

Chair  
CABINET BUSINESS COMMITTEE

## **MAKING THE PRISON NETWORK MORE SAFE, HUMANE AND EFFECTIVE – PAPER TWO: WAIKERIA CORRECTIONS AND TREATMENT FACILITY**

### **Purpose**

- 1 This is the second of two papers on prison capacity. Paper One focusses on avoiding severe prison capacity shortages by building temporary beds. This paper informs Cabinet about the Waikeria Corrections and Treatment Facility. It explains that:
  - The Waikeria Corrections and Treatment Facility is an investment in the best practice treatment of prisoners with high and complex needs, at an important existing prison site that is run down and in need of complete redevelopment, in a prison network that is severely overcrowded.
  - In light of the capacity gap challenge we should maintain course and progress on the Waikeria Corrections and Treatment Facility, and make our final decision based on the best information we have to hand when Corrections come back for final approvals and funding in March 2018.

### **Executive Summary**

- 2 The independent audit and assurance work I commissioned from EY highlighted the capacity gap between the 2017 projection, and the safe and resilient maximum capacity of the prison network. This gap is currently 1,706, rises to 3,199 in 2021 and is at 4,503 by 2027.
- 3 Over the past 15 years Corrections has expanded the prison network as required and where possible has removed end-of-life capacity from service to improve outcomes for prisoners and reduce costs.
- 4 As a long-standing and important site in the prison network, Waikeria Prison has always been factored into plans for network expansion and development. Plans put on hold in 2010 when the muster flattened off were reactivated in 2016 as growth rapidly increased.
- 5 The primary tool Corrections has available to reduce the prisoner population is rehabilitation. Corrections cannot effectively rehabilitate prisoners in a network that is overcrowded, or in a network where facilities are not designed to support rehabilitation and management of prisoners with high and complex needs.

- 6 The Waikeria Corrections and Treatment Facility is an investment in the best practice treatment of prisoners with high and complex needs<sup>1</sup>, at an important site that is run down and in need of complete redevelopment, in a prison system that is severely overcrowded.
- 7 It also plays a key role in responding to growth, and goes some way to bridging the capacity gap described in Paper One if it is deployed at a scale of 1,500 beds or greater.
- 8 The cost of delivering the Waikeria Corrections and Treatment Facility has increased, with the main factor being the very heated construction market.
- 9 The procurement of the Waikeria Corrections and Treatment Facility is at an advanced stage. Corrections intends to continue the procurement process and undertake preparatory site activities during the summer earthworks season so that the main contract can be signed in April 2018 and beds can be ready by October 2021.
- 10 Sticking to this timeline avoids a delay of one year in the availability of beds and significant additional cost and risk. A delay of one year would mean a longer period where the prison network was operating in crisis, highly vulnerable to any unplanned events (natural disaster, prison riot) or any unplanned demand growth.
- 11 In recognising the scale of the capacity gap I think that the only sensible plan of action at this point is to maintain course and progress on the Waikeria Corrections and Treatment Facility. I recommend that we continue to implement the current project plan. We can then make our final decision on approvals and if approved on size in March 2018 based on the best options to reduce the prison population.

### **Investing in the Waikeria Corrections and Treatment Facility**

- 12 Paper One outlines that Corrections currently requires approval for 422 temporary additional beds of emergency double bunking and approval to commence procurement of 600 additional beds through temporary rapid build units. This is so we do not have a severe prison capacity shortage. This paper addresses the Waikeria Corrections and Treatment Facility.

#### *Importance of Waikeria Prison and need for renewal*

- 13 Waikeria Prison is a key strategic asset in the prison network. Due to its geographical position in centre of the North Island, it serves the high demand from the Waikato and Bay of Plenty areas. Along with its ability to host large scale development with acceptable environmental and community effects, it has been assessed as the optimal location for development and operation of a new facility.

---

<sup>1</sup> In November 2016 - as part of an overall package of 1,800 beds - the Waikeria Corrections and Treatment Facility was approved by Cabinet as a 1,500 bed facility with the ability to expand to 2,000 if required [CAB 16-MIN-0622 refers]. There have been many other emergency capacity approvals since then as the muster situation has descended into crisis.

