

In Confidence

Office of the Minister Corrections

Chair, Cabinet Business Committee

Accommodation options to support a more effective justice system and a safer New Zealand

Proposal

- 1 On 9 April Cabinet directed the Department of Corrections (Corrections) to place its planned procurement of a new prison facility at Waikeria into a state of managed delay [CAB 18-MIN-0137 refers].
- 2 This paper discusses the different ways capacity can be added to the prison network, taking into account our aspiration for a more effective criminal justice system. Following on from this discussion a decision is requested to set out how we are going to manage the medium term capacity shortfall we are projected to have.
- 3 To enable this decision to be prudent and the best investment it also proposes the development of a prison network development strategy. This work will determine the best combination of investment to reflect our ambition for the justice system and we will need to decide if development at Waikeria should play a role.

Our goal

- 4 We have committed to reducing the prison population by 30 per cent over 15 years. This task will not be easy, we will need to make bold changes to the way the justice sector works as well as ensuring the wider social sector supports New Zealanders to stay out of prison. These changes are not part of this paper. We also need to consider how we shape the future of the prison network to support us achieving this goal. We need to better enable the delivery of rehabilitation and reintegration which is Corrections core contribution to our goal. Accepting the status quo will not be good enough, we need to reshape the prison network and enhance its operating model.
- 5 If we look at today's population figures we would need to have reduced the population by just over 3,000 to achieve our goal. If we look out to 2027 we will need to have stopped over 8,000 people coming to prison. Today's decision is only a small part of the plan. However, it will provide facilities that will contribute to the achievement of our goal

The current problem

- 6 The current prison network has a safe maximum capacity of 9,161, but there are currently around 10,700 people in our prisons, placing the system under significant pressure. Demand for prison places is projected to increase in future years, exceeding the safe maximum capacity of the prison network by 2,877 places in 2021, increasing to more than 3,400 places in 2022, and reaching 4,576 places by 2027.

Table 1 – Projected capacity gap (expected annual peaks)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Safe maximum capacity ¹	9,254	9,661	10,473	10,473	10,473	10,473	10,473	10,473	10,473	10,473
Projected demand ²	11,600	12,242	12,851	13,350	13,911	14,329	14,509	14,690	14,790	15,049
Gap	2,346	2,581	2,378	2,877	3,438	3,856	4,036	4,217	4,317	4,576

7 The capacity gap can be addressed by taking actions to reduce the number of people in prison (reducing demand for places), by investing in additional capacity (increasing the supply of places), and by choosing to run the prison network in a higher risk state.

8 9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Getting to a corrections system that supports a more effective criminal justice system

- 9 It is tempting to approach pressure on the prison network as a simple supply and demand problem, and look for the quickest and easiest way to provide additional beds. However, I believe we need to also be thinking about how the solutions we choose now will help us to get to the corrections system, and the criminal justice system, that we want in the medium and long term.
- 10 A reform programme is being initiated by the Minister of Justice to examine how we can create a more effective criminal justice system and a safer New Zealand, including considering the role of our prison network. While that work is in the early stages, I believe we ultimately want a prison network that reflects a more restorative approach to criminal offending, and supports prisoners to make a fresh start by:
- 10.1 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
 - 10.2 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
 - 10.3 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

¹ This takes into account additional capacity that is already planned, including 600 rapid build places that were previously approved by Cabinet and are expected to come into service from late 2019 [CAB-18-MIN-0146 refers].

² Based on 2017 Justice Sector Projection, with the estimated impact of 920 additional police officers added [CAB-18-MIN-0146 refers].

- 10.4 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 whanau and support networks outside prison.
- 11 Achieving a prison network that supports these objectives will involve significant changes to the operating model, resourcing, and profile of facilities in the corrections system. It will take time and require significant investment across the system.
- 12 There are trade-offs to be made between costs and benefits, which we will need to consider through our reform programme for the justice system. For example:
 - 12.1 we could choose to rapidly phase out double bunking as a practice – this would require the addition of around 3,000 new cells into the prison network
 - 12.2 we could choose to house higher security prisoners in lower security accommodation that is more normalised, and mitigate the increased security risk by significantly increasing staff ratios and supervision
 - 12.3 we could choose to incorporate a higher standard of mental health across the prison network through a combination of new facilities and targeted intervention in the education, professional development, and remuneration of clinical professional staff, to deliver the higher staffing ratios seen in other jurisdictions.
- 13 Consideration of these trade-offs can form part of our long-term programme of reform, but we also need to recognise that our ambitions for the corrections system cannot progress while the system is in a severe state of overcrowding.

How additional capacity can be added to the prison network

- 14 Additional capacity can be added to the prison network by:
 - 14.1 double bunking cells in existing facilities
 - 14.2 bringing old facilities that have previously been retired back into service
 - 14.3 adding new buildings to existing sites (including using planned new builds, rapid build units, and self-care residences)
 - 14.4 building new small and medium scale prison facilities
 - 14.5 building new large-scale prison facilities, and
 - 14.6 adding purpose-built mental health treatment units.
- 15 Demand for prison capacity could also potentially be reduced by building specialist accommodation facilities in the community.
- 16 Advice from Corrections indicates that all or most additional capacity should be added in the upper half of the North Island, reflecting current and projected demand from this area. Corrections has also indicated that under current settings a large proportion of this capacity should be high security, reflecting the security profile of people coming into the system and that our reform programme will tend to reduce the lower security element of the population first. See Appendix 2 for additional detail.

- 17 The benefits and drawbacks of each of these approaches are discussed below, along with an overview of how they potentially fit with the objectives I've outlined. See Appendix 3 each prison site with the expansion that is already implemented or approved.

Double-bunking cells in existing facilities

- 18 Double bunking involves refitting existing cells to allow two beds to be accommodated and is relatively low cost compared to other options. Double-bunking modifications can be made relatively quickly – within 6 – 12 months – and can also be removed relatively quickly. Because double-bunking increases the number of prisoners held at a site, it usually requires increases to staffing levels and supporting infrastructure. Double bunking generally takes the host site beyond its design capacity, meaning it is less effective for all prisoners at the site.
- 19 Double bunking should ideally be limited to prison cells above a certain size, and should be limited to a proportion of cells in the prison network. This is recommended to manage the risk of prisoner-on-prisoner assaults, which increase when prisoners are housed in smaller cells, and when prisoners who are less-suited to sharing a cell are placed together.
- 20 Corrections has an internal management policy that governs the deployment of double bunking in the network. This previously limited double bunking to cells that are seven square metres and larger and specified limits for higher risk prisoners. However, these larger cells have all been double-bunked, and Corrections has been forced to double bunk smaller cells. Limits for double bunking high security prisoners have also been tested at some sites. Currently around 30% of cells in the prison estate are double bunked, with around half of all prisoners currently housed in double-bunked cells. The extent of double bunking in the network is now requiring emergency payments to frontline staff at some facilities.
- 21 Most of the additional capacity that is already planned by Corrections incorporates double bunking – for example: 960 planned places in rapid build modular units will be double bunked, and 422 emergency places are currently being added to the network by double bunking self-care residences.

How well would further double bunking support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	No – likely to reduce opportunities
Supports a focus on improving prisoner health?	No – may negatively impact prisoner health
Reflects a principle of normalisation in prison design?	No – moves away from normalisation
Supports a human-centric operating model?	No – may involve increasing staff ratios but as a management measure
Cost: in-cell inexpensive, site support facilities variable	Timeframe: 6-12 months

Bringing old facilities back into service

- 22 Bringing retired prison facilities into service can provide additional capacity, but can also involve significant cost, and a number of compromises. Older facilities that have been brought back into service recently include:

- 22.1 the Top Jail at Waikeria Prison (280 places) – this building is in poor condition – the Prison Inspectorate recently commented that the building is “not conducive to the humane treatment of prisoners, safety or rehabilitation”
- 22.2 the Top Jail at Rimutaka Prison (112 places) – this facility was brought back into service to accommodate an overflow of female prisoners from Arotaha Prison, and has recently been double-bunked.
- 23 Retired Corrections facilities represent the lowest quality accommodation available in the prison estate, and typically take 12 – 18 months to be made operational, requiring upgrades to core infrastructure. A number of these facilities are no longer gazetted for prison use or owned by Corrections.
- 24 Older prison facilities were built at a time when rehabilitation was not a focus in New Zealand, and safety standards and practices were quite different. Using these facilities necessarily limits the rehabilitation programmes and services that can be provided to prisoners, and presents increased safety risks to prisoners and staff that cannot be fully mitigated.

