of The Way Forward in 2010 from efficiency savings, however funding for these PIAs may be required in Budget 2011 and future Budgets.

### ***Unfunded pressures in Budget 2010***

8. The Department is focussed on making savings and working to improve efficiency and effectiveness. It has undertaken to meet the following cost pressures from within existing baseline from savings generated and expected from performance improvement actions.

	2009/10 (\$'000)	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
The Way Forward - Value for money (par 9)					
2009/10 Surplus to be carried forward	10,000				
- Value Creation 2009/10	(10,000)	10,000			
- Value Creation 2010/11		22,612			
- Value Creation 2011/12			27,912		

<sup>6</sup> CAB Min (09) 17/10 – *Improving the Business of Government: Delivering Better, Smarter Public Services for Less*.

<sup>7</sup> Capital costs will be self-funded.

	2009/10 (\$'000)	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
- Value Creation 2012/13				25,280	
- Value Creation 2013/14					26,280
Revised Capital Plan – Self-funding of Mt Eden Replacement (par 10)		6,529	11,980		
<b>To offset existing cost pressures</b>					
Community Probation Services Change Programme (par 11)		(5,000)	-	-	-
Changes to Rehabilitation and Reintegration Services (par 12)		(5,000)	-	-	-
Literacy and Numeracy (par 13)		(1,600)	(3,200)	(3,200)	(3,200)
<i>[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]</i>					
Re-opening of Wellington Prison - Mt Crawford (par 15)		(3,500)	(3,500)	(3,500)	(3,500)
Self-Funding Mt Eden Replacement Depreciation and Property Costs (par 16)		(7,671)	(14,982)	-	-
Contract Management of Prisons - Implementation costs only (par 17)		(1,400)	(200)	-	-
Community Probation & Psychological Services (CPPS) Capacity (par 18)		(12,000)	(12,000)	(12,000)	(13,000)
<b>Total</b>	<i>[deleted – negotiate without prejudice]</i>				

## 9. The Way Forward Performance Improvement Programme - Value for Money

The Way Forward Performance Improvement Programme (TWF) focuses on achieving greater efficiency and effectiveness. Maintaining consistent standards in performance and meeting new spending needs within baseline requires a much greater focus on efficiency, effectiveness and innovation as a priority for the Department to deliver better, smarter public service for less. The Department faces significant unfunded fiscal challenges in the future years and therefore intends to absorb as much of the identified cost pressures with the internal efficiency savings realised from initiatives included in the TWF as outlined in paragraph 8.

TWF is a three year change programme that will support the Department to improve performance and change the way it works by creating a culture that is focused on continuous improvement.

The Way Forward aims to achieve:

- Excellence in delivery of correctional services
- Services that are aligned with Government priorities and expectations

- Services that are delivered in the most cost effective and efficient way; so that public and government confidence in the Department is built and sustained over time.

The internal efficiency savings realised are obtained from lower value expenditure incurred without compromising the standard of service delivery or performance (doing the same for less).

Under TWF, a significant number of workstreams are underway focusing on achieving greater efficiency and effectiveness, including substantial organisational realignment, redesigning business systems and processes, improving corporate performance and activities to realise efficiency gains and value creation. Incorporated under this umbrella of change is also contestability of service delivery and a greater focus on achieving better outcomes from rehabilitation and reintegration services.

The Department proposes to self-fund the initial implementation of TWF in 2010 from efficiency savings, however funding may be required in Budget 2011 and future Budgets.

#### **10. Revised Capital Plan – Self-funding of Mt Eden Replacement**

As part of Budget 2008, Cabinet directed the Department [Cab Min (08) 14/1(12)] to self-fund the Mt Eden Replacement depreciation and property costs in 2010/11 and 2011/12 only, without an increase in baseline funding.

In order to self-fund the depreciation and property costs, the Department revised its capital plan for 2010/11 and 2011/12. The outcome of the revised capital plan has identified \$6.529 million and \$11.980 million of depreciation funding, which will be allocated to self-fund the depreciation of Mt Eden replacement.

The remaining property costs of \$1.142 million and \$3.002 million will be self-funded by internal efficiency savings realised in 2010/11 and 2011/12 respectively.