- 14 The Waikeria Corrections and Treatment Facility will:
- improve rehabilitation outcomes for prisoners through best practice design;
  - deliver – for the first time in the prison network – a capability to deliver intensive treatment for violence and sex offending to high security prisoners;
  - enable significantly improved access to prisoners for treatment of mental health needs by providing excellent health and case management facilities;
  - enable poor quality old facilities at Waikeria Prison and in the wider prison network to be permanently withdrawn from service;
  - enable critical infrastructure upgrades at Waikeria Prison that will improve site access, staff safety, and environmental outcomes; and
  - play a key role in responding to growth.
- 15 Overall, Waikeria Prison is a crucial element of the wider prison network and has many aspects in need of renewal or investment. The introduction of the Waikeria Corrections and Treatment Facility will address these issues, providing a modern and effective facility that will deliver improved outcomes for prisoners and will also help Corrections address its capacity related-needs.

*Addressing end-of-life factors at Waikeria Prison*

- 16 The Waikeria Corrections and Treatment Facility provides the necessary size to enable fundamental renewal of Waikeria Prison as an important site in the network. This allows end-of-life issues with existing site prisoner accommodation and site infrastructure to be addressed. It also allows implementation of site consolidation, where the current fragmented and dispersed site layout is superseded by a modern and compact prison precinct that is easier and more efficient to operate.
- 17 Waikeria Prison currently has accommodation for approximately 750 prisoners and other buildings of varying age and condition scattered across a 1,200 hectare site. These buildings are connected by underground and over-land services that are of varying age and condition.
- 18 The Top Jail at Waikeria Prison contains three high security wings constructed between 1911 and 1918, and further modified in the 1950's and 1960's. The condition of the Top Jail is very poor, and this accommodation has been previously identified in two reviews as no longer fit for use as safe and secure prisoner accommodation. The kitchen and laundry facilities are long past end of life.
- 19 Facilities that support prisoner rehabilitation and learning such as programme and interview rooms across this complex are scarce, poorly designed, and carry safety risks for staff.
- 20 The Otorohanga District Council identified that the old administration block and central cell wing in the Top Jail posed a serious earthquake risk and met all the attributes for demolition. A temporary dispensation was granted to allow the Department to use the building until it could build additional prison capacity.

- 21 In 2013 and 2015 almost all of the older facilities at the Top Jail were decommissioned for all the reasons above. These facilities have recently been brought back in to service to manage the rising prisoner population.

*Improved rehabilitation outcomes*

- 22 The Waikeria Corrections and Treatment Facility will maximise constructive prisoner activities, giving Corrections a high security facility that supports the preparation of prisoners for release and reintegration. A particular emphasis has been placed on making rehabilitation spaces accessible to prisoners regardless of their security classification or segregation status, with all accommodation units having spaces where treatment and learning activities can be delivered.
- 23 Each Accommodation Unit will have four multi-purpose rooms capable of supporting programme, education and constructive activity delivery to 50 prisoners at any one time. The Intervention and Support Unit, and Management Unit will also include spaces for prisoners to be involved in these activities as well. This provides in excess of 800 prisoners the opportunity for constructive rehabilitative activities on-unit at any one time, noting that there are also an additional 200 spaces in the Programmes Building and the Special Treatment Units.
- 24 The Waikeria Corrections and Treatment Facility design has also increased accessibility of prisoners to our case managers, education staff, psychologists, partner agencies and contracted providers by including four interview rooms in each Accommodation Unit as well. Each unit will also have dedicated space for these staff to work alongside their peers from different practice areas in a multi-disciplinary environment.
- 25 Emphasis has been placed on prisoners being able to maintain positive relationships with whānau and friends with AVL technology provided in every unit that will enable visitors unable to travel to the prison to maintain that contact. These 18 AVL installations are in addition to those provided in the Visits Building.
- 26 A new feature of this design is the inclusion of Health Clinics in every accommodation unit enabling our staff along with DHB clinicians and other contracted health providers to have improved access to prisoners requiring health services. Telehealth facilities in all 24 Consultation Rooms will enable remote engagement with specialists, reducing the need to transport prisoners away from the secure facility for these appointments.
- 27 The facility will support a wide range of industry, treatment and learning activities:
- **Industry** activities will be provided out of workshops operating in each of the seven Industries Buildings, which will also support trades-related training and manufacturing activities. Horticulture, waste management and internal services including in the Kitchen, Bakery, and Laundry, as well as ground maintenance, unit cleaning and distribution will all be carried out by prisoners, giving prisoners meaningful activities and skills that can eventually be used on release.
  - In total there will be industries and on-unit employment for up to 500 prisoners at any one time, and as with the Accommodation Units all workplaces will include rooms for the delivery of education related to that particular industry or activity.
  - **Treatment** provision will be supported by two Special Treatment Units adjoining special accommodation units where intensive treatment and rehabilitation

programmes will be run. These interventions will address child sex offenders, adult sex offenders, and violent offending.