How well would bringing old facilities back into service support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	No – opportunities limited in old facilities
Supports a focus on improving prisoner health?	No – state of these facilities may negatively impact prisoner health
Reflects a principle of normalisation in prison design?	No – moves away from normalisation
Supports a human-centric operating model?	No – may involve increasing staff ratios but as a management measure
Cost: dependant on condition of old facility	Timeframe: 12-18 months

Adding new buildings to existing sites

- 25 Adding new buildings to existing sites is easier than building new prisons or adding large scale facilities to existing sites but can be costly if these facilities are required in a short timeframe. Adding new buildings can impact on the design and operation of the host site.
- 26 Small scale developments that have recently been completed or are currently underway include:
- 26.1 a new building at Arohata Prison which will come into service in 2019 (69 places)
- 26.2 a new building at Mt Eden Corrections Facility (245 places) by October 2019
- 26.3 three rapid-build modular units at Rolleston Prison (2 x 120 places) and Tongariro Prison (120 places) by December 2018
- 26.4 five rapid-build modular units (600 places) which were recently approved by Cabinet, and will come into service by December 2019 at Christchurch Women's Prison (120 places), Christchurch Men's Prison (2 x 120 places), and Rimutaka Prison (2 x 120 places).
- 27 There are four types of capacity that can be added to existing sites.

- 27.1 Planned new buildings are facilities designed specifically for a particular prison site, and are constructed on-site. They can be developed to accommodate high security prisoners, and can include bespoke features that support the effective operation of existing prison site (including supporting rehabilitation outcomes). These are purpose-built facilities with long design lives and typically take three to four years to design, build, and bring into service.
- 27.2 [REDACTED] 9(2)(i)
[REDACTED] The units currently being planned and deployed are suitable for a range of security classifications. There are some limits on their usefulness for higher security prisoners. They take around two years to bring into service.
- 27.3 Internal self-care residences are essentially residential style accommodation similar to shared flats, and are designed to be used by prisoners who are nearing release. They include shared kitchens, bathrooms and lounges, and are designed to assist with reintegration by increasing residents' social skills, personal responsibility and self-reliance before their release from prison. This type of accommodation is only suitable for housing low and minimum security prisoners. These units take around two years to build, integrate, and bring into service.
- 27.4 External self-care residences are similar to internal self-care units, but are situated outside the perimeter fence at a prison. These units provide residential style accommodation but place a greater level of responsibility on prisoners, balanced against the risk of having them outside the wire³.
- 28 Much of the cost of these types of developments is not related to the new buildings themselves, but rather the significant investment that is required to integrate them with an existing prison site. These costs include site infrastructure (e.g. power, water, waste), ancillary functions (e.g. kitchens, laundries and health facilities), electronic security and surveillance systems, and work to make physical space for the buildings (e.g. earthworks and moving perimeter fencing).
- 29 The average cost of a 120 bed rapid build modular unit is [REDACTED] 9(2)(i) [REDACTED] based on the experience of Corrections to date. These units become more expensive to add as they are placed into less developed and more marginal areas of the prison estate, requiring increasingly complex and expensive infrastructure enhancements.

³ An application of this type of accommodation is the Whare Oranga Ake units, which are provided at Spring Hill Corrections Facility and Hawkes Bay Regional Prison. These provide kaupapa Māori environments that 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. These units utilise external providers (Choices Kahungunu Health Services and Raukura Haoura o Tainui) to deliver reintegrative services.

How well would adding new planned buildings to existing sites support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – if the host site has the capacity to provide rehabilitation support to additional prisoners
Supports a focus on improving prisoner health?	Yes – if the host site has the capacity to provide health services to additional prisoners
Reflects a principle of normalisation in prison design?	Yes – there is scope to incorporate normalisation features into the design of these buildings
Supports a human-centric operating model?	Yes – these buildings can be designed to support this type of operating model
Cost: example – MECF Building C, 245 beds, \$140m	Timeframe: 3 years
How well would adding rapid build modular units to existing sites support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – if the host site has the capacity to provide rehabilitation support to additional prisoners
Supports a focus on improving prisoner health?	Yes – if the host site has the capacity to provide health services to additional prisoners
Reflects a principle of normalisation in prison design?	Limited – the ‘pre-build and assemble’ nature of these units means there is limited scope to incorporate normalisation features
Supports a human-centric operating model?	Limited – these buildings can support this type of operating model, but only so far as their design allows
Cost: 9(2)(i) for 120 beds	Timeframe: 2 years
How well would adding internal and/or external self-care residences support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – if the host site has the capacity to provide rehabilitation support to additional prisoners
Supports a focus on improving prisoner health?	Yes – if the host site has the capacity to provide health services to additional prisoners
Reflects a principle of normalisation in prison design?	Yes – these buildings represent the most normalised environment in the prison system currently, and there is scope to include further elements in their design
Supports a human-centric operating model?	Yes – these buildings support this type of operating model
Cost: dependant on additional site support infrastructure requirement	Timeframe: 12-18 months

Developing new small and medium scale prison facilities

- 30 Evidence on prison effectiveness favours prisons that are located closer to prisoners’ families, and shows that a positive site culture is more likely to exist in smaller prisons where leadership and management is more visible and social cohesion in the workforce is higher.
- 31 Operating small and medium scale prisons can pose challenges when it comes to supporting prisoner rehabilitation. The placement of these facilities in smaller regional centres, and the relatively small number of prisoners at each site mean that it can be difficult to recruit sufficiently qualified staff to operate programmes in these prisons, and that getting enough eligible prisoners to make a particular programme viable can also be difficult. The facilities themselves can also be limited in design features to support the delivery of a full range of services and treatment, due to their limited scale.

- 32 Building small and medium scale prisons is significantly more costly than adding buildings to existing sites, and costs more (on a per bed basis) than building large scale facilities. While the prison network includes a number of smaller sites, these are generally older facilities⁴, built at a time when the prison population was smaller.
- 33 Building a new prison, whether it is large or small, is a significant undertaking. This is partly because of the complex array of components that must be designed and built at a single prison⁵, and also reflects increasingly stringent planning and resource requirements that apply when prison sites are changed or consent is sought to build new prisons.
- 34 Corrections has estimated that it would take between four and five years to design and construct a small or medium scale prison, assuming a suitable site could be found, acquired, and consented.
- 35 An alternative specific to the remand population is to build remand centres similar to those currently operated by Corrections in New Plymouth and Rotorua. Current centres are built to hold up to 40 prisoners while they wait on remand, housing offenders closer to their community while charges proceed through the court. As these facilities only hold prisoners on remand, they are not required to include the full range of services that are provided at a full prison.

How well would building a small prison support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – can provide access to rehabilitation services (though some services may be limited), and being close to family can support rehabilitation
Supports a focus on improving prisoner health?	Yes – can be developed with a focus on supporting prisoner health
Reflects a principle of normalisation in prison design?	Yes – there is scope to incorporate normalisation features into all elements of a new prison design
Supports a human-centric operating model?	Yes – can be designed to support this type of operating model from the ground up
Cost: rehab-centric 500 beds approx. s9(2)(i) Timeframe: 4-5 years	

Developing large-scale prison facilities

- 36 Large-scale prison facilities (1000+ places) are the most efficient and cost-effective way to add quality capacity to the prison network. While they require significant capital investment up front, they tend to be less costly to operate in the long-run than a number of small scale developments.
- 37 The large scale of these developments allows a full range of specialist facilities and rehabilitation programmes can be provided at these sites. Their large size means they tend to be built in more rural areas, which may mean that families and supporters have to travel further to visit prisoners.

