

Budget Sensitive

Office of the Minister of Corrections

Chair, Cabinet Social Wellbeing Committee

Setting a direction for the future development of New Zealand's prison network

Purpose

- 1 This paper reports on the Prison Network Development Strategy which was commissioned by Cabinet in May to determine the best combination of investments in the prison network to reflect our ambition for the justice system. Four potential investment pathways are outlined, and agreement is sought to a 'major improvement' approach which balances our vision for change with cost and other practical considerations.

Executive Summary

- 2 Earlier this year we agreed that significant reform will be required to the criminal justice system if it is to deliver on the Government's objectives – to improve public safety, better support victims of crime, meet our obligations to Māori, and build public confidence in the system (CAB-18-MIN-0136 refers). The Hāpaitia te Oranga Tangata (Safe and Effective Justice) programme was developed, and an update on progress is included in the Cabinet paper *Work to date on the Hāpaitia te Oranga Tangata Safe and Effective Justice programme*.
- 3 At the same time we were faced with an immediate capacity crisis in the prison network. We opted for a balanced response, which included commissioning operational measures to reduce demand, investment in modular units to address immediate pressures, and opting to build a much smaller prison facility at Waikeria than had previously been proposed.
- 4 Along with these decisions we asked the Department of Corrections (Corrections) to develop a Prison Network Development Strategy (PNDS) to map a path, first to get the prison network back to a state of basic effectiveness, and then to significantly improve the network to reflect the Government's vision for a more effective criminal justice system, which includes better rehabilitation and transitions back into the community.
- 5 In assessing how it could respond to our vision, Corrections developed four different pathways – status quo, incremental improvement, major improvement in service delivery, and transformation of both services and infrastructure.
- 6 Each path has different implications for the three pillars of people, operating approach, and infrastructure. Each path requires that we restore the prison network to an effective position as a first step so that we build on solid foundations.

- 7 I am recommending a strategy of major improvement, and seek your approval in principle so that Corrections can continue developing this approach. This strategic pathway has the following key aspects:
- 7.1 Delivery of significantly improved and expanded rehabilitation, and transitional support services through a progressive four year build-up,
 - 7.2 Increasing use of partnership with iwi and Māori collectives to design and deliver rehabilitation interventions and other prisoner services,
 - 7.3 More normalised facility design, culturally appropriate and tailored to the needs of specific cohorts, pushing the boundaries of what can be consented, built, and operated in the current legislative environment, and no new double bunking.
- 8 I want us to be smart about how we implement this strategy. There are inexpensive quick wins available that help signpost the new direction we are taking and respond directly to key themes raised from the Hāpaitia te Oranga Tangata (Safe and Effective Justice) programme to date. There are also some complex and larger elements where further investigation and preparation is essential before we have the right information to make long-term investment decisions.
- 9 I have therefore asked Corrections to lodge bids through Budget 19 to fund:
- 9.1 A set of improved and new services that focus on:
 - mental health, wellbeing and pre-trial support, and
 - Māori and Pacific pathways.
 - 9.2 Delivery of additional Whare Oranga Ake at six existing sites (equivalent to 200 beds of external self-care transitional accommodation).
 - 9.3 Development of a Single Stage Business Case for the necessary improvements to organisational capacity and capability so that new services can then be designed and delivered.
 - 9.4 RMA planning and designation change work that will help set the platform for future development options.
 - 9.5 Development of a Single Stage Business Case for delivery of a transitional self-care community at Auckland Region Women's Corrections Facility.
 - 9.6 Development of an Indicative Business Case for a regional prison development option that may be necessary to respond to the projected demand and asset replacement requirements from 2025 and beyond.

Background

- 10 When we arrived in Government the prison network was in a state of crisis – a burgeoning prison population was placing severe pressure on prison capacity, and we were facing population projections requiring a new large-scale prison every three years, including the prospect of a 1,500 – 2,000 bed facility at Waikeria
- 11 We responded to these pressures by funding emergency measures, including 600 additional rapid build units, and undertaking a range of operational measures through the High Impact Innovation Programme. We sent a strong public message about our desire to reduce the number of people in prison, and create a more effective criminal justice system. We also made the decision to build a smaller 500 bed facility at Waikeria, and to include a 100 bed mental health unit – a first for New Zealand.
- 12 As a result of these actions the immediate pressures on prison capacity have reduced, with the prison population falling from 10,819 in April to around 9,900 now. The Justice Sector projections are still predicting that the prison population will increase, but at a slower rate reaching 11,800 by 2027. These projections are not able to estimate the impact of our planned reforms to the criminal justice system, which I believe will see the number of people in prison continue to reduce in line with our target to reduce the prison population by 30% over 15 years.
- 13 In May I noted that the Government’s reform programme for the criminal justice system (Hāpaitia te Oranga Tangata – Safe and Effective Justice) was just getting underway, and stated that these reforms should be supported by a prison network that reflects a more restorative approach to criminal offending, and supports prisoners to make a fresh start by:
 - 13.1 providing access to rehabilitation opportunities for all prisoners to address their criminogenic needs, including allowing people to continue their rehabilitation in a community setting without disruption if this is needed when they leave prison
 - 13.2 having a central focus on improving prisoner health, including the treatment of drug and alcohol and mental health needs by specialist staff (including regional health staff) in therapeutic environments
 - 13.3 embracing the principle of normalisation – providing prison environments that, as much as possible, resemble the outside world and avoid institutionalisation while ensuring that safety and security is maintained
 - 13.4 adopting a human-centric operating model – relying less on physical design to control and manage prisoner behaviour in favour of higher ratios of staff, more regular human interaction, and support for more meaningful relationships with whānau and support networks outside prison.
- 14 I noted that a prison network that supports these objectives will require significant changes to the operating model for prisons, and would take several years and require significant investment across the system.

