

The Treasury

Budget 2017 Information Release

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[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)
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[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)
[40]	Not in scope	

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.

Cost Benefit Analysis Template

Section A Descriptive Information

Vote	Corrections
Responsible Minister	Hon Louise Upston
Initiative title	Managing increasing prisoner volumes

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 *	TOTAL
Operating	-	72.011	54.721	49.405	38.143	214.280
Capital	-	-	-	-	-	-

* NB: Beyond 2020/21 the funding profile reduces to \$35.824 million in 2021/22 and \$27.916 million in 2022/23 and outyears.

Problem Definition

A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.

The prison population has grown sharply since 2014

Since 2014, the prison population has increased at a rate consistently higher than forecast and reached a record high of 10,258 on 7 February 2017. This is nearly 1,700 more than at the end of 2014. It is also nearly 800 more than at the same point in the June 2016 Justice Sector Forecast which was prepared out-of-cycle to inform the Prison Capacity Business Case considered by Cabinet in October 2016 [CAB-16-MIN-0533 refers]..

The sharp increase in prisoner numbers is understood to be due to:

- a growing number of people being charged with serious violence offences, and in particular with family violence offences;
- an increase in the proportion of offenders remanded in custody being prosecuted; and
- an increase in the average length of time offenders are spending on remand.

And is expected to continue growing

[33]

The Prison Capacity Programme – ensuring we have sufficient capacity to accommodate this growth

In total, Cabinet has agreed to increase the prison network's capacity by [33] prisoner places by the end of 2022 in response to continued unforecasted growth in the prison population.

[33]

[33]

- By the end of 2017, Phase One of the programme will have been completed and **340** new prisoner places will have been added to the prison network through a combination of double-bunking and new units across five prisons.
- By September 2019, an additional 325 prisoner places will have been added – **80** double-bunks at Northern Regional Corrections Facility (NRCF) and **245** prisoner places via the construction of Building C at Mount Eden Corrections Facility (MECF).
- By October 2021, a further **1,500** prisoner places will be added to the prison network through a new development at Waikeria Prison [33]

- [33]

Funding the Prison Capacity Programme

To date the following funding decisions have been made in relation to the capacity investment programme:

Description	Operating funding approved	Costs funded		
		Asset-related	Staffing costs	Offender costs
Phase 1 – 340 beds added through a combination of double-bunking and new units across five prisons.	\$79.3 million between 2016/17 and 2019/20. [CAB-16-MIN-0189.35 refers]	✓	✓	✓
Phase 2a – 325 beds added through expansion of double-bunking (80 beds) at NRCF and construction of Building C (245 beds) at MECF.	\$57.8 million between 2016/17 and 2019/20. [CAB-16-MIN-0533 refers]	✓	x	x
Phase 2b – 1,500 beds added through new development at Waikeria Prison [38]	[38]	✓	x	x

	[38]			
Interim Options – 850 beds to be added through range of urgent short term options to help manage the residual capacity pressure until the development at Waikeria Prison is completed.	None [SEC-17-MIN-0007 refers]	x	x	x
Total: [38] beds				

While Cabinet has approved funding to attract and retain the staff required to bring the 340 beds added through Phase One and to provide for the basic needs of the prisoner who will occupy these beds, no such funding has been approved for the remaining [33] beds.

The purpose of this initiative is to seek operating funding to safely manage the 325 beds to be added through Phase 2a plus the 850 urgent beds agreed in March 2017 plus 88 Disaster Recover beds currently in use at Rimutaka Prison but which have not been funded (total beds = 1,263).

The Counterfactual

Under section 34(1) of the Corrections Act 2004, the Department is required to accommodate all persons sentenced to imprisonment within a corrections prison. Under sections 5(1)(a) and (b) the Department must also ensure that these prison sentences are administered in a safe, secure, humane and effective manner and that facilities are operated in accordance with the United Nations Standard Minimum Rules for the Treatment of Prisoners. Also, section 5(1)(c) requires the Department assists in the rehabilitation of offenders and their reintegration into the community ... within the resources available. This means the Department’s priority is to ensure each prisoner is accommodated safely, securely and humanely which includes being provided with the basic necessities of life and therefore the costs being sought under this initiative are not discretionary or avoidable.

The Department will always seek to implement business as usual cost efficiency strategies (such as the management of non-core vacancies and the monitoring and management of discretionary expenditure) to manage cost pressures where possible. However, the quantum of this initiative is such that if the Department is not successful in securing funding the Government will have to consider:

[33], [34]

Initiative Description

A description of what the initiative will provide or produce and how this will address the problem or opportunity.

The funding being sought under this initiative will enable the Department to:

- attract and retain the [33] custodial staff to manage the additional 1,263 beds to be added to the prison network by 2021. The level of staffing required to manage these additional beds is set by a union-supported resourcing model that sets the ratio of custodial staff to prisoners required for the prison system to operate at safe operating levels. The prisoner-to-staff ratios were agreed on the basis of the number of staff that would be needed if all prisons were operating at full capacity, on a normal lock-down regime; the average ratio is 2.5 prisoners per Corrections Officer.