⁴ The prison network currently incorporates small-scale prison sites that provide accommodation for 300 or fewer prisoners in Tongariro, Manawatu, Arohata, Christchurch Womens' Prison and Invercargill. Small remand facilities to accommodate up to 40 prisoners also operate in New Plymouth and Rotorua.

⁵ This includes different types of accommodation, kitchen and laundry facilities, facilities to provide rehabilitation, industry skills, treatment and learning opportunities, health facilities, control and security features, gatehouse, receiving office, and core infrastructure.

- 38 Large scale developments require a significant lead-in time to develop, typically taking five years from planning to completion. In part this reflects increasingly stringent planning and resource requirements.
- 39 Large scale prison developments also require specialist construction expertise, given both the large scale and specialised nature of this type of construction. There are only a small number of companies and consortia in Australasia capable of building these types of developments.

How well would building a large scale prison support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – can provide access to a wide range of rehabilitation services
Supports a focus on improving prisoner health?	Yes – can be developed with a focus on supporting prisoner health
Reflects a principle of normalisation in prison design?	Yes – there is scope to incorporate normalisation features into all elements of a new prison design
Supports a human-centric operating model?	Yes – can be designed to support this type of operating model from the ground up
Cost: rehab-centric 1000 beds approx. 9(2)(i) Timeframe: 4-5 years	

Adding purpose-built mental health treatment units to new prison builds

- 40 While addressing capacity issues in the prison system can focus solely on how prisoners are housed, there is also scope to improve prisoner outcomes by thinking about how additional services can be added that directly address mental health needs.
- 41 The best information on the prevalence of mental health conditions within the prison population comes from a Corrections co-morbidity study undertaken in 2015, which examined the prevalence of mental health, and drug and alcohol problems in the prison population, and compared this with the general population. It found that 36.3% of prisoners had experienced some form of mental disorder in the previous 12 months, and 46.4% had experienced a mental disorder at some point in their lifetime. If alcohol and drug addiction are included, these figures increase to 62.2% of the prison population having a disorder in the previous 12 months, and 90.9% of prisoners having a disorder at some point in their lifetime.
- 42 The concept of developing purpose-built treatment facilities on prison sites has been examined by Corrections as part of work on the design of a potential large scale development at Waikeria. Prison-based psychiatric units at Zaanstad Prison in the Netherlands and the Ravenhall Correctional Centre in Australia have attracted the attention of Corrections because of their comprehensive approach to mental health services and their focus on providing a more humane environment for people with serious mental health issues.
- 43 Drawing on learnings from these facilities, a new large-scale mental health facility could provide therapeutic accommodation to house 75-100 prisoners. Such a facility could potentially incorporate:
- 43.1 an intensive supervision unit, for prisoners with acute mental health needs
 - 43.2 accommodation for prisoners with sub-acute mental health needs, including those transitioning out of the intensive supervision unit

- 43.3 some form of transitional accommodation for prisoners preparing to return to a normal prison environment or the local community
- 43.4 a close supervision unit to support the management of prisoners with significant behavioural issues.
- 44 This type of facility would be operated by Corrections, but with specialist regional health staff working side-by-side, along with other agency partners. Alternatively, it could be run by Health staff with Corrections providing the safety and security component.
- 45 Developing a facility of this nature as part of a prison development would cost approximately 9(2)(i) as part of a new prison build. We will also be looking at opportunities to add mental health components to other facilities as part of the network development strategy discussed in later in the paper.

How well would a purpose-built mental health facility support a more effective Corrections system?	
Provides access to rehabilitation opportunities for all prisoners?	Yes – can provide access to rehabilitation services (breadth of services depends on the scale of the prison site where it is located)
Supports a focus on improving prisoner health?	Yes – can be developed with a focus on supporting all areas of prisoner health
Reflects a principle of normalisation in prison design?	Yes – normalisation would be a key part of the design of such a facility
Supports a human-centric operating model?	Yes – can be designed to support this type of operating model from the ground up
Cost: approx. 9(2)(i)	Timeframe: dictated by new build, 4-5 years

Accommodation in the community

- 46 Developing accommodation in the community that is 'ring fenced' for offenders has the potential to reduce pressure on the prison system, by allowing some offenders who would otherwise be sent to prison to be housed in the community (e.g. on home detention sentences or electronic bail), and allowing some prisoners to be released earlier where a lack of suitable accommodation is the main obstacle to their release.
- 47 This solution is technically a demand-side response (helping to reduce the number of people who are sent to prison and/or the time they spend there), rather than a supply side response like the other options outlined above.
- 48 One approach to providing specialised housing in the community involves building Community Residential Facilities. These can provide residential community care and services for offenders, before, after, and instead of, imprisonment. Networks of these types of facilities are a common feature of corrections systems internationally⁶, but are largely absent in New Zealand⁷.
- 49 Evidence suggests Community Residential Facilities can sometimes be better at reducing reoffending than prisons, and may not significantly increase public safety risk if they are designed with security in mind, including the use of electronic monitoring.

⁶ Internationally, they vary considerably in terms of provider type, services offered, length of stay, and degrees of security, and can include work and day release programmes. Residents may be supported for a few months, up to three years.

⁷ Historically New Zealand operated a network of 'bail residences' to house offenders, but most of these were sold during the 1980's.

Evidence indicates that they tend to be more successful for motivated and older residents, where programmes are well designed, there are clear rules and expectations in place, and they are located in low crime areas. There are also suggestions that they can provide more humane and culturally appropriate environments, support health outcomes, and help prisoners to reintegrate, including preparing them for work.

- 50 There may be scope to work with iwi partners to develop Community Residential Facilities, or other forms of specialised accommodation in some parts of New Zealand.
- 51 However, while providing additional accommodation in the community would undoubtedly support improved outcomes for people in the criminal justice system, determining the extent to which such accommodation would provide a direct reduction in the prison population is very challenging. There are a range of reasons for this, including:
- 51.1 difficulty measuring housing need – the availability of accommodation can be very fluid, changing in a short period of time, and the dividing line between accommodation which is ‘adequate’ and ‘inadequate’ is not clear-cut⁸
 - 51.2 the potential for a displacement effect – where new accommodation is filled by people who would otherwise have used other existing (lower quality) accommodation, rather than entering or remaining in prison
 - 51.3 the potential difficulty transitioning offenders into other accommodation when their sentences have been served, because of the wider shortage of affordable accommodation
 - 51.4 uncertainty about whether/when bail and sentencing decisions by judges and release decisions by the Parole Board may actually be influenced by the availability of suitable housing.
- 52 If we want to develop Community Residential Facilities or other community housing as part of our response to pressure on the prison system, we will need to direct officials to undertake further feasibility work to examine where and at what scale this type of accommodation could be developed, and the potential cost.

We need to make a decision on our medium term approach to the capacity shortfall

- 53 We need to decide how we are going to manage the medium term problem with capacity. The above information provides a clear picture of the options we have and the tables in appendix 2 and 3 set out information on the location of the problem and the assets we have to manage it.
- 54 In essence, we have a prison network that has very limited capacity to expand. The options already in place have all but exhausted the flexibility to easily add more capacity with lower cost solutions such as double bunking. This need for capacity has also meant that we have inherited a prison network that is focused on survival rather than rehabilitation and reintegration.

⁸ For example: a boarding house, caravan in someone’s backyard, or the home of elderly parents may or may not be adequate, depending on specific circumstances.

