APPROACH TO PLANNING

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THE DEPARTMENT – SOME BACKGROUND

- Manages on average 8,400 prisoners across 17 sites
- Manages on average 36,500 offenders in the community
- Employs around 7,600 FTE’s
- Manages $2.5 billion of assets across the country
- Has an annual operating baseline of around $1.2 billion per annum
- Undertakes a wide range of activities including forestry, farming, construction of houses for the Canterbury rebuild.

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DEPARTMENTS OBJECTIVES

- Improving Public Safety outcomes
  - Minimising escapes
  - Ensuring compliance with sentences and orders
  - Minimising serious assaults on staff and other prisoners

- Reducing reoffending by 25% by 2017

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THE CHANGING AND CHALLENGING ENVIRONMENT

Cost Driver	Example
Demand (Volume)	Offender volumes, programmes, GPS monitoring – impact of other Justice Sector agencies
Price pressures	CPI, Collective Employment Agreements, contract price increases (indexed)
Legislation & policy changes	PPOs, Health & Safety, Bail and Sentencing Acts
Changing demographic	Aging population, increased gang affiliation
Capital investment	Capital charge, depreciation, impact on operating supply agreements
Asset ownership	Insurance, asset maintenance
Operating model	Shift patterns, unlock hours, mobilised workforce
Justice sector externalities	Policing activity, courts & sentencing
Significant unforeseen events	Spring Hill riot, Christchurch earthquake
Geographical spread	Require a presence across the country
Other external factors	Commodity prices e.g. milk, timber

THE RESPONSE TO THE CHANGING ENVIRONMENT

- The two pronged outcomes of public safety and reduced reoffending places a strong emphasis on having fit for purpose facilities
- Long term capital planning became vitally important which rolled up to a published property strategy in September 2014
- Difficulty with the capital planning horizon is the external factors present including;
  - Higher prison numbers than forecast
  - Canterbury earthquake
  - Spring Hill riot

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THE RESPONSE TO THE CHANGING ENVIRONMENT

- Future proofing assumptions were included in the capital planning exercise
  - Prison bed “buffer” included to cover
    - Upward pressure on prison number forecasts
    - Daily peaks of segregation requirements of prisoners according to security needs
    - Ability to close units for maintenance and upgrades
    - Natural disasters and unforeseen events

  - Capital reserve maintained over medium term to cover one major event without seeking additional support.

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THE RESPONSE TO THE CHANGING ENVIRONMENT

- In order to guide the capital programme planning principles were agreed
  - Locating facilities to encourage rehabilitation while maintaining public safety
  - Optimising the mix of facilities to meet operational need
  - Easily adaptable facilities
  - Fit for purpose facilities that are safe
  - Best value facilities over their expected life
  - Strategically aligned to our two objectives

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THE RESPONSE TO THE CHANGING ENVIRONMENT

- Different operating models are being used
  - Standard asset construction and operation
  - Mount Eden Prison is an outsourced operation
  - New Auckland South facility is a design, build and operate Public Private Partnership
  - New maximum security facility in Auckland will be a design, build and maintain PPP

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TRYING TO GET THE BEST OUT OF TECHNOLOGY

- Consolidated contract of all electronic monitoring with 3M means 55% of community offenders will be GPS monitored (up from 5% presently)

- On body cameras have been trialled which showed lower levels of incidents within the Prison

- Use of mobile devices becoming more prevalent giving greater flexibility and increased safety in dealing with offenders in the community
- Extended use of Audio Visual links to reduce prisoner transportation and provide access to family where rehabilitation needs are located elsewhere in NZ

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WHAT HAS THIS MEANT FOR FINANCE

- Demand from senior leaders for better linked financial and non financial information linked to business drivers

- Demand for better understanding of “pressure points” in terms of upsizing and downsizing facilities

- Demand for capability shift away from scorekeepers to forward looking thinkers

- Four year planning exercise was no longer a “finance document” but generated some strategic direction conversations

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WHAT HAS THIS MEANT FOR FINANCE

- Invitation from senior leadership team to bring future scenario planning into four year plan cycle this year

- Further work with Property team to refine strategy as various factors including technology advances is challenging the 9 month old strategy

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NEW APPROACH FOR 2015/16 PLANNING AND BUDGETING

- Key conversations jointly facilitated by senior leaders and finance to provide trade-off's

- Focus on large value areas and automated assumptions on small ticket items

- Rationalised cost centres to make conversation more relevant

- Attempting to move Finance from templates and guidance to understanding business drivers

NEW APPROACH FOR 2015/16 PLANNING AND BUDGETING

- Required heavy involvement of senior finance staff to set up initial conversations and engage with senior stakeholders.

- Currently in new territory – exciting and scary3
  - Have common understanding with key stakeholders to push hard, with realistic landing point and parachute plan

  - Beginning of new way of thinking about planning and budgeting which will need to be embedded month by month (not waiting until next years cycle)

  - Push to get business to own planning will take time

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MAJOR CHALLENGES

- Keeping pace with increased demands of senior leaders
  - Comparable to the IT shift to the 3rd platform (mobile devices, big data) from the 2nd platform (server maintenance)
- Leveraging technology to improve decision making on limited budgets
- Building capability to provide strategic insights after limited demand in the past

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