

The Treasury

Budget 2016 Information Release

Release Document July 2016

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[s18(c)(i)]	that the making available of the information requested would be contrary to the provisions of a specified enactment	
[40]	Not in scope	

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Treasury Report: Briefing for State Sector Reform and Expenditure Control Committee Wednesday, 2 December 2015

Date:	27 November 2015	Report No:	T2015/2814
		File Number:	MS-5-2-SEC

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Read prior to SEC meeting	8.30am, Wednesday, 2 December 2015
Associate Minister of Finance (Hon Steven Joyce)	Read prior to SEC meeting	8.30am, Wednesday, 2 December 2015
Associate Minister of Finance (Hon Paula Bennett)	Read prior to SEC meeting	8.30am, Wednesday, 2 December 2015

Contact for Telephone Discussion (if required)

Name	Position		Telephone	1st Contact
[23]	Analyst, Fiscal & State Sector Management	[23]	N/A	✓
Simon McLoughlin	Team Leader, Fiscal & State Sector Management	04 917 6011 (wk)	[23]	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Briefing for State Sector Reform and Expenditure
Control Committee Wednesday, 2 December 2015

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Recommended Action

We recommend that you **read** this report prior to the State Sector Reform and Expenditure Control Committee meeting at 8.30am on Wednesday, 2 December 2015.

Simon McLoughlin
Team Leader, Fiscal & State Sector Management

Hon Bill English
Minister of Finance

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Department of Corrections: Maintaining Fiscal Stability in 2015/16

Responsible Person: Alex Harrington, Justice and Security, 890 7239

First Contact Person: [23]

Purpose

1. This paper seeks funding of up to \$27.8 million in 2015/16 and \$3.2 million in 2016/17 and outyears due to unforeseen cost pressures as a result of the record high prison muster and other events (notably the Mount Eden Corrections Facility (MECF) Step-In, the Phillip Smith Traynor Inquiry and electronic monitoring incidents).

Comment

2. In 2011, Corrections committed to operate within its 2011 forecast baseline until 2020. At that time, Corrections faced cost pressures and Crown dividend commitments of [34] This commitment was based on the assumption that offender numbers did not significantly exceed those in the 2011 Justice Sector Forecast.
3. Corrections undertook an expenditure review [34] . In March 2015, Cabinet agreed to 'Expenditure Review 2' [34] . As part of this, Corrections planned to decommission three prison units, [34] At this time Cabinet noted that, with the prison muster at a record high, delivering on Expenditure Review 2 would be difficult if volumes continued to increase.
4. Since March 2015, the prison muster has continued to rise above forecast¹ and Corrections' operating environment has changed due to a range of issues and events: responding to events at MECF, the Phillip Smith Traynor Inquiry and electronic monitoring incidents. These factors have impacted Corrections' ability to implement their financial strategy without exposing the system to operational risk, or reducing investment in rehabilitative programmes which contribute to the Government's Better Public Services goal of reducing re-offending by 25 per cent by 2017. It is likely that deprioritising investment in rehabilitation would lead to an increase in reoffending, consequent victimisation in the community and costs for the justice system in future.
5. [34]

As a result of their expenditure reviews Corrections has achieved significant operating savings since 2011. In 2014/15 Corrections was underspent by only \$1.58 million (1.5% of the department's \$1.24 billion baseline), which reflects their already-tight operating environment. Corrections faces significant cost pressures in outyears, and will be bidding for funding for these in Budget 2016.

Funding request

6. Muster growth: Corrections is seeking \$15 million in 2015/16 to meet cost pressures relating to the record high prison muster. This is comprised of:
 - Corrections deferring two initiatives of its financial strategy as endorsed by Cabinet, resulting in the loss of planned savings of \$7.5 million in 2015/16.

¹ For the week ending 27 November 2015, the prison population was at its highest peak of 9,134. This is also 149 prisoners above the Ministry of Justice August 2015 short term forecast of 8,977 prisoners.

- Forecast overtime costs of \$7.5 million across the prison network as a consequence of the high prison muster and the relocation of 45 staff to the MECF Step-In.
7. MECF Step-In costs: In July 2015, Corrections invoked the ‘Step In’ clause in the MECF contract with Serco due to serious allegations about organised prisoner-on-prisoner fighting and access to cell phones and contraband. Corrections has relocated approximately 45 staff from across the country to MECF, and is incurring costs of approximately [37] per month while running the prison.

[34]

10. Electronic monitoring of offenders serving sentences in the community: In light of the Phillip Smith Traynor incident and recent events involving the removal of electronic monitoring bracelets, Corrections has responded with two new operational functions with associated costs:
- 24 hour GPS Immediate Response Team: responsible for managing alerts created by the over 170 highest risk offenders and related interactions with Corrections staff and the provider (3M) (\$2.6 million in 2015/16 and \$2.2 million in 2016/17 and outyears).
 - Electronic Monitoring Assurance Team: responsible for assurance and continuous improvement of EM Response framework and better managing prison releases (\$1.2 million in 2015/16 and \$1 million in 2016/17 and outyears).
11. We consider these functions to be long term improvements in service levels, and therefore suitable to be funded on an ongoing basis. Corrections notes that if this is not funded by Cabinet, funding will be sought from the Justice Sector Fund. We note that these initiatives fit within the criteria of the Justice Sector Fund, but would only be able to be funded on a short term basis if this approach is taken.

Treasury Recommendation

12. We recommend that you **support** the recommendations in this paper. As the between-Budget contingency has been fully exhausted, this funding request will be considered a precommitment against Budget 2016. This will reduce the funding available at Budget 2016 for other priorities.