- 55 To make our decision we need to balance the risks we face with the rising population and the cost and benefits of the opportunities we have. The longer we delay making a decision the greater the chance that we will not have capacity in place by the time we need it. In short we need to make a decision and we need to make it now.
- 56 Given the current stretched state of the prison network, I believe we need a strategy for developing the network that reflects and promotes what we want to achieve within the justice system. This work will help guide our long term plan as well as our medium term decisions. We also need to decide if a replacement for Waikeria Prison is part of our plan.
- 57 A network development strategy following the key steps of the treasury programme business case model could be developed in the next six months. The strategy would:
- 57.1 Clearly define the Government's objectives for the corrections system, and its role within a safer and more effective criminal justice system – this would be informed by the wider reform work being led by the Minister of Justice, and local and international evidence on best-practice in the design and operation of prison networks.
 - 57.2 Assess the current state of the prison network – both its operating model and its infrastructure – and identify the gap that must be bridged by the strategy. This gap is the problem or opportunity that the strategy must address through its recommendations. An agreed framework would be created to assess the merit of possible response options.
 - 57.3 Analyse the full array of options available to address the gap and deliver on the Government's objectives. This would include different operating models and different infrastructure, and be underpinned by a practical need to address capacity pressures.
 - 57.4 Present recommendations for change and investment based on the results, and outline funding requirements, how delivery would occur, how governance would be configured, and how benefits would be measured.
- 58 The development of this strategy would be informed by a panel of international experts that I have already convened to advise on the development of a potential new facility at Waikeria. This panel comprises:
- 58.1 Professor Alison Liebling – Professor of Criminology and Criminal Justice, Director of the Prisons Research Centre, University of Cambridge
 - 58.2 Professor Yvonne Jewkes – Research Professor of Criminology specialising in prison architecture and design, University of Brighton
 - 58.3 Robert Jennings – Expert Consultant on Prison Operating Model design and former Prison Director and Senior Corrections Administrator, WA Australia.
- 59 I propose that Corrections starts work on this strategy, by presenting a Strategic Case to a group of Joint Ministers in July that would encompass the stages outlined in 57.1 and 57.2 above. An update would be provided to Cabinet when analysis on investment options has been completed in September 2018, and again when a full strategy and recommendations had been developed in December 2018.

Our medium term decision

- 60 The older parts of Waikeria Prison are in poor condition and are not conducive to the safety of staff or prisoners or to rehabilitation. We need to replace Waikeria Prison as part of our medium term capacity approach, but we will not build an American-style mega prison. From the beginning of April, the Waikeria procurement has been refocused on options that better reflect our future vision - 1,000 prisoner places and 500 prisoner places – both including provision for enhanced mental health service delivery that has the capacity to treat a further 100 prisoners.
- 61 The design for Waikeria would provide:
- 61.1 significantly improved access to prisoners for treatment of mental health needs by providing excellent health and case management facilities;
 - 61.2 living quarters configured as a set of small therapeutic community environments of 80-120 prisoners.
 - 61.3 a large number of high quality spaces where education and rehabilitation can occur;
 - 61.4 healthcare facilities on every accommodation unit, alongside a larger central health facility; and
 - 61.5 an extensive industries complex where vocational training and NZQA qualifications will assist with jobs on release.
- 62 The operating model and the design response to it are in the process of being reviewed by the panel of international experts referred to earlier. Insights gained from the review and ongoing engagement with the panel will be used to refine the operating model and inform final design. If we include a new facility at Waikeria as part of our decision, we can be confident that it can be delivered relatively quickly and that it is consistent with our future vision for the prison network.

Options

- 63 We have three options to deliver beds in the medium term.

Option 1 – Deliver all required beds through the network development strategy

- 64 We could cancel the current procurement process and rely on the network development strategy described above as a vehicle for determining how we will address the capacity gap in 2021/22 and beyond.
- 65 Cabinet previously agreed to initiate earthworks preparation on the site to a value of \$10 million [CBC-17-MIN-0080 refers] and agreed to underwrite the bid costs of the preferred bidder Cornerstone Investment Partners (CIP) as a way of keeping it engaged [CAB 18-MIN-0137 refers]. The value of this cost underwrite will be 9(2)(i) at the end of May 2018, which is payable to CIP if the procurement is cancelled.
- 66 This approach would create complete reliance on the network development strategy, as it would need to deliver proposals in December 2018 to completely address the capacity gap from 2021 and beyond, with only three years for these to be brought into service.

- 67 In the event that no further development is undertaken at the Waikeria Prison site, around \$80 million will need to be spent on core infrastructure at the site, to allow it to continue operating beyond 2022. Core infrastructure upgrades that are required include full replacement of wastewater, potable water, and stormwater infrastructure, and high voltage electricity infrastructure.

Option 2 – Replace existing facilities with a 500 bed facility at Waikeria, a purpose-built mental health facility and the remaining required beds through the network development strategy

- 68 We could use the current procurement to provide a 500 bed facility at Waikeria as well as 100 bed mental health treatment beds. The network development strategy would determine the nature of other capacity we will need to address the capacity gap in 2021/22 and beyond.
- 69 The cost of this facility would be subject to negotiations, and depend on the design of this facility, though Corrections estimates that a facility of this scale and feature set would cost **9(2)(i)**. This facility would be delivered in 2022.
- 70 This cost would also allow for the addition of a purpose-built mental health treatment unit. This would provide around 100 places, taking the total number of additional beds to 600.
- 71 Pursuing this option will require us to continue operating the marginal⁹ Waikeria Top Jail as a stop-gap measure to manage capacity pressures while other capacity is brought into service. The current designation for Waikeria does not permit any changes to the form or footprint of the Top Jail because it is not in the zone designated for construction or redevelopment. This means that it cannot be modified to materially improve its ability to support staff and prisoner safety, prisoner rehabilitation, or its overall design, which is poor by modern standards.
- 72 I have identified a minimal refurbishment of the jail costing \$25m as the best approach to keep this building open. This would involve making essential upgrades to Waikeria site services (water and power services) so that operation of the Top Jail can continue as a stop gap measure. It would also include assessing changes that could be made to improve the prisoner yards. This would recognise that the jail is likely to be one of the first pieces of low quality capacity in the prison system to be retired when we start to reduce the prison population or introduce alternative capacity responses.

Option 3 – Build a 1,000 bed facility at Waikeria and use the network development strategy for any remaining capacity need and for longer term decisions

- 73 We could use the current procurement to provide a 1,000 bed facility at Waikeria, to be delivered in 2021. The network development strategy would be used to determine the nature of any further capacity we need to address the capacity gap in 2021/22 and beyond.

⁹ The ongoing operation of the Waikeria Top Jail presents a risk to Corrections and the Government, as it provides living conditions that might be considered inhumane. The jail includes cells that are too small, insufficient in-cell amenity and privacy, poor learning and rehabilitation environments, substandard security and surveillance systems, cramped and unsafe staff facilities, and poor protection against prisoner self-harm.

- 74 The cost of this facility would be subject to negotiations, though Corrections estimates that a facility of this scale and feature set would cost 9(2)(i).
- 75 The facility would also include a purpose-built mental health treatment unit.

Preferred package

- 76 I believe option 2 provides the best balance between certain capacity, new purpose-built mental health beds, and the development of alternative flexible solutions that can be delivered across the country. Without prejudicing the work on the strategy, my preference would be providing internal and external self-care across as many sites as possible while also looking at adding some community housing into the mix.
- 77 This package would give us a new facility built to high standards and focused on rehabilitation and reintegration where we need it. When we are successful at reducing the prison population we will be able to close the old Waikeria Prison as well as other older facilities. It also provides the opportunity to add capacity across the estate to support local reintegration and this flexibility will allow us to begin to guide the network towards one that better fits with our vision. This flexibility will allow us meet the capacity gap remaining after the legislative changes proposed in the accompanying Ministry of Justice paper as well as those agreed following the Justice Summit.
- 78 Option one increases our risk by solely relying on finding space in the current network to increase our capacity. This means we may not end up with the capacity we need when we need it. This option also provides the highest cost uncertainty, this option could potentially be the most expensive way of adding capacity. On the positive side, it would provide us with the most flexibility for where and what we have, however, I do not believe this degree of flexibility is worth the risk of failing to have capacity where and when we need it.
- 79 Option three delivers the opposite issue to option one, it provides better cost certainty and value for money but at the cost of flexibility. As we will need to change the network and how it operates 9(2)(f)(iv) I do not believe this is a worthwhile trade off.