#### **11. Community Probation Services (CPS) Change Programme**

The Department is self-funding the cost associated with the CPS Change Programme with internal efficiency savings realised in 2009/10, and transferred to 2010/11, without an increase in baseline funding for 2010/11.

The operating costs of the CPS Change Programme to be funded are:

- salary and overhead costs for the programme office
- Expert Panel fees and travel costs
- consultation, focus and reference group meetings (venue hire, travel)
- engagement of specialist providers/consultants to assist in the development of the Change Management programme.

CPS is embarking on a multiyear change programme that will transform its approach to service delivery and lead to more effective results. The aim of the CPS Change Programme is to satisfy and provide confidence to Government, key stakeholders, and



the public, that CPS has done everything that can be reasonably expected of it to reduce re-offending and improve public safety.

This change programme involves redefining the core purposes of CPS and the core principles that govern how it operates. All aspects of CPS will be reviewed to align with agreed purposes and principles, including the development of a new integrated practice framework and supporting business systems.

The objectives of the change programme are to position CPS so that in three to five years time, it will be:

- Clear about its purposes and being able to measure its impact on key outcomes
- More effective and efficient in the way that it performs its responsibilities
- A positive place to work, which fully utilises the skills and experience of its staff to positive effect
- A workplace where front line managers are focused on managing service delivery as it happens and not after the fact
- More flexible and adaptable, and confidently able to make trade-offs when required to do so
- Certain that staff will be well-supported when they operate within practice frameworks and will be held accountable when they do not.

Funding may be required in Budget 2011 and future Budgets.

## **12. Changes to Rehabilitation and Reintegration Services**

The Department is self-funding the costs associated with establishing the new Rehabilitation and Reintegration Services group (RRS) with internal efficiency savings realised in 2009/10, and transferred to 2010/11, without an increase in baseline funding for 2010/11.

The Department's rehabilitation programmes meet international standards in terms of effectiveness and are continually evaluating and using information and knowledge gained to improve its rehabilitative and reintegrative activities.

As part of The Way Forward Performance Improvement Programme (TWF), the Department is undertaking a fundamental rethink of its approach to rehabilitative and reintegrative services to achieve greater effectiveness (including improving the effectiveness for Māori) and the way to deliver services to ensure that programmes and interventions are world leading and reduce re-offending. The new RRS is the outcome of TWF and will be up and running in the first part of the 2010.

RRS will over the next two to three years:

- Develop a rehabilitation and reintegration approach and principles including a "through care" model

- Review of the sentence management processes including active management
- Review and develop offender assessment and planning processes
- Develop and implement a new cost effectiveness framework to evaluate and consider whether to stop or expand programmes.

Funding may be required in Budget 2011 and future Budgets.

### **13. Literacy and Numeracy**

The Department is self-funding the operating costs required to increase the number of prisoners learning industry-based skills with internal efficiency savings realised in 2010/11 and outyears, without an increase in baseline funding.

The expansion of literacy and numeracy education in prisons is the first step in implementing the Government's policy to boost the number of prisoners learning industry-based skills. With the additional funding, the Department will deliver literacy and numeracy education to 1,550 additional prisoners in two priority groups:

- prisoners with acute needs who are serving short sentences of imprisonment, and
- prisoners who are serving longer sentences with identified acute needs for literacy and numeracy education.

Low literacy and numeracy skills are prevalent in the prisoner population and contribute to reduced employment opportunities and lower incomes, both are risk factors for re-offending. Addressing these and other re-integrative factors contribute to higher rates of employment, greater social participation, reduced re-offending and re-imprisonment and improved public safety.

Improved literacy and numeracy improves employment opportunities (within and outside of prisons), economic performance and results in a better standard of living for offenders and their families.

### **14. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]***

### **15. Re-opening of Wellington Prison - Mt Crawford**

The Department is self-funding operating costs from the re-opening of Wellington Prison with internal efficiency savings realised in 2010/11 and outyears, without an increase in baseline funding.

The Department faces significant prison capacity demands over the next ten years and an integrated prison capacity plan has been developed to respond to these demands.

As a short term measure to address the increased prison capacity demands, with the Minister's approval, the Department has reopened the Wellington Prison (Mt Crawford) on 6 July 2009 and self-funded the \$3.5 million running costs within its 2009/10 baseline funding.