- 15 As we make progress we will create a solid platform of basic effectiveness, and move onto the front foot by taking a long term investment approach to planning network investment and retirement in a way that supports our objectives for fundamentally improved rehabilitation and transitions. I talk more about basic effectiveness and network planning below.

The benefit of basic effectiveness

- 16 It is important to understand that the road to improvement requires getting the network back to a state of basic effectiveness as a first step. The benefits of this are that we will have:
- 16.1 Nobody staying long-term in accommodation which is only suited for temporary use in emergencies.
 - 16.2 Adequate base capacity to allow people to be located near their families and support networks, and to undertake major building maintenance from time to time.
 - 16.3 A sufficient ratio of front-line staff to allow people out of their cells (unlock hours) for long enough to receive a base level of service to address their treatment and rehabilitation needs.
 - 16.4 An ability to handle forecast changes in the prison population and emergency situations that we don't expect but need to prepare for.
- 17 Corrections use a resourcing model and a set of capacity utilisation policies and settings to define the minimum standards of safe and humane containment so that these basic outcomes are met in most situations we could reasonably expect. The Ministers of Justice, Finance, Health, Police and I received an official update on the capacity utilisation settings in August, and agreed that they remain prudent and appropriate (see Appendix 1 for more information on how effective operation is defined by these policies and settings, and for additional information on double bunking and unlock hours).
- 18 Today we are still operating around 750 prisoners above the rated maximum capacity in the prison network and we have gaps in our front line resourcing model that limits unlock hours to undesirably low levels. While immediate pressure on the network has reduced so that the situation is no longer acute, we still aren't achieving the benefits of basic effectiveness for people in our care.

Network planning in the longer term

- 19 The physical prison network is a hybrid of many facilities at different points in their economic life, with some at end-of-life because they are worn out and others at end of life because their design and function means they can't enable delivery of a decent operating model.
- 20 End of life facilities need to be retired because they do not support good outcomes, and decisions need to be made about replacement based on the best information we have about projected demand, in enough time to accommodate the consenting and delivery timeframe for new facilities.

- 21 It takes around five years to deliver a new facility on land already owned by Corrections and designated for prison purposes, and about seven years to deliver a new facility where land must be purchased and a new RMA designation secured.
- 22 It is possible to adopt a more just-in-time approach where lead times can be reduced to two – three years, and rely on rapid build emergency solutions added to existing prisons. Reliance on end-of-life capacity, rapid builds and the intensification of double bunking is how Corrections has managed the 2016 – 2020 timeframe.
- 23 In each case these solutions have taken the host facilities outside their original design size and operating intent, and have baked compromise into the network, which then needs to be mitigated or removed as and when we can.¹
- 24 To this end, as part of the PNDS, Corrections has a strategic intent to adopt a more proactive long term planning approach and retire end-of-life capacity and progressively unwind double bunking in the interests of improved prisoner outcomes. Significant changes to the network are expected to first become possible from around 2027 through a mixture of new investment and reduced demand as a result of our programme of reform. If we are more successful, it will happen earlier.

Prison Network Development Strategy

- 25 Noting the current situation and the desire to take a more strategic long term view, we directed Corrections to develop and then present a Prison Network Development Strategy and its associated recommendations to Cabinet in December 2018, (CAB-18-MIN-0265 refers).
- 26 The purpose of developing a prison network development strategy is to allow us to consider what our future investment into the prison network should look like, taking into account capacity pressures, the current state of the network, and our ambition to have a prison network that supports our wider reform efforts. It also allows us to consider how we want to balance investment in a better prison system against our other priorities (e.g. early intervention).

Developing the Strategy

- 27 The Ministers of Justice, Health, Police, Finance and I were tasked with monitoring the direction of travel of this work as it developed, and providing direct feedback as the work converged on a final set of recommendations.
- 28 The PNDS uses the Treasury Better Business Case framework to ensure appropriate methodology, and used a structured series of cross-agency workshops to bring different perspectives to the description of the current state and what the future could look like.
- 29 The first stage of the work outlines the state of the existing prison network, and the needs, characteristics and experiences of New Zealand's prisoners. It

¹ Corrections currently has 2,529 double bunks in currently service, of which 540 are not compliant with its double bunking policy. It also currently has approximately 1,000 beds in service that it regards as being at end-of-life and unable to support decent outcomes for people in its care.