Risk considerations

- 80 There are a number of risks we need to recognise as we consider our decision-making on Waikeria.
- 81 It is difficult to make accurate projections about the prisoner population over a time scale that is relevant for capacity development. The current 2017 projection could understate or overstate the future. These variances should be planned for by having capacity to cope with an unforeseen increase. This mitigation forms part of the buffer normally held when the network is operating at or below the safe maximum capacity. Our justice sector strategy should not be so finely balanced that a negative forecasting variance puts it at risk.
- 82 There is then the risk associated with reform of sector settings and practices. If we assume the projection is accurate and elect to proceed with the Waikeria development at a scale of 1,000 prisoner places, we are relying on our programme of long term reform to deliver at least a 1,000 reduction in the projected prisoner population by 2021, and for it to go on to deliver a further 1,700 reduction by 2027.

- 83 If we achieve the medium and long term reform objectives, there is the residual risk associated with our approach to the capacity gap. In our approach we are accepting that the prison network will continue to operate above safe maximum capacity, even if our response strategy of 2,000 is successful. This is because the capacity gap (as defined using current settings for safe and effective operation of the prison network) is larger than our response strategy.
- 84 Over and above the risks associated with forecasting, reform, and residual network stress, there is an additional risk if we elect to proceed with the Waikeria development at a scale of 500 prisoner places or elect not to proceed. We are taking the risk that the some of the additional prisoner places we plan to provide through the network development strategy could be delivered late, exacerbating and extending the period of network stress.
- 85 I believe it is not realistic to expect to be able to deliver a more effective justice system if we experience failure of the prison network part way along our journey. I think that our approach needs to be a mix of certainty and flexibility and we need to be aware of the risks in our chosen approach.

Consultation

- 86 The Treasury, Ministry of Justice, New Zealand Police, Ministry of Social Development and Ministry for the Environment have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed of the development of this paper.

Financial Implications

- 87 The financial implications differ between options. The summary is as follows:
- 87.1 Preparation of a network development strategy would cost \$3m, and would be funded from the tagged operating contingency established for the Waikeria procurement in 2016.
- 87.2 The cancellation of the Waikeria procurement requires that sunk costs and exit costs be written off in this financial year, and that certain Waikeria site upgrades continue to completion.
- 87.3 The delivery of the 500 bed and 100 mental health bed option is expected to cost 9(2)(i) and the tagged operating and capital contingencies established for the Waikeria procurement in 2016 are sufficient to fund the construction of the facility and asset related operating costs.
- 87.4 The delivery of the 1,000 bed option is expected to cost 9(2)(i) and the tagged capital contingency established for the Waikeria procurement in 2016 would need to be increased by approximately 9(2)(i) in order to fund the construction of the facility.
- 88 The financial implications of Option 2 are outlined in more detail in Appendix 1a.

Human Rights

- 89 It is not expected that the proposals outlined in this paper will raise any issues of inconsistency with the New Zealand Bill of Rights Act 1990 and Human Rights Act 1993.

- 90 Adding capacity to the prison network will help to safeguard the rights of those coming into contact with the criminal justice system. For example, while it is generally accepted that people in prison have the right to be treated with humanity and respect for their inherent dignity, the Government's ability to guarantee these rights can be eroded when Corrections is facing severe demand pressures.

Legislative Implications and Regulatory Impact Analysis

- 91 The proposals in this paper do not have legislative implications, and Regulatory Impact Analysis is not required.

Gender Implications

- 92 While men and women are just as likely to be victims of crime, men are disproportionately represented in the criminal justice system, and make up around 93% of the prisoner population. However, the number of women in the criminal justice system is increasing at a faster rate than for men. The number of female prisoners has grown at around twice the rate as that of male prisoners over the last five years.
- 93 Actions to reduce pressure on the prison network between are likely to benefit male and female prisoners, as both genders are disadvantaged by high levels of stress in the prison system.

Disability Perspective

- 94 Overcrowding in the prison system has the potential to negatively impact prisoners with specific disability-related needs (including mental health and behavioural needs).
- 95 Actions to reduce pressure on the prison network will help Corrections to ensure that prisoners can continue to access the services and facilities they need to meet their specific health and disability-related needs.
- 96 Investment in additional mental health capacity in the prison system is likely to significantly benefit prisoners who suffer from high rates of poor mental health.

Recommendations

The Minister for Corrections recommends that the Committee:

- 1 **Note** that projected demand for prison places is expected to exceed the maximum safe capacity of the prison network by 2,877 places in 2021, increasing to around 4,576 places by 2027;
- 2 **Note** that in considering options to add capacity to the system, we should consider how the solutions we choose now will help us to get to the criminal justice system that we want, but that these ambitions cannot be achieved while the system is significantly overcrowded;
- 3 **Note** that additional capacity can be added to the prison system by:
 - 3.1 double bunking cells in existing facilities – takes six to twelve months
 - 3.2 bringing old facilities that have previously been retired back into service – takes twelve to eighteen months

- | | | | | | | |
|--|---------------------------|----------------|----------------|----------------|----------------|-------------------------------|
| | \$m – increase/(decrease) | | | | | |
| Prison Capacity Build Programme – Waikeria Prison Development | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & Outyears |
| Operating Contingency | 9(2)(i) | | | | | |
| Capital Contingency | | | | | | |

	\$m – increase/(decrease)					
Prison Capacity Build Programme – Waikeria Prison Development	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Operating Contingency	9(2)(i)					
Capital Contingency						

- 8 **Approve** the following changes to appropriations to give effect to the decision in recommendation 6, with a corresponding impact on the operating balance;

	\$m – increase/(decrease)				
Vote: Corrections Minister of Corrections	2018/19	2019/20	2020/21	2021/22	2022/23
Departmental Output Expense: Prison-based Custodial Services (funded by revenue Crown)	3.000	-	-	-	-
Total Operating	3.000	-	-	-	-

- 9 **Agree** that the changes to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 10 **Agree** that the changes in appropriations in recommendation 8 above will be charged against the operating contingency, Prison Capacity Build Programme – Waikeria Prison Development; in recommendation 7;
- 11 **Note** that a new facility at Waikeria is consistent with our longer term objectives and has been designed to support a progressive operating model. If we wish to develop at Waikeria using the current procurement we need to make a decision now;
- 12 **Direct** the Department of Corrections to complete the PPP procurement process for the Waikeria Corrections and Treatment Facility at a capacity of 500 prisoner places (with additional mental health capability);
- 13 **Note** the implications and next steps in Appendix 1a;
- 14 **Agree** the additional recommendations in Appendix 1b;
- 15 **Note** the Green Party requested any money in the Waikeria Prison Development contingency not used for the development be redirected towards support services for prisoners;
- 16 **Note** no contingency exists for the implementation of further capacity responses recommended through the network development strategy.

Authorised for lodgement

Hon Kelvin Davis

Minister of Corrections

APPENDIX 1a – IMPLICATIONS and NEXT STEPS

Introduction

- 1 This Appendix describes the financial implications, next steps and ministerial approvals associated with the decision to complete the PPP procurement process with the preferred bidder, Cornerstone Infrastructure Partners (CIP), for the Waikeria Corrections and Treatment Facility.
- 2 Negotiations with CIP are in an advanced state, and subject to finalisation of the design and cost over the next two months, the contract with CIP is expected to be ready to be signed in August 2018.
- 3 Key project milestones are detailed in Table 1 below.