- provide for the basic needs for each prisoner - meals, clothing and laundry services, basic hygiene consumables, primary health care, transport and prison escort costs (to court, hospital or another prison) and marginal increases in utilities and other similar costs
- provide for an uplift in Industry and Learning programmes in line with project growth in the prison population.

Alternative Options Considered

No alternative options have been considered as Cabinet has already decided the delivery model for this initiative.

Section B Impact Analysis

Impact Analysis

An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.

[33]

[33], [38]

All monetised and non-monetised impacts should be listed.

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty ³
	1	2		

Estimated impact on key outcomes

The prison environment is fit for purpose and public safety is maintained	Major	-	Prison population is managed within facilities that are fit for purpose and adequately staffed to ensure the safe and humane containment of prisoners. Prisoners basic needs continue to be met and investment in reducing re-offending is maintained.	Low
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Cost of the Initiative

Fiscal operating cost of the initiative	[38]		[38]	
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Government Benefits/(Costs)

Costs of crime avoided	\$2.51bn	-	Costs avoided are based on TSY Working Paper 06/04 – <i>Estimating the costs of crime in New Zealand in 2003/04</i> ; and include: <ul style="list-style-type: none"> Fiscal costs incurred by public sector agencies directly involved in preventing, detecting, resolving and redressing crime; Fiscal costs incurred by public sector agencies as a consequence of crime such as health sector costs and benefit fraud 	Medium
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[33]

Total Quantified Government Impact	[33], [38]	-		Low
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Wider Societal Benefits/(Costs)

Costs of crime avoided	\$0.19bn	-	Costs avoided are based on social cost per loss of life through fatal crash – Ministry of Transport report March 2016 – <i>Social cost of road crashes and injuries 2015 update</i> .	Medium
Social cost of crime avoided	Moderate	-		Low
Total Quantified Wider Societal Impact	\$0.19bn	-		Low

[37], [38]

³ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

Section C Conclusions

Conclusions

What is being recommended and why?

Considering the quantified and unquantified impacts, the analysis above suggests that the benefits of the initiative exceed the costs. As detailed in the table below, the Benefit Cost Ratio is positive meaning that the quantifiable benefits of this initiative exceed the costs. Also, for every dollar the Government spends on this initiative, Corrections estimates that New Zealanders receive benefits of \$4.50.

However, the potentially more important benefits that this initiative can generate are the wider social benefits of avoided crime – both from the victim and perpetrator’s perspective.

Overall Ratings

Value for Money ⁴	Strategic Alignment ⁵
2 – Medium Returns - Likely	5 – strong alignment.

Summary of monetised results

Use ranges for values where appropriate	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) ⁶	[33], [38]	[33], [38]
Benefit Cost Ratio (BCR) ⁷	4.5 [33], [38]	4.0 [33], [38]
Return on Investment (ROI) – Societal Total ⁸	4.5	4.0
Return on Investment (ROI) – Government ⁹	4.2	3.7

Supporting Evidence

ie, the bibliography

⁴ For guidance on Value for Money ratings see section 3.2.2

⁵ For guidance on Strategic alignment ratings see section 3.1.5

⁶ **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today’s dollar terms.

⁷ **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

⁸ **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

⁹ **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

Ex-post Impact Evaluation Plan

How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?¹⁰

Data collection and impact evaluation method

Funding of evaluation

Completion dates, publication, and dissemination of findings to key stakeholders

-

¹⁰ More information on this impact evaluation plan is available in the budget guidance Section 4

Appendix 2 Attach CBAX Outputs Summary

Outputs Summary

Proposal details			
Respondent name	Managing increasing prisoner volumes		
Intervention details	This funding will enable Corrections to meet the additional costs associated with managing a growing prison population including the cost of staffing new prison capacity and the costs of meeting the basic needs of the additional prisoners.		
Start year	2018	Total population over 50 Years	773
Period for analysis	50 Years	Discount rate	6%

Summary metrics	
Return on Investment, Societal Total (50y)	4.5
Return on Investment, Government only (50y)	4.2
Net economic benefit per cohort member (50y)	[33], [38]
Initiative NPV costs per cohort member (50y)	

Net benefit summary		Unit: 2018 (\$m)						
Category	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	2018	2019	2020	2021	2022
Total cost of initiative	(221)	(316)	(733)	(72)	(55)	(49)	(38)	(36)

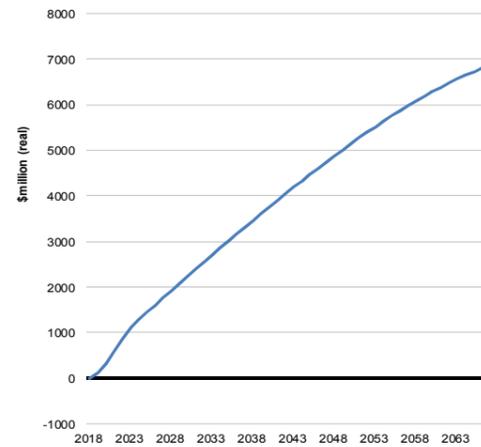
Word summary/comment field [33], [38]