The Waikeria Corrections and Treatment Facility has been designed with the ability to deliver four high intensity therapeutic programmes simultaneously to a total of 160 prisoners including those classified as high security. This represents a total capacity increase of 55 percent across our network but significantly for the first time we will have the ability to deliver to a high security cohort of prisoners<sup>2</sup>.

- **Learning** includes short term courses as well as open-ended programmes with a focus on literacy and numeracy, computer training and getting work ready to better position prisoners for a successful reintegration. Technology such as video links will enable in-cell learning. In addition, in the Central Programmes Building there is a suite of ten classrooms of which two will be dedicated to on-line Learning. This facility will cater to the learning needs of up to four sessions per day of 120 prisoners each. The Central Programmes Building will also house a prisoner library with an extensive catalogue.

28 In summary, the facility has been designed to give staff the platform and tools to support positive, involved and purposeful engagement with prisoners, and it will enhance the ability for staff to promote positive change in prisoners.

#### *Particular emphasis on mental health*

29 Improving mental health services for prisoners is a priority for Corrections for several key reasons:

- the supply of specialist forensic beds and clinical services has not kept pace with the growing prison population;
- the current model of care is not adequate for prisoners exhibiting extremely challenging behaviours, including acute self-harm, and Corrections has been subject to significant criticism for its management of these prisoners; and
- there are opportunities to strengthen the continuum of care in prisons so that mild to moderate mental issues do not escalate to requiring more extensive and complex support.

30 The Waikeria Corrections and Treatment Facility has been designed on the principle that people's needs should dictate the level and type of service that they receive, not their location. The design will facilitate a model of care that will apply across inpatient and in-prison services, based on evidence about the most appropriate ways to work with people who have mental health needs. The design will make it possible for the right mental health professionals to treat and case-manage prisoners in appropriate therapeutic environments.

31 The Waikeria Corrections and Treatment Facility will therefore include:

- specialist units for intensive treatment of offence focused and addiction programmes, with spaces for 160 prisoners;
- a health centre as well as health facilities in all accommodation units;

---

<sup>2</sup> Currently delivery of these programmes is limited to prisoners with security classifications no higher than low medium due to lack of suitable high security facilities in the prison network.

- a 30 bed facility for accommodating prisoners at risk of suicide or self-harm;
  - more space for individual interviews and treatments; and
  - a design that better supports a multi-disciplinary approach to offender management than existing facilities.
- 32 The Department has required a design approach that softens the institutional look and feel of the facility by incorporating more sensory features, natural lighting and enhancing access to outdoor spaces. 'Normalising' the prison environment in this way is potentially more conducive to rehabilitation, prisoner and staff safety and the de-escalation of mental health issues.
- 33 In summary, the current design of the proposed new facility would allow the site to be run as a centre of excellence in the prevention and treatment of mental health issues among prisoners.

*Improved environmental outcomes*

- 34 The existing wastewater treatment solution is designed around outmoded practice that is no longer environmentally acceptable. The system discharges treated effluent directly to the local waterway and regularly exceeds discharge limits. The current system - and therefore the current entire Waikeria Prison site - will not be able to be operated once the current discharge consent expires in late 2022.
- 35 As part of the project planning and key stakeholder consultation processes, Corrections has reached an agreement with the Waipa District Council to pump all site wastewater to the Te Awamutu Municipal Treatment Plant as part of the project implementation. The fundamentally improved environmental outcomes delivered by the project have been well received, especially by Mana Whenua.

*Community engagement and regional economic development*

- 36 The former Minister of Corrections applied to the Environment Court for an amendment to the site designation to permit up to 3,000 prisoners and enable the construction activities required to implement the project. The consultation process went very well and Corrections expects a positive decision in February 2018.
- 37 Key stakeholders see the project as a means of stimulating and supporting prosperity and economic development in the region. In particular, the Otorohanga and Waipa District Councils have been extremely supportive and have been active advocates for the project since its inception.

*The practical requirement to redevelop the Waikeria Prison site*

- 38 The practical implication of both the end-of-life issues at the current Waikeria Prison and the amended conditions of designation sought to enable delivery and operation of the Waikeria Corrections and Treatment Facility is that site infrastructure and site access roading will need to be redeveloped regardless of the exact nature of the Government's ultimate decision on the scale or configuration of the Waikeria Corrections and Treatment Facility.