Table 1: Key Project Milestones for the Waikeria Corrections and Treatment Facility

Activity	Date
Funding approved and contract signed	August 2018
Main earthworks commence	August 2018
Construction completed	Quarter 1 2022
First prisoner received	Quarter 2 2022
Prisoner build up complete – 500 places	Quarter 3 2022

- 4 The contract (Project Agreement) with CIP will procure:
 - A new high security prison facility to accommodate 500 prisoners (with additional mental health service capability to treat a further 100 prisoners) to be delivered by Quarter 1 2022. This facility will be designed to support the safe, secure and humane containment of prisoners, enabling the delivery of the Corrections' Operating Model and maximise opportunities for prisoner education and rehabilitation.
 - All infrastructure required to service the Waikeria Corrections and Treatment Facility such as potable and firefighting water, back-up power supply, ICT backbone infrastructure and utility services, including integration with existing site utility services where necessary.
 - Central services functions provided out of the Waikeria Corrections and Treatment Facility to service prisoners accommodated at the Waikeria Corrections and Treatment Facility as well as the adjacent existing Waikeria low security facility.
 - The finance required for the delivery of the Project.
 - 25 years of asset management (AM), and facilities maintenance (FM) for the Waikeria Corrections and Treatment Facility, which includes the provision of AM and FM services for the new buildings, and the contractor supplied technology, furniture and fittings.
 - All electronic security required to operate the Waikeria Corrections and Treatment Facility, including the provision and maintenance of hardware and software, and ongoing lifecycle management.

- 5 Payment by Corrections to CIP under the Project Agreement will be via an agreed annual Unitary Charge. The Unitary Charge reflects CIP's underlying cost structures including its operating (facilities maintenance), finance and lifecycle maintenance costs and the PPP financial liability repayment profile.

Financial Implications

- 6 In November 2016 Cabinet established tagged operating and capital contingencies, for the purpose of funding the Waikeria Corrections and Treatment Facility [CAB-16-MIN-0622 refers]¹⁰. A small amount of expenditure has been charged against the contingencies [CAB-18-Min-0137 refers]. The remaining operating and capital contingencies are shown in Table 2, with the capital contingency totalling 9(2)(i).

Table 2: Existing operating and capital contingencies for the Waikeria Corrections and Treatment Facility

Prison Capacity Build Programme – Waikeria Prison Development	\$m – increase/(decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & Outyears
Operating Contingency	9(2)(i)				
Capital Contingency					

- 7 Corrections has advised that the new facility, at the revised scale of 500 prisoner places has an estimated capital cost of 9(2)(i) and can be delivered within the existing contingencies in Table 1, although re-profiling of the contingencies will be required to reflect the delivery approach of the PPP arrangement.

Capital Cost

- 8 The capital cost of the Waikeria Corrections and Treatment Facility (at 500 prisoner places) is expected to be 9(2)(i)¹¹. This includes the cost of construction by CIP (including CIP's finance costs during the construction period) and capital costs of 9(2)(i) retained by Corrections.
- 9 From a funding perspective:
- Corrections will require new capital funding over the next four years to meet its retained capital costs 9(2)(i)
 - Corrections does not require new capital funding to meet the purchase of the Waikeria Corrections and Treatment Facility from CIP. Payment to CIP for this purchase forms part of the Unitary Charge and will occur progressively over the 25 years after the Waikeria Corrections and Treatment Facility is in service (via the repayment of the PPP financial liability). This repayment will be funded by Corrections from the depreciation funding it receives from the Crown in respect of the Waikeria Corrections and Treatment Facility.

¹⁰ Cabinet also noted that the drawdown against the operating and capital contingencies would need to be re-profiled to reflect the shift from a traditional design and build delivery approach to a PPP arrangement.

¹¹ This excludes costs associated with the procurement process, obtaining the RMA designation change and early earthworks 9(2)(i) that have already been incurred and funded by the Crown, and the \$25m required to continue operation of the existing Waikeria Top Jail.

- 10 Whilst the above approach to the repayment of the PPP financial liability is an efficient use of Corrections' capital reserves, it does mean that Corrections will not have capital reserves available from the accumulated depreciation funding at the end of the Project Agreement. Therefore when the facility is eventually replaced at the end of its useful life, the Crown will need to provide funding at that time to Corrections.

Other Operating Costs

- 11 In addition to the operating costs in the Unitary Charge (these include facilities maintenance and finance costs) Corrections will also incur costs associated with bringing the Waikeria Corrections and Treatment facility into service and on-going asset related operating costs. These include:
- Commissioning costs including project management costs during the construction period, RMA compliance costs and the costs of recruiting and training the staff required for the new facility.
 - One-off operating expenses related to ancillary works that are required to support the new facility (refer to paragraph 13 below for further detail of these ancillary works).
 - Depreciation, rates and insurance – reflecting Corrections' ownership of the facility.
 - Capital charge.
- 12 Corrections will require new operating funding to meet these costs (as a charge against the existing operating contingency).

Ancillary Works

- 13 A number of significant ancillary works are required to support the Waikeria Corrections and Treatment Facility, which need to be completed prior to the facility coming into service. These include the safety and access improvements on the local road which were approved by Cabinet in December 2017 [CBC-17-MIN-0080 refers]¹² and also:
- Infrastructure improvements required by the Resource Management Act designation, including:
 - Upgrade to wastewater infrastructure (owned by Waipa District Council);
 - Upgrade of the intersection of State Highway 3 with the road leading to the Waikeria Corrections and Treatment Facility.
 - Upgrade to the local electrical distribution company's power network.
- 14 As the assets that are being improved / upgraded are not owned by Corrections, the expenditure will be operating rather than capital in nature.

¹² A new non-departmental other expense appropriation in Vote Corrections has been established for this expenditure. The scope of the appropriation is limited to infrastructure improvements that are either a condition of the Resource Management Act designation, or otherwise necessary to enable, the development of the Waikeria Corrections and Treatment Facility.

Next Steps and Ministerial Approvals

Project Agreement

- 15 The principal document for the transaction with CIP is the Project Agreement. The Project Agreement is a contract that sets out the rights and obligations of the Department and CIP in relation to the transaction. It is based on the Treasury's Standard Form PPP terms and conditions.

Contractual and Financial Close

- 16 Contractual Close represents the point at which the Department and CIP execute the Project Agreement. This is scheduled to occur in August 2018.
- 17 After the Project Agreement is signed there are conditions that need to be met before it is effective (the Conditions Precedent). Financial Close is the date on which all the Conditions Precedent have been satisfied (including the provision of debt and equity finances to the Project). This is scheduled for shortly after Contractual Close.
- 18 At the time of Financial Close, Corrections will also enter into a long-term interest rate swap with the New Zealand Debt Management Office (NZDMO). This transaction will be executed on behalf of Corrections by a borrowing agent¹³ appointed by the Minister of Finance. The swap transaction will protect Corrections from changes in underlying base interest rates and transfer the risk to NZDMO where it can be best managed within the Crown.
- 19 Following the completion of the Financial Close process CIP will take possession of the Waikeria Corrections and Treatment Facility site through a lease arrangement and will commence construction activities.

Ministerial Approvals and Executing the Project Agreement

- 20 Cabinet previously approved that the Minister of Corrections and the Minister of Finance jointly approve the execution of the Project Agreement by Corrections [CAB-16-MIN-0622 refers]. The Chief Executive of Corrections was delegated authority to conduct the PPP procurement process including:
- Selecting the Preferred Bidder.
 - Finalising the Project Agreement with the Preferred Bidder.
 - Executing the Project Agreement following approval to do so by the Minister of Corrections and the Minister of Finance.
 - Bringing the Project Agreement to Financial Close.
- 21 The final costs of the Waikeria Corrections and Treatment Facility will be known in July 2018, following finalisation and costing of the revised masterplan. It is proposed that Cabinet authorise the Minister of Corrections and Minister of Finance jointly to make final decisions on the approval of changes to appropriations and capital injections to Corrections, with these changes being charged against the existing operating and capital

¹³ The borrowing agent will be a senior executive from Corrections.

contingencies in Table 2 of this Appendix. These approvals will be sought by Corrections in August 2018.