The Department is expected to continue to self-fund the future years running costs to operate the Wellington Prison. The Department therefore aims to absorb these running costs with internal efficiencies savings realised in 2010/11 and outyears.

### **16. Self-Funding Mt Eden Replacement Depreciation and Property Costs**

The Department is to self-fund \$7.671 million and \$14,982 million of depreciation and property costs with depreciation savings identified from the revised capital plan and internal efficiency savings realised in 2010/11 and 2011/12 only, without an increase in baseline funding.

As part of Budget 2008, Cabinet directed the Department [Cab Min (08) 14/1(12)] to self-fund the Mt Eden Replacement depreciation and property costs in 2010/11 and 2011/12 only, without an increase in baseline funding.

In order to self-fund the depreciation and property costs, the Department revised its capital plan for 2010/11 and 2011/12. The outcome of the revised capital plan has identified \$6.529 million and \$11.980 million of depreciation funding, which will be allocated to self-fund the depreciation of Mt Eden replacement.

The remaining property costs of \$1.142 million and \$3.002 million will be self-funded by internal efficiency savings realised in 2010/11 and 2011/12 respectively.

### 17. Contract Management of Prisons - Implementation costs only

The Department is to self-fund implementation costs for the contract management of prisons with internal efficiency savings realised in 2010/11 and 2011/12, without an increase in baseline funding.

The Department confirmed and obtained approval of the Term of Reference and the Implementation Plan for the Contract Management of Prisons from the Minister in 2009/10. Based on the implementation plan, the cost to implement the contract management of prisons totalled \$1.2 million in 2009/10, \$1.4 million in 2010/11 and \$200,000 in 2011/12. The Department has already self-funded the \$1.2 million within its 2009/10 baseline and will need to absorb the remaining of the implementation costs in 2010/11 and 2011/12.

### 18. Community Probation & Psychological Services (CPPS) Capacity

The Department is self-funding costs from further growth in the number of offenders managed in the community as predicted by the 2009-17 Criminal Justice Forecast with internal efficiency savings realised in 2010/11 and outyears, without an increase in baseline funding.

The 2009-17 Criminal Justice Forecast predicted further growth in the number of offenders managed in the community. These predicted increases are exclusive of any policy changes.

Based on current service delivery average product times and no changes to average sentence length, approximately 497 additional probation officers, programme facilitators and psychologists will be required through to 2013/14 to manage this predicted additional demand.

#### Likely Operating and Capital Costs

\$'000 (GST excl)	2010/11	2011/12	2012/13	2013/14
Gross operating impact	46,000	<i>information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials</i>		
<i>Offsetting: CPS productivity gains</i>	(34,000)			
<i>Offsetting: Against Internal efficiency savings</i>	(12,000)			
Net operating impact – Budget 2012	-			
Net capital impact	-	<i>deleted – confidentiality of advice</i>		

CPS has committed to productivity increases to cover the 2009/10 to 2013/14 volume increases which represents if resourced a minimum of 20% increase in probation officer FTEs and implements substantial changes to probation services without additional funding in Budget 2010. The Department is seeking to absorb \$34.0 million per annum of the identified unfunded cost pressures against CPS productivity gains in 2010/11 and outyears.

In addition, the Department is also seeking to absorb \$12.0 million (from 2010/11 to 2012/13) and \$13.0 million (in 2013/14) of its unfunded cost pressures with internal efficiency savings realised.

CPS will not know how far its resources will stretch under the new design until late 2011/ early 2012. It is therefore likely the earliest CPS would be submitting a Budget bid would be Budget 2012 for the remaining unfunded cost pressures as indicated in the table above. Also refer to Fiscal Risks Section.

### ***Funding obtained through the agreed justice sector allocation process***

#### **19. Reintegration Services – Establishment of Whare Oranga Ake**

Funding is being sought to provide kaupapa Māori reintegration services to improve the ability of prisoners to successfully participate in the community on release, and reduce re-offending. More effective rehabilitation and reintegration will help prisoners become contributing members of society and reduce the rate and/or seriousness of their re-offending. Whare Oranga Ake would create a kaupapa Maori environment where the focus would be on gaining employment, securing suitable accommodation and improving family and wider social relationships.

The funding sought in respect of this initiative is summarised below.