Cost summary		Unit: 2018 (\$m)				
Cost category	50-Year NPV \$m	2018	2019	2020	2021	2022
Fiscal cost of initiative						
Operating expenses	(733)	(72)	(55)	(49)	(38)	(36)
Capital expenses	-	-	-	-	-	-
Total fiscal cost of initiative	(733)	(72)	(55)	(49)	(38)	(36)

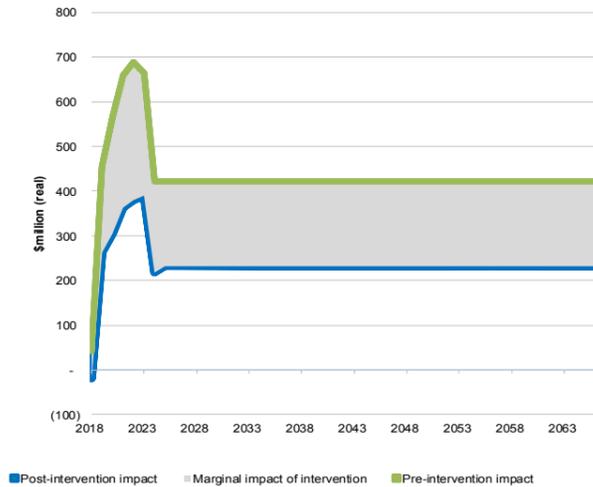
Impact summary		Unit: 2018 (\$m)						
Evidence Quality	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	2018	2019	2020	2021	2022
Impact 1	Low	4	3	3	1	1	1	0
using police and court cells A Springhill-type riot due								

Charts

Cumulative net benefit



Marginal impact of intervention



[33], [38]

Impact 4	Medium	Violent offences	95	171	349	-	22	27	32	34
Impact 5	Medium	Sexual offences	309	555	1,132	-	70	88	104	109
Impact 6	Medium	Robbery	62	111	227	-	14	18	21	22
Impact 7	Medium	Burglary	2	3	7	-	0	1	1	1
Impact 8	-	Theft	-	-	-	-	-	-	-	-
Impact 9	-	Property damage	-	-	-	-	-	-	-	-
Impact 10	Medium	Fraud	9	16	33	-	2	3	3	3
Impact 11	Medium	Drug offences	15	28	57	-	4	4	5	5
Impact 12	-	Serious traffic	-	-	-	-	-	-	-	-
Impact 13	Medium	All other offences	22	40	81	-	5	6	7	8
Impact 14	Medium	Cost per hour of police time	212	324	622	36	45	54	56	56
Impact 15	Medium	Value of a Statistical Life	64	97	186	11	14	16	17	17
Impact 16	-	-	-	-	-	-	-	-	-	-
Impact 17	-	-	-	-	-	-	-	-	-	-
Impact 18	-	-	-	-	-	-	-	-	-	-
Impact 19	-	-	-	-	-	-	-	-	-	-
Impact 20	-	-	-	-	-	-	-	-	-	-
Impact 21	-	-	-	-	-	-	-	-	-	-
Impact 22	-	-	-	-	-	-	-	-	-	-
Impact 23	-	-	-	-	-	-	-	-	-	-
Impact 24	-	-	-	-	-	-	-	-	-	-
Impact 25	-	-	-	-	-	-	-	-	-	-
Impact 26	-	-	-	-	-	-	-	-	-	-
Impact 27	-	-	-	-	-	-	-	-	-	-
Impact 28	-	-	-	-	-	-	-	-	-	-
Impact 29	-	-	-	-	-	-	-	-	-	-
Impact 30	-	-	-	-	-	-	-	-	-	-
Impact 31	-	-	-	-	-	-	-	-	-	-
Impact 32	-	-	-	-	-	-	-	-	-	-
Impact 33	-	-	-	-	-	-	-	-	-	-
Impact 34	-	-	-	-	-	-	-	-	-	-
Impact 35	-	-	-	-	-	-	-	-	-	-
Impact 36	-	-	-	-	-	-	-	-	-	-
Impact 37	-	-	-	-	-	-	-	-	-	-
Impact 38	-	-	-	-	-	-	-	-	-	-
Impact 39	-	-	-	-	-	-	-	-	-	-
Impact 40	-	-	-	-	-	-	-	-	-	-
Impact 41	-	-	-	-	-	-	-	-	-	-
Impact 42	-	-	-	-	-	-	-	-	-	-
Impact 43	-	-	-	-	-	-	-	-	-	-
Impact 44	-	-	-	-	-	-	-	-	-	-
Impact 45	-	-	-	-	-	-	-	-	-	-
Impact 46	-	-	-	-	-	-	-	-	-	-
Impact 47	-	-	-	-	-	-	-	-	-	-
Impact 48	-	-	-	-	-	-	-	-	-	-
Impact 49	-	-	-	-	-	-	-	-	-	-
Impact 50	-	-	-	-	-	-	-	-	-	-

[33], [38]

[33], [38]