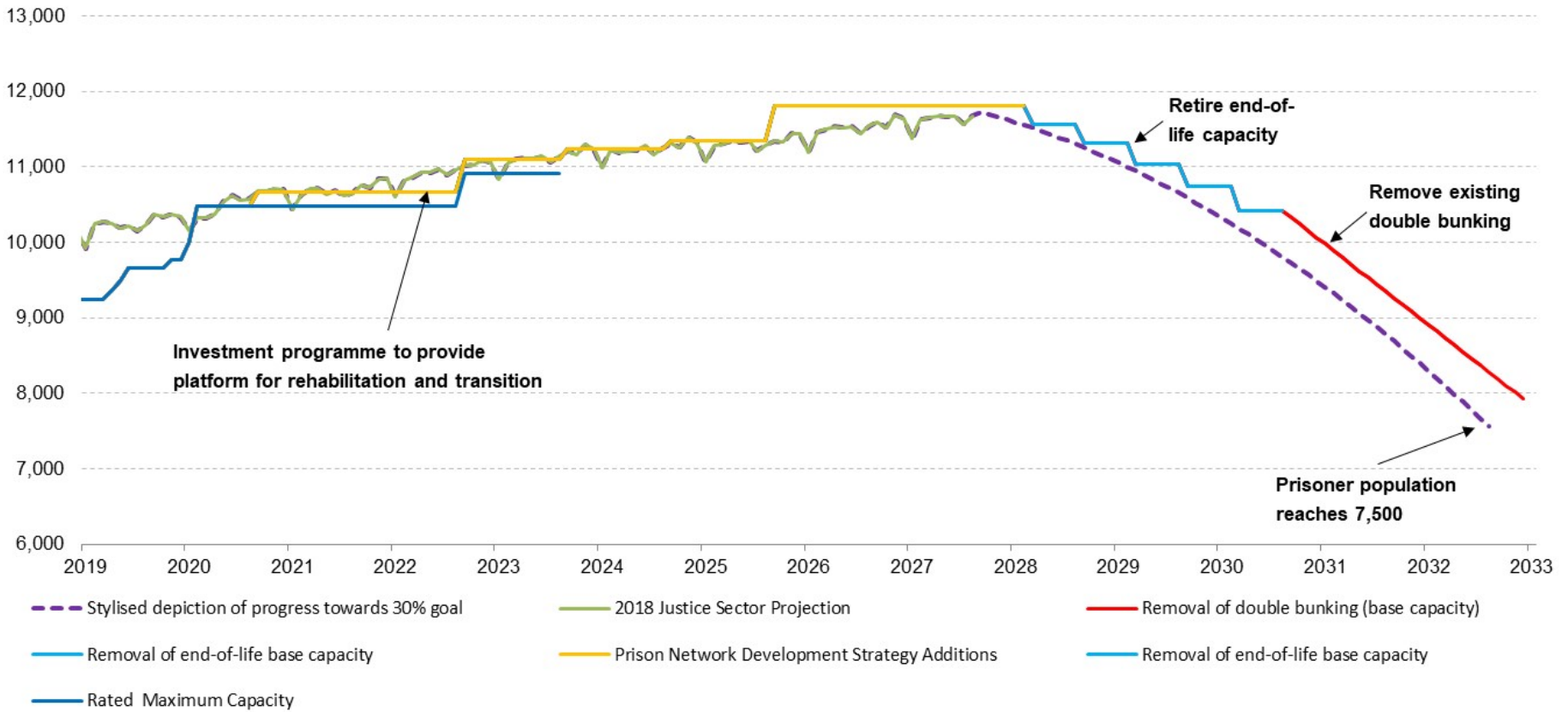
outlines a network operating under significant pressure, with people entering the system that have multiple and complex needs. It identifies a disproportionately high representation of Māori in the system, and materially worse reoffending and re-imprisonment rates than for non-Māori. It zeroed in on the factors Corrections can control, leading to the identification of the key problems and objectives for the remainder of the work, as set out below in Table 1.

Table 1: Investment Logic Map summary

Problem 1 Lack of resilience due to capacity constraints compromises our ability to respond to unexpected events, resulting in potential network failure		Problem 2 Our prison system capacity is insufficient for the volume of people entering, compromising operation effectiveness		Problem 3 The stress on the current system inhibits delivery of services required to improve prisoner outcomes	
Investment Objective 1: The prison network can perform in times of crisis	Investment Objective 2: Creating a stable platform that enables transformational change	Investment Objective 3: Prisons operate effectively, enabling the safety and wellbeing of staff and prisoners	Investment Objective 4: Better outcomes for prisoners, whānau and communities		

- 30 A key conclusion was the way in which a prison system that combines appropriate levels of rehabilitation and transition services together with effective and resilient capacity provides one of the key platforms for achievement of our long term objective of a prison population reduced to 7,500 prisoners.
- 31 Figure 1 is a simplified presentation of how new capacity investment makes it possible to retire end-of-life capacity and progressively remove double bunking as the prisoner population begins to reduce.

Figure 1: Investment creates a platform for a smaller and better network over time



Explanation of Figure 1

- 32 In Figure 1 the solid green line is the 2018 Justice Sector Projection – baseline scenario.
- 33 The dark blue line on the left shows the currently approved build programme, with the introduction of modular capacity and Mt Eden Corrections Facility Building C in 2020, and the Waikeria Corrections and Treatment Facility in 2022.
- 34 The yellow line shows the capacity requirement under all pathways examined in the strategy based on the 2018 Justice Sector Projection. The type of capacity becomes more normalised and specialised in the pathways that improve on the status quo. The capacity investments towards the end of the 10-year horizon may not be necessary, but we need the option to invest if the projection is correct.
- 35 The light blue line on the right shows the retirement of end-of-life capacity once new investment and a declining muster make that possible. Ideally, this capacity would be removed from service now as it is not fit for purpose in the context of our vision and our objectives for change.
- 36 The red line shows the network contracting as double bunking is progressively removed from existing facilities – allowing them to return to their original design intentions and capacities. As end-of-life capacity and double bunking is progressively removed, the prison network gets smaller and better.
- 37 We would address the removal of end-of-life capacity and double bunking more rapidly if our programme of reform reduced demand more quickly than shown in Figure 1.

Capacity planning assumptions – risks and opportunities

- 38 In seeking to minimise capacity investment, Corrections is mapping a path to effective network operation that takes several years. This results in a projected period of prolonged, moderate overcrowding at a time when we need a platform for major improvement.
- 39 This is a risk, and it is important to recognise that with what we know today the capacity investment level signalled in the work is the minimum viable package that is consistent with our objectives of significantly improved services, support, and outcomes.
- 40 It is also important to recognise that if future projections continue to improve, some or all of these investments can be deferred or potentially avoided altogether. This is a clear opportunity area in the strategy.
- 41 The key is to take a long term investment approach and create high quality options we can activate as and when required, without impairing the network with reactive and sub-optimal emergency fixes if we are caught short.