- 22 The Project Agreement incorporates a finance lease or arrangement substantially similar to a finance lease and will amount to Crown borrowing for the purposes of the Public Finance Act. As with all Crown borrowing, the Minister of Finance's approval is required under Section 47 of that Act. The borrowing reflects CIP's cost of constructing the new facility and the associated finance costs during its construction. Approval will also be sought from the Minister of Finance for Corrections to enter into the long-term interest rate swap with NZDMO.
- 23 The Ministerial approvals in paragraphs 20 – 22 above will be sought by Corrections in August 2018.
- 24 Corrections will also enter into a number of ancillary agreements in order to bring the Waikeria Corrections and Treatment Facility into service. This includes agreements relating to the ancillary site works to improve site access and site services that will enable the new facility to operate. It is proposed that the Chief Executive of Corrections be delegated authority to enter into such ancillary agreements.
- 25 One of the Conditions Precedent in the Project Agreement is CIP receiving approval under the Overseas Investment Act (OIA). CIP is an overseas person for the purposes of the OIA. The OIA application, which has been submitted to the Overseas Investment Office¹⁴, is triggered due to the leased period over the land being over three years, and the value of the development being over \$100 million. The land being leased will remain gazetted for prison purposes.

Extension of Early Works

- 26 In December 2017 the Cabinet Business Committee, having been authorised by Cabinet to have Power to Act [CAB-17-MIN-0565] agreed that Corrections undertake site preparation activities under a small early works contract package of up to \$10 million [CBC-17-MIN-0080].
- 27 The value of work undertaken to date is below the approved amount of \$10 million, however, this value is expected to be reached by the end of June 2018. In order that site preparation activities continue during July and August 2018, approval is sought:
 - To vary the early works contract to provide for a maximum value of work of \$15 million.
 - For a capital injection to Corrections of \$5 million in 2018/19, with this injection being a charge against the existing capital contingency in Table 2.

¹⁴ The responsible Minister for approving the application is the Minister for Land Information.

APPENDIX 1b – ADDITIONAL RECOMMENDATIONS

- 14.1 **Note** that the Waikeria Corrections and Treatment Facility can be delivered within the existing operating and capital contingencies, Prison Capacity Build Programme – Waikeria Prison Development;
- 14.2 **Note** that the Project Agreement will represent Crown borrowing for the purposes of the Public Finance Act 1989 – the approval of the Minister of Finance to this borrowing will be formally sought prior to entry into the Project Agreement;
- 14.3 **Note** that the Minister of Corrections and the Minister of Finance have delegated authority to act on behalf of the Crown to approve the execution of the Project Agreement;
- 14.4 **Note** that the Chief Executive of the Department of Corrections has delegated authority to:
- execute the Project Agreement following approval to do so by the Minister of Corrections and the Minister of Finance; and
 - bring the Project Agreement to Financial Close;
- 14.5 **Delegate** to the Minister of Corrections and the Minister of Finance the authority to make final decisions on the approval of expenditure against the existing operating and capital contingencies, Prison Capacity Build Programme – Waikeria Prison Development;
- 14.6. **Delegate** to the Chief Executive of the Department of Corrections the authority to enter into such agreements that are necessary to support bringing the Waikeria Corrections and Treatment Facility into service;
- 14.7 **Approve** the Department of Corrections increasing the value of work to be undertaken in the early works contract from \$10 million to a maximum value of \$15 million;
- 14.8 **Approve** the following changes to departmental capital injections to give effect to the decision in recommendation 14.7 above, with a corresponding impact on net debt;

	\$m – increase/(decrease)				
Vote: Corrections Minister of Corrections	2018/19	2019/20	2020/21	2021/22	2022/23
Department of Corrections: Capital Injection	5.000	-	-	-	-
Total Capital	5.000	-	-	-	-

- 14.9 **Agree** that the changes to departmental capital injections for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 14.10 **Agree** that the capital injection in recommendation 14.8 above will be charged against the capital contingency, Prison Capacity Build Programme – Waikeria Prison Development.

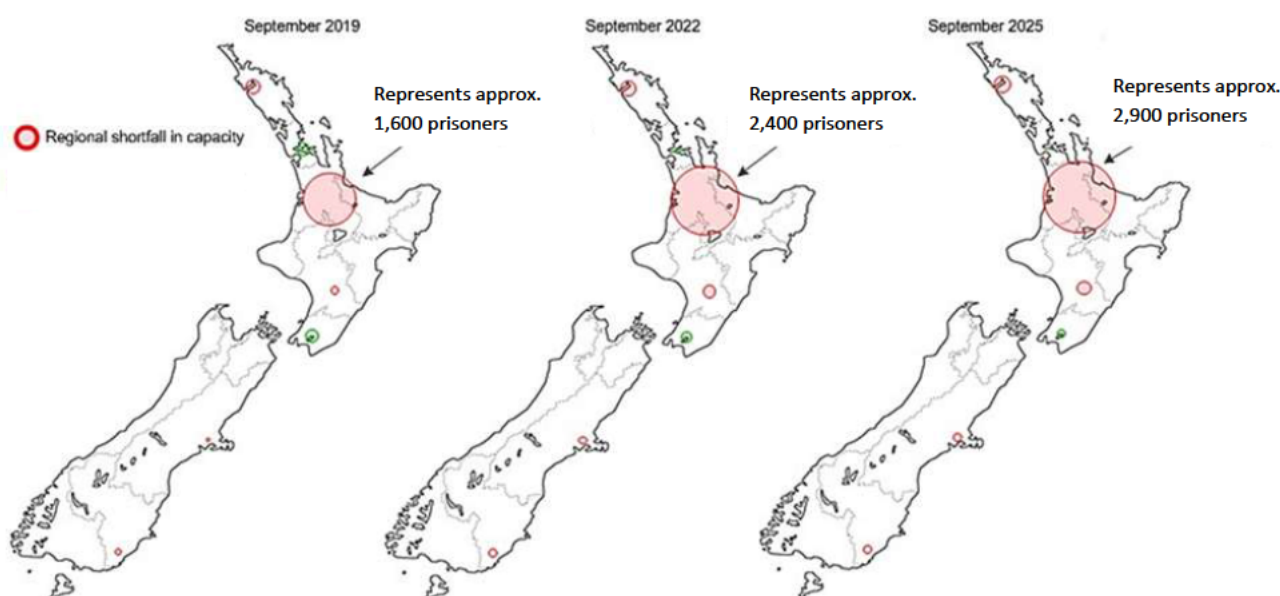
Appendix 2 – Understanding the future capacity need

The prison network is organised and distributed across 4 regions – Northern, Central, Lower North in the North island, and Southern in the South Island. Each region includes a mixture of different types of accommodation, including maximum (Central only), high, medium and low security units, self-care residences inside and outside the wire, treatment units, and intensive supervision units. Having a mixture of accommodation allows Corrections to manage the varying security requirements and other needs of prisoners.

The type of capacity that is needed in the prison network going forward is determined by the geographic distribution of people coming into the prison network, and the expected security classifications of people in the prison network.

Geographic distribution

The figure below shows expected capacity gaps across the Corrections regions, based on an assessment of regional demand and capacity.



Security Classification

Corrections determines the security classification of each sentenced prisoner by assessing their internal risk (i.e. risk to other prisoners and staff), their risk of escape¹⁵, and the risk that escape would pose to the public. This approach means that prisoners who may present a high risk to the public, but pose a low risk of escape will be housed in low-medium, low, or minimum security accommodation.