## Procurement process

- 39 Corrections is in the final stages of the procurement process for the design, build, finance and maintenance of the new 1,500 bed facility at Waikeria Prison (the procurement process commenced in November 2016, and the contract is expected to be signed in April 2018). Appointment of preferred bidder is anticipated this month, and Corrections will look to complete negotiations prior to seeking appropriation decisions and the necessary approvals to enter into the contract in March 2018.<sup>3</sup> Critical activities during this time include:
- site preparation earthworks and site access safety improvements that will be conducted over the 2017/18 summer earthworks season so that the capacity can be in-service by October 2021; and
  - major design development undertaken by the preferred bidder so that construction can commence immediately after the contract is signed.
- 40 Site preparation and initial earthworks will be conducted under a separate small early works agreement of a value of approximately \$10 million. This agreement does not bind the Government to enter the main construction contract. Use of an early works agreement is common practice once a preferred bidder has been identified and time is of the essence.
- 41 Upgrade of the safety of Waikeria Road (the main site access route) will be progressed through an arrangement with Otorohanga District Council, to a value of approximately \$5 million. This is necessary to enable the significant increase in construction and operational traffic to and from the site, and it will be a condition of the amended site designation granted by the Environment Court that key aspects of this work is completed before April 2018.
- 42 An inability to progress the critical activities at paragraph [39] above would delay the in-service date of the facility by one year and materially increase its cost. This would mean a longer period where the prison network was operating in crisis, highly vulnerable to any unplanned events (natural disaster, prison riot) or any unplanned demand growth. There is a further risk that additional temporary capacity would be required – over and above measures described in Paper One – in order to bridge the gap.
- 43 There are no additional financial implications of undertaking these critical activities now as the activities will be covered in the interim from Corrections' capital reserves and met by the original tagged contingency established for the new facility.
- 44 The procurement process explicitly includes an option for Corrections to increase the size of the facility to 2,000 beds, with Corrections receiving fixed pricing for the expansion as part of the procurement process. Alternatively, if required, it is possible to reduce size to a base requirement of 1,000 beds<sup>4</sup> with the ability to expand in the future to 2,000 beds.

---

<sup>3</sup> The former Government delegated to the Minister of Corrections and the Minister of Finance the authority to act on behalf of the Crown to approve the execution of the contract. In addition, the contract will represent Crown borrowing for the purposes of the Public Finance Act 1989 – the approval of the Minister of Finance to this borrowing is required.

<sup>4</sup> At a size of 1,000 beds the Waikeria Corrections and Treatment Facility would not materially contribute on a net basis to the capacity gap, as there are approximately 1,000 beds of poor quality capacity that need to be removed from the prison network as soon as possible.

- 45 Staging the expansion of the Waikeria Corrections and Treatment Facility is materially more expensive than procuring it at full design size from the outset. Each expansion step of 500 beds can be expected to cost approximately [9(2)(i)] more than if the equivalent capacity was procured at the outset.
- 46 I believe that the only sensible plan of action at this point is to maintain course and progress on the Waikeria Corrections and Treatment Facility, and make our final decision based on the best information we have to hand when Corrections come back for final approvals and funding in March 2018. [9(2)(f)(iv)]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

### Financial Implications

- 47 In November 2016 the former Government established tagged operating<sup>5</sup> and capital contingencies as a pre-commitment against the Budget 2017 operating and capital allowances, for the purpose of funding the 1,500 bed new facility at Waikeria Prison. The capital contingency was [9(2)(i)].
- 48 There has been a material increase in the estimated construction cost of the Waikeria Corrections and Treatment Facility since it was approved. The new facility is now estimated to cost up to [9(2)(i)], an increase of up to [9(2)(i)]. Key drivers of the increase are:
- A heated and constrained construction market. Approximately [9(2)(i)] reflects increased costs of specialist building services trades and construction labour to attract the required supply chain and construction workforce (at peak in excess of 1,000 workers will be required, with an estimated 50 percent of these coming from outside the Waikato region).
  - Approximately [9(2)(i)] reflects additional site geotechnical information. In particular, poorer site conditions have required additional earthworks and enhanced structural solutions in order to meet seismic requirements.
  - Approximately [9(2)(i)] reflects enhanced functionality to maximise Corrections ability to provide meaningful rehabilitative programmes, work experience and training.
  - Approximately [9(2)(i)] represents an increased allowance for a more comprehensive electronic security system to monitor and safely control the new facility.
  - Additional allowance for retained costs due to consent conditions and site infrastructure upgrades.
- 49 Corrections expects to be able to improve pricing through negotiation of the bid received for the new 1,500 bed facility. The outcome of the negotiation, including price, will be advised to Cabinet in March 2018.