The future pathways we can take

- 42 Four options for potential investment pathways have been developed through the Prison Network Development Strategy. Each pathway represents a different

balance between the response to our vision for change, deliverability, cost, and risk.

The status quo

- 43 This pathway uses the current operating model and an approach to development of infrastructure that seeks economies of scale. This pathway is the safe, secure and humane baseline to which other pathways are compared.
- 44 While it involves significant additional cost in order to achieve effective and resilient network operation, it has a cost minimisation theme. It represents the minimum viable product from the PNDS but does not deliver on our vision for fundamentally improved outcomes.

Incremental improvement

- 45 This pathway moves forward with the additional and new services outlined in the Corrections Budget 19 bid that sits in the Hāpaitia Justice Sector initiatives bundle. These improved services focus on a) mental health, wellbeing and pre-trial support, and b) Māori and Pacific pathways.
- 46 The operating approach is more rehabilitation and transition oriented, with a focus on partnership with Iwi/Māori and co-designed services and infrastructure. In the case of the new mainstream prison accommodation that may be required, facilities are smaller in line with the scale and design of the Waikeria Treatment and Corrections Facility.
- 47 This pathway has additional costs over and above the status quo mainly associated with higher service levels, co-designed programmes and pathways and reduced economies of scale as new facilities are delivered.

Major improvement in service delivery

- 48 This pathway builds on the start made with the service enhancements pitched in Budget 19 with successive service expansion bids over the next five years. It is supported by similar infrastructure as the incremental improvement pathway and has a base approach of partnership with Iwi/Māori with a whānau-centric approach. However it aims to do much more to bring offenders out of their cells and into purposeful activity, tikanga, and education, treatment, and rehabilitation initiatives. It then supports their transition into the community more fully.
- 49 Corrections will change how it operates and thinks about rehabilitation, moving to a whānau-centric focus that sees individuals prosper because they are connected and part of thriving whānau with reduced reoffending as a by-product of this approach. Corrections will partner with Iwi/Māori to deliver a long term strategy that sees capability and capacity improvement in several key practice areas over several years. This is a large undertaking and will need to be done in a coordinated way with partner agencies and organisations that draw on the same or similar skills in the market. This will involve direct stimulus and support of the tertiary education and training of the fresh talent we need.
- 50 As part of the significant organisation development required, Corrections will actively work to transition its culture to embrace and support intensive

rehabilitation and transition and kaupapa-centric models of service delivery. It will do this by enrolling its most progressive and change-ready leaders and thinkers so that they become champions for whole of business change.

- 51 In this pathway the bright lines that demarcate the scope of Government agencies and NGOs become less disruptive for vulnerable individuals. While our agencies “stay in their lane”, coordination and collaboration will enable service models based on shared objectives, with clear agency accountabilities aligned with resourcing and specialist capabilities.
- 52 Our focus on delivering services tailored to our prisoner cohorts will require greater partnership with Māori. Aligned to this, our services will have a broader focus on holistic wellbeing, be increasingly whānau-centric and delivered in different environments. Our services and delivery model will be co-designed in partnership with Māori, with specific prisoner cohorts at the centre of design decision-making.
- 53 This pathway has additional costs over and above the incremental improvement path associated with larger scale organisational change to boost capability and capacity, then preparing for and delivering much higher service levels.
- 54 This is expected to significantly improve the rehabilitation and transition support provided to vulnerable individuals, improve connection to family, whānau, and communities, and specifically target the disproportionately high representation of Māori in the prison network. In aggregate, these areas of focus are expected to materially reduce reoffending over time, and the costs of it to society.

Transformation of both services and infrastructure

- 55 This is a pathway that rapidly moves to the development and operation of small and fully open prisons in local communities, where current concepts of custody become less relevant. Individuals have significantly increased levels of self-determination and are able to participate in many “normal” elements of constructive and positive work and family life in a daily routine which takes them into the community.
- 56 Corrections will intensively work to ensure the bulk of prisoners have appropriate risk profiles to be held in community based corrections facilities. Only the most high and complex needs prisoners will be held in traditional-style prison accommodation. The public will notice a prison network that barely resembles what it looks like now. Corrections and the wider Government will need to maintain a constructive dialogue and employ technological solutions to manage risk and public acceptance.
- 57 Prisoners receive treatment and support for their specific needs, with service models that are similar to the major improvement pathway, but involve still higher levels of NGO and iwi service design and delivery. In some instances, the facilities themselves may be run by these groups, therefore this pathway requires significant investment in the capability and capacity of the provider market, or market-building more generally.
- 58 Facilities are highly normalised buildings and are constructed to enable education, treatment and rehabilitation, not to incarcerate. Therefore this

pathway has (in the New Zealand context) very high staffing ratios and advanced supervision technology in order to deliver on safety obligations, and to protect and satisfy our staff, service partners, and the public.

- 59 This pathway requires significant change to the RMA and the Corrections Act. This is so open prison sites can achieve the RMA designations required for construction and operation, and so that appropriately risk-assessed individuals can move freely in and out of the community when serving a custodial sentence.
- 60 This pathway has high risks associated with legislative change, deliverability and public acceptance.