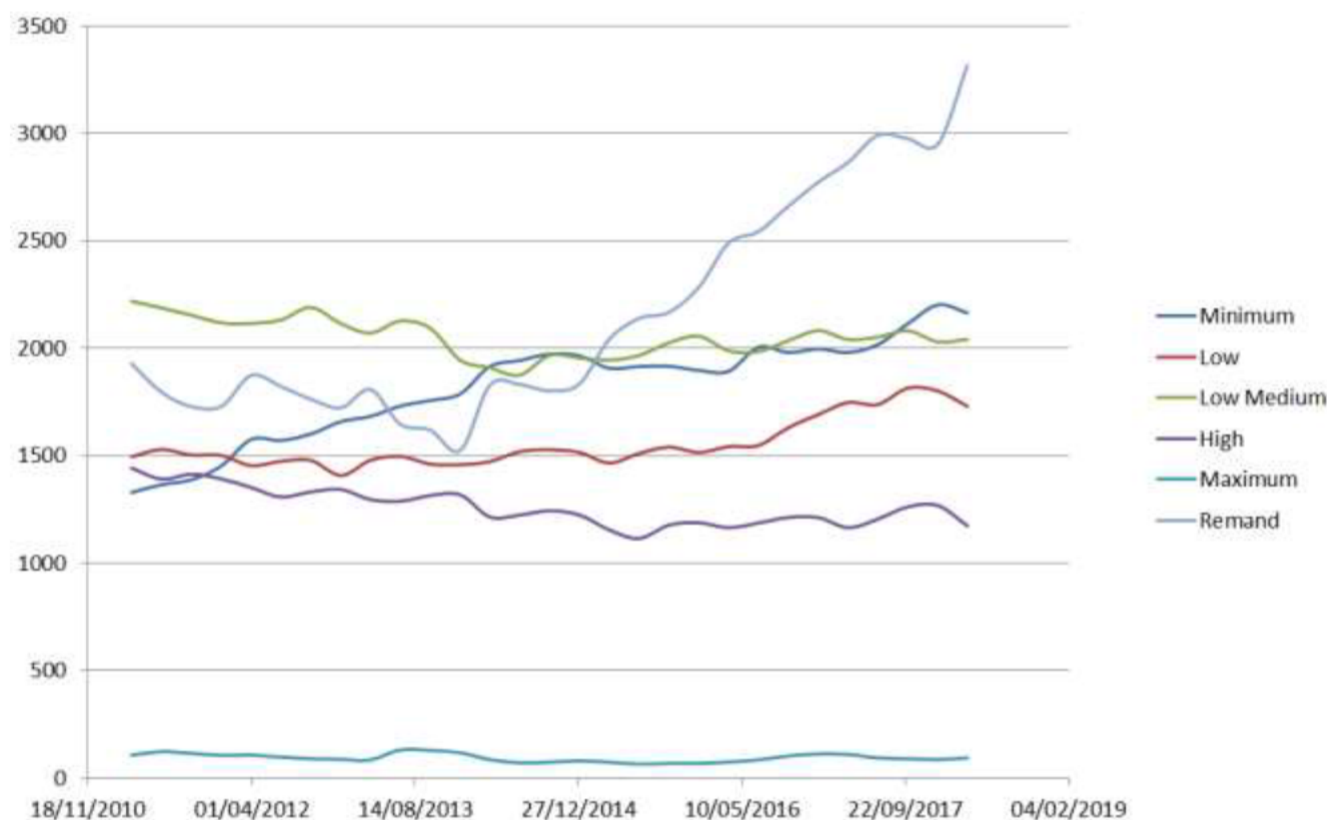
9(2)(a)

¹⁵ Risk of escape is determined by considered factors like: age, current most serious offence, any previous escapes, time in prison, any active deportation orders, recent behavioural history, forensic (mental health) concerns, and outstanding court charges.

Prisoners given a high security classification are housed in units that include features designed to protect staff, and manage prisoner behaviour. These units also have higher staffing ratios.

Remand prisoners are usually held in high security accommodation. High security units are generally appropriate for remand prisoners, who tend to be more volatile and are by nature more transient. Corrections is currently doing some work to examine how security classifications might be applied to remand prisoners who have been convicted but not yet sentenced.

Demand for high security places has increased over time, primarily driven by the increase in the remand population. 80% of remand days in custody are served by prisoners who go on to be sentenced to imprisonment. 60% of prisoners on remand go on to be sentenced to imprisonment. Demand for high security places represents around two thirds of overall growth during over the last 3 years.



Corrections considers that with current settings a large portion of additional capacity needs to be high security accommodation. This reflects:

- an expectation that proposed policy changes to reduce the prison population are likely to disproportionately impact lower risk prisoners – e.g. prisoners on shorter sentences, though some high security prisoners would also be affected
- additional capacity already planned for the next two years involves prisoner places most suited to lower security prisoners - notably, plans to add 960 places through modular rapid build units.¹⁶

¹⁶ Planned units at Mt Eden Corrections Facility (245 places) and Arohata Prison (69 places) will be high security.

Appendix 3 – Overview of current prison network

Prison Site	Base Capacity (pre prison capacity programme)	Current Capacity Additions (already implemented or approved future additions)				Projected New Capacity Total (approved only)	Percentage increase in capacity	Development limited by designation restrictions	Space inside perimeter fence	Space outside perimeter fence	State of in ground infrastructure eg storm water etc	Current state of support facilities eg rehab, education etc	Notes
		Double Bunking	Re- opened units	Modular/ New Builds	Emergency								
Northern Regional Corrections Facility	548	104			28	680	24%	Green	Green	Red	Red	Orange	24% increase in capacity has already occurred. Significant Waste Water pipe upgrade required and high construction cost in this region. Non optimal ground conditions
Auckland Prison	667					667	N/A	Red	Orange	Orange	Red	Orange	Muster is capped at 667 under the designation. Change in designation required. Demolition required if new capacity added elsewhere in the network.
Mt Eden Corrections Facility	976	70		245		1,291	32%	Green	Red	Red	Red	Orange	32% increase in capacity already in progress. Further expansion will require significant upgrades of infrastructure and support facilities
Auckland South Corrections Facility	960					960	N/A	Red	Orange	Red	Orange	Orange	Managed through private contract
Auckland Regional Women's Corrections Facility	462				18	480	4%	Red	Red	Red	Orange	Orange	Muster is capped at 480 under the designation
Waikeria Prison	615	28	163			806	31%	Green	Green	Green	Orange	Orange	Refer Waikeria Business Case
Tongariro Prison	300			122		422	41%	Green	Green	Red	Red	Orange	41% increase in capacity already in progress. Further expansion will require significant upgrades of infrastructure and support facilities. Non optimal land conditions
Spring Hill Corrections Facility	1,006					1,006	N/A	Red	Red	Red	Red	Orange	Insufficient space within current parameter and building restrictions under the consent conditions. Significant Waste water constraints
Hawkes Bay Prison	690	40		59	20	809	17%	Green	Green	Green	Red	Red	17% increase in capacity has already occurred. Insufficient electrical and support facilities. Significant investment in infrastructure and support facilities required for future expansion.
Whanganui Prison	529	28	24			581	10%	Green	Red	Red	Red	Orange	10% increase in capacity has already occurred. Significant Waste Water restrictions requiring external partners to upgrade their facilities.
Manawatu Prison	290					290	N/A	Green	Red	Red	Red	Red	No single point of entry. Older facility, previously identified as potential End of Life. Significant Electrical and Support Facility upgrades required
Rimutaka Prison	876			244	262	1,382	58%	Green	Red	Red	Red	Orange	58% increase in capacity is already in progress. Further expansion will require significant upgrades of infrastructure and support facilities
Arohata Prison	88	59	112	69		328	273%	Green	Red	Red	Red	Red	Over 270% capacity increase already in progress, requiring two locations (one of which is an end of life unit). Further expansion will require significant upgrades of infrastructure and support facilities
Christchurch Men's Prison	900	20	20	264	20	1,224	36%	Green	Red	Red	Red	Red	36% increase in capacity already in progress. Further expansion will require significant upgrades of infrastructure and support facilities
Christchurch Women's Prison	134	28		122	20	304	127%	Green	Red	Red	Red	Orange	127% increase in capacity already in progress. Further expansion will require significant upgrades of infrastructure and support facilities
Rolleston Prison	260			244		504	94%	Green	Green	Red	Red	Orange	94% increase in capacity already in progress. Further expansion will require significant upgrades of infrastructure and support facilities
Otago Corrections Facility	485	115				600	24%	Red	Red	Red	Orange	Orange	Muster is capped at 600 under the designation (24% increase has already occurred)
Invercargill Prison	172	43				215	25%	Green	Red	Red	Red	Orange	25% increase already occurred, further expansion will require significant upgrades of infrastructure and support facilities
Total	9,958	535	319	1,369	368	12,549	26%						