\$'000	2009/10	2010/11	2011/12	2012/13	2013/14
Operating impact	-	93	1,786	2,470	3,170
Capital impact	-	9,090	-	3,200	-

The submission of this initiative is in line with the Minister of Finance's expectations, as expressed in his letter to you dated 22 December 2009.

Operational funding has been provided from the \$151.5 million operating allowance allocated to the justice sector, whereas capital funding is being sought as part of Budget 2010 phase two capital funding decisions.

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



## 21. Audio Visual Links (AVL) in Courts and Corrections Facilities: Phase 1

AVL will allow remote appearances to replace in person appearances, to generate transport savings and efficiencies, enhance public, judicial and prisoner safety.

The funding sought in respect of this initiative is summarised below.

\$'000	2009/10	2010/11	2011/12	2012/13	2013/14
Operating impact	<i>information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials</i>				
Capital impact (to be self-funded)					

At present courts operate by having all parties to a case appear in person, in court, at the same time. Prisoners are currently transported from prisons to courts for in person appearances. There are between 100,000 and 130,000 prisoner transportations per year. This is labour intensive and expensive, and each transportation is a security and safety risk.

AVL will allow remote appearances to replace in person appearances. AVL facilities will generate transport savings and efficiencies, enhance public, judicial and prisoner safety, and enable the justice sector to absorb within baselines more of the costs associated with a growing remand population.

The key benefits associated with using AVL for remand prisoner appearances are:

- reduced average price of a remand appearance of \$21 by AVL compared to \$81 for an in-person appearance
- increased quality of remand prisoner processes, and
- increased ability to meet international standards for prisoner segregation.

The efficiency savings from Police and the Serious Fraud Office in 2009/10 will be used to fund operating costs associated with the justice sector cross-vote initiative (scaled-back). Capital costs will be self funded.

## ***Budget 2010 Capital Initiatives***

### 22. Prison Capacity

The Department requires additional prison capacity over the next 10 years to ensure that it remains able to safely and securely manage the prison population. The overall requirement is for an additional remand and sentenced 2,270 beds comprising the need to replace 1,055 beds that are at end of life and 1,215 new beds to meet increased prisoner demand.

A ten year capacity plan has been developed to provide this additional capacity:

- Commitment decisions are required in Budget 2010 to build capacity at Mt Eden Prison (245 beds, in-service December 2012) and at Wiri (960 beds, in-service December 2014). Procurement analysis recommends that the Wiri Prison is delivered via a Public Private Partnership (PPP).
- A commitment decision is required in Budget 2011 to build capacity at Waikeria Prison (856 beds, in-service mid-2014).
- Decisions will also be required in Budgets 2013 and 2014 to provide a further 360 beds.

The funding sought in the forecast period in respect of this initiative is summarised below:

\$'millions	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Budget 2010 – Mt Eden</b>					
Capital impact	-	17.0	50.0	16.0	-
Operating impact	-	-	5.0	19.0	20.4
<b>Budget 2010 – Wiri</b>					
Capital impact	-	<i>[deleted – negotiate without prejudice]</i>			
Operating impact	-	<i>[deleted – negotiate without prejudice]</i>			
<b>Budget 2011 – Waikeria</b>					
Capital impact	-	-	<i>[deleted – negotiate without prejudice]</i>		
Operating impact	-	-	<i>[deleted – negotiate without prejudice]</i>		

The Department has prepared an overarching business case detailing prison capacity requirements over the next ten years, including a recommended response option and procurement approach. The business case has been submitted to Joint Ministers (Corrections and Infrastructure/Finance). Associated with the above, budget initiatives have been submitted in respect of Mt Eden Prison and Wiri Prison for consideration in Budget 2010 in the capital bids process. A Cabinet paper is being prepared seeking approval for a custodial PPP prison at Wiri. Also refer to Fiscal Risks Section.

### **Future Risks**

23. The size of the fiscal risks for future Budgets is significant. In addition to the fiscal risks, the Department also faces medium to high service delivery and operational risks. The priorities as set out in Section One will begin to address some of these risks.

### **24. The Way Forward**

The Department faces very high risks associated with absorbing cost pressures and implementation risks associated with The Way Forward change programme (incorporating the Community Probation Services change programme and the changes required in the Rehabilitation and Reintegration Services). The Way Forward requires major change management processes, and if not managed well, will impact on the



realisation of the desired changes required to deliver future efficiencies and effectiveness.