Table 2: Pathway attribute summary

	Benefits (services)	Benefits (infrastructure)	Limitations / risks
Status Quo	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Standard new facility size ~1,000 beds - economies of scale good 	<ul style="list-style-type: none"> Prisoner outcomes not materially improved
Incremental Improvement	<ul style="list-style-type: none"> Improved mental health services Improved AOD addiction services Improved bail and remand service support Improved Māori and Pacific pathways – expansion of existing services, and new rehabilitative and social support services by external Māori, Iwi, Pacific providers Improved strategic partnerships and procurement arrangements 	<ul style="list-style-type: none"> Standard new facility size ~500 beds – less institutional, more normalised environments Development of additional facilities specifically tailored to enabling effective treatment of high and complex needs Development of more facilities designed to support a successful transition pathway Greater ability to target smaller facilities into areas of need, close to support networks 	<ul style="list-style-type: none"> Some capability and capacity building required both in Corrections and its service partners to enable service design and delivery Increased infrastructure cost (economies of scale reduced)
Major Improvement	<ul style="list-style-type: none"> The improvements funded in the Budget 19 initiatives above are consolidated and locked in HIIP programme embedded as a sector-wide practice improvement engine and fully funded Transitional housing support available in the community (purchased as a service) Unlock hours significantly increased as an enabler for more effective service delivery Higher service levels for people with high and complex needs Culturally appropriate experiences and rehabilitation with co-designed services become embedded through extensive development of strategic partnerships with iwi and Māori organisations 	<ul style="list-style-type: none"> Similar to above Greater emphasis on culturally appropriate design and direct connections to natural environment 	<ul style="list-style-type: none"> Large scale capability and capacity building required both in Corrections and its service partners to enable service co-design and delivery Multi-agency collaboration – e.g. Housing NZ provision of transitional housing services Attraction and retention of sufficient skilled practitioners in all participating organisations to sustain new service levels Public support for greater transitional activity directly in the community
Transformation	<ul style="list-style-type: none"> The bulk of prisoners have appropriate risk profiles to be held in community based corrections facilities. Significantly increased levels of self-determination and ability to participate in many “normal” elements of life in the community Prisoners receive treatment and support for their specific needs, with high levels of NGO and iwi service design and delivery 	<ul style="list-style-type: none"> Rapid development and operation of small and fully open prisons in local communities Facilities are highly normalised buildings and are constructed to enable education, treatment and rehabilitation, not to incarcerate 	<ul style="list-style-type: none"> This pathway has high risks associated with legislative change, deliverability and public acceptance Significant change to the RMA and the Corrections Acts required Very high staffing ratios and advanced supervision technology required to manage safety Large scale capability and capacity building required both in Corrections and its service partners

Costs and risks – status quo and alternatives

61 The indicative costs of the status quo and the alternative pathways are shown in Table 3 below. These represent the additional costs above the current baseline that are required over a ten year period to sustain each pathway, based on the current projection.

Table 3: Indicative ten year costs

	Status Quo	Incremental Improvement	Major Improvement*	Transformation*
Operating cost – demand driven	\$1.5 B	\$1.5 B	\$1.5 B	\$1.5 B
Operating cost – operating model	\$0.6 B	\$1.9 B	\$2.6 B	\$2.7 B
Capital cost	\$1.0 B	\$1.2 B	\$1.2 B	\$0.8 B
10-year Total	\$3.1 B	\$4.6 B	\$5.3 B	\$5.0 B

* requires a major improvement in people capacity and capability and multi-agency coordination and delivery

** requires major improvement in people and coordination as above, plus significant legislative change across the RMA and Corrections Act and public acceptance of the operating model risks

62 The operating costs are split into demand driven costs, and costs driven by the operating model that is employed. Demand driven operating costs are simply a function of the 2018 Justice Sector Projection used in the analysis and do not change across the pathways.² The costs driven by the operating model progressively increase as higher levels of rehabilitation and transition services are delivered.

63 The total ten year costs of restoring the network to a position of base effectiveness – using the current approach to operating model and capacity infrastructure – is around \$3.1 B. For the three alternative pathways, total costs are around \$1.5 B to \$2.2 B higher than this, with total costs ranging from \$4.6 B to \$5.3 B.

64 As expected, risks increase with greater degrees of change. The incremental improvement pathway has a similar risk profile to the status quo. Major improvement has higher risks associated with a large lift in service delivery and major improvement to capacity and capability in Corrections and its service partners. The transformation pathway requires these risks alongside the additional risks of significant legislative change.

Recommended pathway – major improvement in services

65 I believe our ultimate objective needs to be transformation of both services and infrastructure. However, realistically I think this will take more than a decade. I do not believe we can expect to rapidly build public confidence around significant legislative change and new ways of operating without being perceived as negatively impacting public safety and impinging on the rights and concerns of victims and people in the community.

66 I therefore believe we should support the recommendations of the PNDS and formally adopt major improvement in rehabilitation and transition services as our

² The pathways are expected to have differing impacts on outcomes, including reducing the prison population. This is not reflected in the demand driven operating cost or the capital cost shown in Table 3.

strategic starting point on a journey toward a more broadly transformed Corrections.

- 67 We should monitor the implementation of the strategy and the developing public narrative around safe and effective justice over time to determine if and when we can take steps towards the transformation pathway. This process will also be informed by progress across other parts of the social sector, and I think we can be confident that there are very few things we would do differently at the outset either way.
- 68 I believe that as a starting point the major improvement pathway represents the best overall balance between our vision for change, deliverability, cost, and risk.

Initiatives where approval and funding is requested in Budget 19

- 69 The major improvement pathway has elements that can deliver demonstrable quick wins towards the strategy, and others that are necessary set-up for larger decisions that we want to be able to consider in 2019.
- 70 The quick-win opportunity is the expansion of Whare Oranga Ake (described further in paragraphs 72 – 77).
- 71 The set-up activity involves planning out the lift in capacity, capability and service delivery in more detail in a substantial business case for organisational change, and undertaking RMA planning and site investigation work that then feeds into facility business case development (described further in paragraphs 78 – 84).