---

<sup>5</sup> The operating contingency only covered the asset related operating costs rather than the full direct costs of operating the capacity.



- 50 The total construction cost of the new facility at full design size of 2,000 beds is estimated at **9(2)(i)**. Corrections expects to be able to significantly improve pricing through negotiation if that scale is elected early.

### **Human Rights Implications**

- 51 A large proportion of capacity now in-service contains buildings that were originally retired by Corrections in part because there was a risk they could be criticised as falling short of the expected standards for modern prisoner accommodation. If Corrections are not able to add more beds, this situation will get worse.

### **Legislative Implications and Regulatory Impact Analysis**

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

### **Gender Implications and Disability Perspective**

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

### **Consultation**

- 54 The Treasury, Ministry of Justice, Police and State Services Commission have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed of the development of this paper.

### **Communications**

- 55 No pro-active communications are proposed at this time in respect of the Waikeria Corrections and Treatment Facility.
- 56 While Corrections is in negotiation it is recommended that no Government position is announced in respect of the Waikeria Corrections and Treatment Facility. This approach will allow Corrections to complete the current negotiation process and maximise value for money for the Government for any size of the development.
- 57 Site preparation activities will be observable by the local community from the end of this year onwards. It is possible that these activities may receive media comment.

## Recommendations

58 It is recommended that the Cabinet Business Committee:

### ***Waikeria Corrections and Treatment Facility***

- 1 **Note** that the Waikeria Corrections and Treatment Facility will:
  - improve rehabilitation outcomes for prisoners through best practice design;
  - deliver a capability to deliver intensive treatment for violence and sex offending to high security prisoners;
  - enable significantly improved access to prisoners for treatment of mental health needs by providing excellent health and case management facilities;
  - enable poor quality old facilities at Waikeria Prison and in the wider prison network to be permanently withdrawn from service; and
  - enable critical infrastructure upgrades at Waikeria Prison that will improve site access, staff safety, and environmental outcomes.
- 2 **Note** that the Waikeria Corrections and Treatment Facility also plays a key role in responding to growth in the prison population;
- 3 **Agree** to the Department of Corrections continuing the procurement process for the Waikeria Corrections and Treatment Facility, including the appointment of preferred bidder;
- 4 **Agree** to the Department of Corrections:
  - 4.1 Undertaking site preparation activities in January to April 2018 under a small early works contract package of up to \$10 million, that will be entered into by the Chief Executive of Corrections;
  - 4.2 Undertaking safety and access improvements on the local road leading to the Waikeria Corrections and Treatment Facility of up to \$5 million;
- 5 **Note** that three size options for the Waikeria Corrections and Treatment Facility can be delivered – it is possible to reduce scope from the current 1,500 beds to 1,000 beds, or to increase scope to 2,000 beds;

### ***Financial Implications***

- 6 **Note** that in November 2016 the former Government established tagged operating and capital contingencies as a pre-commitment against the Budget 2017 operating and capital allowances, for the purpose of funding the 1,500 bed Waikeria Corrections and Treatment Facility;
- 7 **Note** that the expenditure in recommendation 4 forms part of the original tagged contingency amounts and prior to final decisions will be funded in the interim from the Department of Corrections' capital reserves;
- 8 **Note** that a specific appropriation will need to be established to undertake the safety and access improvements in recommendation 4.2;

- 9 **Authorise** the Minister of Finance and Minister of Corrections jointly to determine by January 2018 final detailed changes to appropriations to give effect to recommendation 4.2;
- 10 **Note** that recent revalidation of the expected construction cost by the Department of Corrections indicates that the contingencies referred to in recommendation 6 will be insufficient for the delivery of 1,500 beds; and
- 11 **Note** that the Department will report back to Cabinet in March 2018:
- on the outcome of negotiations with the preferred bidder for the Waikeria Corrections and Treatment Facility (including the cost implications following the negotiated price);
  - seeking appropriations decisions in respect of the new facility; and
  - seeking the other approvals necessary to complete the procurement of the Waikeria Corrections and Treatment Facility and enable the Department of Corrections to enter into the contract.

Hon Kelvin Davis  
**Minister of Corrections**

Date signed:

/ /