## 25. Prison Capacity

The Department faces significant prison capacity demands over the next ten years and an integrated prison capacity plan has been developed to respond to these demands. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*. If approved, this would decrease the operating balance and increase gross debt.

The Department has prepared an overarching business case detailing prison capacity requirements over the next ten years, including a recommended response option and procurement approach. The business case has been submitted to Joint Ministers (Corrections and Infrastructure/Finance).

Associated with the above, budget initiatives have been submitted in respect of Mt Eden Prison and Wiri Prison for consideration in the capital bids process in Budget 2010 (outside of the justice sector Budget 2010 process). A Cabinet paper is being prepared seeking approval for a custodial Public Private Partnership (PPP) prison at Wiri.

## 26. Community Probation Services Capacity

The 2009 – 2017 Criminal Justice Forecast, predicted further growth in the number of offenders managed in the community. These predicted increases are exclusive of any policy changes. Based on current service delivery average product times and no changes to average sentence length, approximately 497 additional probation officers, programme facilitators and psychologists will be required through to 2013/14 to manage this predicted additional demand.

Community Probation Services (CPS) has committed to productivity increases to cover the 2009/10 and 2010/11 volume increases which represents, if resourced, a minimum of 20% increase in probation officer FTEs. This has to initially be done by changing the existing operating procedures to reduce the amount of probation officer time being spent on medium and low risk offenders and try and preserve the time spent on high risk offenders. At this stage this work excludes parole and Home detention.

The change programme is a zero-based redesign of the way probation work is undertaken to target resources to risk and to provide less prescription and greater flexibility for staff to make professional judgements in a supported way.

CPS will not know how far its resources stretch under the new design until late 2011/early 2012. At that point the Department will provide advice to Government about levels of risk relative to the productivity gains that have been made.

### Likely Operating and Capital Costs

\$'millions (GST excl)	2009/10	2010/11	2011/12	2012/13	2013/14
Net operating impact	<i>deleted – confidentiality of advice</i>				

\$'millions (GST excl)	2009/10	2010/11	2011/12	2012/13	2013/14
Net capital impact	<i>deleted – confidentiality of advice</i>				

## 27. Additional unquantified impacts - Treaty Settlements

The Crown is in Treaty settlement negotiations with several iwi that includes offering land currently held by the Department. *[information deleted in order to enable the Crown to negotiate without disadvantage or prejudice ]* .

*[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions and information deleted in order to enable the Crown to negotiate without disadvantage or prejudice]*

### Section 3: Summary of Financial Movements

The changes to baselines which are required to deliver the reprioritisation set out in Section 2 are detailed below:

Vote: Corrections	2009/10 (\$'000)	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
<b>Baseline (2010 FBU)</b>	<b>1,097,029</b>	<b>1,141,382</b>			
<b>Reprioritisation</b>					
The Way Forward - Value for money					
- Value Creation 2009/10	(10,000)	10,000			
- Value Creation 2010/11		22,612			
- Value Creation 2011/12					
- Value Creation 2012/13					
- Value Creation 2013/14					
Revised Capital Plan – Self-funding of Mt Eden Replacement		6,529			
Community Probation Services Change Programme		(5,000)			
Changes to Rehabilitation and Reintegration Services		(5,000)			
Literacy and Numeracy		(1,600)			
<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>					
Re-opening of Wellington Prison - Mt Crawford		(3,500)			
Self-Funding Mt Eden Replacement Depreciation and Property Costs		(7,671)			
Contract Management of Prisons - Implementation costs only		(1,400)			
Community Probation & Psychological Services (CPPS) Capacity		(12,000)			
<i>information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials</i>					
<b>Transfer Outside Vote</b>					
Whare Oranga Ake		93			
Audio Visual Links (AVL) in Courts and Corrections Facilities: Phase 1		192			
Criminal Procedure (Simplification) Project - Implementation		-			
<b>Total Transfer Outside Vote</b>	<b>0</b>	<b>285</b>			
<b>Total changes</b>	<b>(10,000)</b>	<b>285</b>			
<b>Total Proposed Baseline</b>	<i>[deleted – negotiate without prejudice]</i>				