Expansion of Whare Oranga Ake

- 72 There are two existing Whare Oranga Ake located outside the wire at Hawkes Bay Regional Prison and Spring Hill Corrections Facility. These are unique environments that are run by external local iwi linked providers, with a level of custodial oversight by Corrections.
- 73 These kaupapa Māori environments help prisoners train for employment, find work, find accommodation on release and form supportive networks with iwi, hapū and community organisations while strengthening their cultural identity.
- 74 Tane live communally within the whare, and take on all the responsibilities of daily living, including cooking and cleaning. Most tane work in the community during the day, allowing the whare to be used by the prisoners housed in the main prison. Once the tane are released into the community, the whare providers also provide follow up support.
- 75 The combination of the unique environment and interventions provided has resulted in quantifiable reduction in re-offending. As the accommodation in the whare is very similar to normal residential accommodation, they are significantly cheaper than more secure and specialised standard prison accommodation.
- 76 I support the recommendation of the strategy that additional Whare Oranga Ake (providing an additional 200 beds) are deployed at six existing sites across the network. I believe these should be operational as soon as possible to improve

the quality of transitions back into the community, and also to create an early symbol of the direction we are taking and the progress we are making.

- 77 The capital cost of the Whare Oranga Ake facility rollout is \$40.0 m, and will take two years to complete. Once the Whare are completed and in service, asset-related operating expenditure (primarily depreciation and capital charge) will be \$6.0 m per annum, and operating and services costs will be \$4.8 m per annum. See Appendix 2 for the Whare Oranga Ake project description.

RMA activities, site investigations, and facility business case development

- 78 A Single Stage Business Case for an open community style expansion of Auckland Region Women's Corrections Facility will be developed for our consideration in Q4 2019. This is estimated to cost \$2.0 m to develop, and is likely to recommend a development outside the current secure perimeter that will add around 150 beds to the women's network.
- 79 The expansion requires a change to the conditions in the site designation, which involves community consultation and a public RMA process. Because new capacity and an improved operating model in that region is an important element of the women's strategy, we need to start the enabling RMA activity as soon as possible and run that in parallel. This RMA process will cost \$6.0 m, and take two years to complete.
- 80 Site investigations also need to be initiated for potential locations for a regional prison development that may be required in the out-years of the strategy. Depending on the consenting and procurement circumstances, these developments take a minimum of five years to enter service from a cold start if the site is already owned by Corrections and designated for prison operation.
- 81 These investigations are not public and involve site surveys, technical reviews, and development of RMA strategies. This work would cost \$4.0 m, and take one year to complete to the stage where it could support the development of the Indicative Business Case for a regional prison development option.
- 82 These investigations will feed into an Indicative Business Case estimated to cost \$2.0 m for a regional prison development. This RMA planning and Indicative Business Case work does not signal intent to build – it is simply prudent preparatory activity that is good management practice for Corrections to adopt as the network owner and operator. It will give us good information and high quality options if we need them in the future, either to replace end-of-life facilities, or as a response to projected demand. If approved, the next stage would be our consideration of a Detailed Business Case proposal in 2020.
- 83 In May 2018 Cabinet approved the National Direction to Support the Resource Management Act: Priorities for 2018-19 [CAB-18-MIN-0246 refers]. This included the following policy area in respect of rehabilitation facilities: "Exploring options for mental health and rehabilitation facilities for low security prisoners in industrial areas". Corrections and the Ministry for the Environment continue to work collaboratively to explore statutory and non-statutory mechanisms. To date this has included discussion about whether some of their activities can be provided for in the first set of national planning standards (i.e., a corrections special purpose zone and definition of community corrections activity) with consideration

also being given to the benefits of a national policy statement and future amendments to the current RMA designation provisions. The outcome of this work will be reported to the Minister for the Environment and I at the end of calendar 2019. In the interim, I recommend that Corrections continue with the strategic direction outlined in this paper, noting the watching brief on the transformation pathway outlined in paragraph 67.

Organisational development business case

84 Preparation of the Single Stage Business Case for major improvement in capability, culture, and operating model will require the establishment of a specialist unit with a number of key workstreams. This unit will require deep experience and expertise in organisational development, change management methodologies, partnership development, service co-design and procurement, and programme management and delivery. The 2019 costs of developing this Single Stage Business Case is estimated to be \$8.0 m.

Funding to enable delivery of quick wins and set-up initiatives

85 I am asking for funding for the initiatives in the section above as part of the Corrections Budget 19 bid. The costs are summarised in Table 4 below:

Table 4: Costs requested to enable quick wins and set-up initiatives

	Whare Oranga Ake	RMA preparation & investigations	Business case development	Total
Operating cost	\$4.8 m direct operating per annum from 2020/21 \$6.0 m asset related operating per annum from 2020/21	\$5.2 m total to 2022/23	\$10.5 m total to 2022/23	\$49.1 m total to 2022/23 \$11.3 m per annum from 2023/24 onwards
Capital cost	\$40.0 m	\$6.0 m	\$2.0 m	\$48.0 m

Financial implications

86 Corrections has submitted bids as part of Budget 19 for non-discretionary cost pressures and new investments as part of the Hāpaitia Justice Sector package of initiatives, as outlined below. These bids include the quick wins and set-up initiatives to enable delivery of the recommended strategy as outlined in Table 4 above.

86.1 non-discretionary cost pressures – \$524 m operating and \$8 m capital over the period to 2022/23;

86.2 new investments as part of the Hāpaitia Justice Sector package of initiatives – \$458 m operating and \$87 m capital over the period to 2022/23.

- 87 Whilst approval of further investment is not being sought now as part of the paper, achieving the proposed major improvement in services and a resilient fit for purpose prison network is expected to require:
- 87.1 successive expansion over the next five years of the service enhancements submitted by Corrections in the Budget 19 Hāpaitia Justice Sector package of initiatives. The incremental investment signalled is \$75 m per annum from 2021/22 and \$125 m per annum from 2023/24.
 - 87.2 Investment in further prison capacity (for example, new capacity at Auckland Region Women's Corrections Facility, provision of additional mental health and treatment capability and the development of a new regional prison). The capital cost of this capacity is approximately \$1.1 B over the next ten years with an associated asset related operating costs of \$0.6 B over that period.
- 88 Corrections has also provided an estimate of the demand related direct operating cost of running the prison network reflecting prisoner demand growth to 2028 in Figure 1. This is estimated to be \$1.5 B over the next ten years, including the prison capacity cost pressures being sought as part of Budget 19.

Human rights implications

- 89 There are no human rights issues associated with the proposal outlined in this paper.

Legislative implications and regulatory impact analysis

- 90 There are no legislative or regulatory impact implications associated with the proposal outlined in this paper.

Gender implications and disability perspective

- 91 There are no gender implications and no disability perspective issues associated with the proposal outlined in this paper.

Consultation

- 92 The Treasury, Ministry of Justice, Police, and the Ministry of Health have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed of the development of this paper.
- 93 The Ministry of Health notes there will be additional impact on Vote Health to ensure effective operation of the mental health and treatment capability related to any the new regional prison developments. The Ministry of Health will collaborate with Corrections during the development of the relevant business case.

Communications

- 94 No external communications are planned in response to consideration of this paper.

Recommendations

- 95 The Minister for Corrections recommends that Cabinet:
- 1 **Note** that in June 2018 Cabinet directed the Department of Corrections to develop a Prison Network Development Strategy to respond to the Government's vision for the prison network, and to report back to Cabinet with final recommendations in December 2018 (CAB-18-MIN-0265);
 - 2 **Note** that the Prison Network Development Strategy developed and assessed four possible future pathways for the prison network – status quo, incremental improvement, major improvement in services, and transformation;
 - 3 **Agree** that we adopt major improvement in services as the agreed strategic path for the prison network, on the basis of the best overall balance between our vision for change, deliverability, cost and risk;
 - 4 **Note** that adopting this strategic path still enables us to move towards a transformation pathway in the future if conditions allow;
 - 5 **Note** that the total ten year cost of the strategic path is approximately \$5.3 B, and that this is approximately \$2.2 B above the minimum investment required to deliver safe, secure and humane containment through the current approaches to services and infrastructure;
 - 6 **Note** that the Department of Corrections Budget 2019 submission for new wellbeing investments as part of the Hāpaitia Justice Sector package of initiatives and the quick-win and set-up initiatives is the start of the investment required to incremental improvement in rehabilitation and transition service delivery and outcomes; and
 - 7 **Note** that components of the strategic path in recommendation 3 above are subject to bids in the Budget 2019 process, and agreement to the strategic path does not represent a commitment to agreeing that funding.

Authorised for lodgement

Hon Kelvin Davis

Minister of Corrections

Appendix 1: Network management policies, double bunking levels, prisoner unlock hours

Capacity planning framework

Corrections' capacity management policy includes:

- a requirement to invest in base capacity to provide sufficient prisoner places for the forecast prisoner population, for effective network management and to mitigate the risk of unforecast demand; and
- an amount of supplementary capacity required to maintain resilience to large scale disasters or emergency events.

Accordingly, Corrections' capacity requirements are set by the following parameters:

- The optimum utilisation of prison capacity is 96 percent. The remaining four percent, (the **operating reserve**) is required to enable muster and asset management.
- 450 prisoner places are reserved for short term demand uncertainty (the **demand uncertainty reserve**) to manage the risks of short term forecasting variances. These places need to exist in the prison network as base capacity and be available for use.
- Another 450 prisoner places for medium term demand uncertainty should be planned and ready for rapid delivery. While the capacity does not need to be built, designated earthworks platforms need to exist to support pre-planned rapid construction of new base capacity in the event that demand materially exceeds expectation for a sustained period.
- 900 supplementary capacity prisoner places should be reserved for disaster recovery purposes (the **disaster recovery reserve**). This capacity has been created at minimal capital cost via the double bunking of all high security cells.

The capacity reserves outlined above are the risk settings adopted by Corrections and endorsed by the Government³ after comprehensive analysis of its capacity planning environment:

- The reservation of capacity for demand uncertainty was determined by statistical analysis of the accuracy of historical forecasts. The approach adopted by the Department provides a demand uncertainty reserve with a security of supply standard where shortage risk can be expected one year in ten.
- Disaster recovery requirements were set based on the maximum credible risks to the network including a major earthquake in a seismically active region such as Wellington or Christchurch that requires the closure and decant of Rimutaka Prison or Christchurch Men's Prison (both over 900 prisoner places). This also includes major disorder event that forces the temporary closure and decant of

³ These were most recently reviewed and confirmed as appropriate by Ministers Davis, Little, Robertson, Nash and Clarke in their recent approval of Prison Network Development Strategy update briefing B3676 of August 2018.

some or all of any large prison in the network. Both these types of risks have occurred and impacted the prison network in the last eight years.

Double bunking policy

High level policy

Double bunking is an economic efficiency strategy and is not a normalised practice outside a prison environment. It is not a practice that is consistent with our vision to fundamentally improve rehabilitation and reoffending outcomes, especially in the context of the less than desirable unlock hours currently experienced by prisoners in our care.

However, increased double bunking has been a necessary practice in the management of the 2016 – 2022 timeframe for Corrections. Corrections implements double bunking through application of a policy that was first adopted in 2009, and confirmed again as being appropriate in 2016. This policy is broadly that:

- Maximum security units, operational support beds (such as at-risk or management units), special treatment units, drug treatment units, self-care units, Māori focus units and youth units are not double-bunked.
- High security units can be double bunked up to 66 per cent of prisoners.
- Low security units can be fully double-bunked.

This policy is applied with two overlays – one related to individual suitability and risk, and the other related to facility suitability, amenity and risk.

Individual suitability and risk

Corrections applies operational procedures to support the safe, secure and humane use of double-bunking. Corrections utilises the Shared Accommodation Cell Risk Assessment ('SACRA'), which is based on international best practice.

The SACRA determines the suitability of individual prisoners for cell sharing and the appropriateness of particular cell-mates. Prisoners are re-assessed if their circumstances change.

Facility suitability and amenity

New facilities designed from the outset to be double bunked are regarded as suitable.

Existing facilities may be regarded as suitable based on assessments of:

- Cell size – is the cell large enough to provide decent accommodation for two people?
- Cell functionality – does the cell function adequately in terms of in-cell equipment, lighting, privacy and ablutions, desk and seating spaces etc. for the cell to function effectively and decently for two people?

- Facility overall amenity – is there sufficient provision of the following to sustain the total number of people in each accommodation block and the facility in total while successfully implementing the site operating model?
 - core service functionality (kitchen, laundry, health centre etc.)
 - therapeutic and rehabilitative space (gym, education, industries, treatment etc.)
 - core building services (potable water, wastewater, electricity/gas, heating and cooling etc.)
- Facility overall risk – in the context of the security features and operating model at the site, do the total number of people under care and supervision create undesirable risks of instability and potential disorder?

Current double bunking levels

There are currently 2,529 double bunks installed and available for service in the prison network. These are currently approximately 60% utilised, and were nearly fully utilised in April this year at the peak muster point.

540 of these are installed in supplementary capacity that is suitable only for disaster or emergency recovery use. This is not regarded as a suitable environment for sustained occupancy, and is therefore outside policy.

584 of the 2,529 installed double bunks are in cells that are less than 8m² in floor area. These cells – if assessed today – would be regarded as too small for double bunked occupancy, regardless of the quality of the rest of the facility.

1,561 of the 2,529 installed double bunks are high security beds. 844 of the 2,529 installed double bunks are low security beds.

Current unlock hours

Corrections is currently preparing a business case for the introduction of more flexible shift patterns and more effective human resource scheduling and rostering. This will make possible a material increase in unlock hours for the same front-line resource levels.

The recommended strategic pathway for the prison network goes further than this and delivers a significant boost to front line resource levels over time so that an unlock regime can be enabled that supports the strategy to deliver significantly more rehabilitation services and support to people in our care. The start of the restoration of the front line resource model is in the Corrections Budget 19 cost pressure bid.

Across the estate high security prisoners currently have average unlock of approximately 6 hours per day, and low security prisoners currently have average unlock of approximately 10 hours per day. The unlock time available to high security prisoners does not enable effective rehabilitation. This situation is exacerbated by the 1,561 high security double bunks installed in the network.

Appendix 2: Delivery of Additional Whare Oranga Ake Background

There are two existing Whare Oranga Ake located outside the wire at Hawkes Bay Regional Prison and Spring Hill Corrections Facility. These are unique environments that are run by external local iwi linked providers, with a level of custodial oversight by Corrections.

The enabling facilities are designed to mimic a normal house where prisoners live in lightweight accommodation similar to a standard four bed house. They are located in clusters supported by a communal facility providing for common space programmes rooms and staff facilities.

The existing Whare Oranga Ake at Hawkes Bay Regional Prison is shown in Figure 1.

Figure 1 – Existing Whare Oranga Ake at Hawkes Bay Regional Prison



Locations for the additional Whare Oranga Ake

Corrections has identified the following sites for rollout of the additional six Whare Oranga Ake:

- Northland Region Corrections Facility;
- Hawkes Bay Regional Prison;
- Tongariro Prison;
- Christchurch Men's Prison;
- Christchurch Women's Prison;
- Rolleston Prison.

Corrections is currently undertaking detailed site investigations at the six sites to determine the precise build location and confirm any residual supporting infrastructure works.

Implementation (construction and services)

Construction

Corrections will leverage off existing facility designs to ensure consistent design solutions across the facilities, as well as minimising design time and cost.

Corrections expect that the lightweight nature of the buildings will enable off site construction with transportation of the finished product to the final location.

Key construction milestones are detailed below:

Milestone	Date
Completion of detailed site investigations	February 2019
Registration of Interest released	May 2019
Request for Proposals released	June 2019
Construction commences	September 2019
Construction complete	October 2020

Procurement of service providers

In order procure community providers to manage the new facilities, Corrections will follow the Government rules of sourcing. Corrections may have to undertake a two-step process, including a Registration of Interest to identify whether there is a competitive market for these services, particularly for the service based at Tongariro Prison. Following this, the likely scenario will be an open approach to the market in the form of a Request for Proposals.

Key procurement milestones are detailed below:

Milestone	Date
Corrections commences market engagement	June 2019
Registration of Interest released	October 2019
Request for Proposals released	January 2020
Successful providers contracted	July 2020
Services commence	Q4 2020