

Description of policy
<p>The Opposition has outlined a policy to remove the possibility of early release of prisoners serving sentences for non-payment of confiscation orders. This policy has been outlined in the following sources:</p> <ul style="list-style-type: none"> • Labour Press release, 20 May 2014: “The main sanctions for non-payment - default prison sentences of up to ten years and additional 8 per cent interest on the amount owed – are not a strong enough incentive for criminals to reveal hidden assets. In practice, most criminals serving such sentences are released after three or four years, because of early release rules and simply view their time in prison as an occupational hazard. This is borne out by the statistics: in 2012 only 2 per cent of offenders paid in full once the sentence was imposed. Labour would end early release for criminals serving default sentences who refuse to pay.” http://press.labour.org.uk/post/86306117109/recovering-the-assets-of-criminals-to-pay-for
Additional policy assumptions
<p>We have assumed that:</p> <ul style="list-style-type: none"> • from 2015-16 onwards those serving sentences for non-payment of confiscation orders (default sentences) now serve their full sentences; • the baseline for the costing assumes that the current Government’s policy is law by the time the Opposition policy is introduced. The Government’s policy includes: <ul style="list-style-type: none"> ○ requiring those who owe £10 million or more to serve their full sentences; and ○ increasing the sentences for confiscation orders between £500k and £1m, and for £1m and above from 5 to 7 years and from 10 to 14 years respectively. • For the purposes of calculating any increased capital spending required to cover increased capacity, assume that prison capacity and population remain flat at the latest published levels.
Additional technical modelling assumptions or judgements required
<ul style="list-style-type: none"> • Everyone who does not fully pay the confiscation order has their sentence for default activated.¹ • The sentence is immediately activated (so default sentence begins as soon as the first half of the sentence for the primary offence² is completed).³ • Volumes of new orders and defaults remain at the average for the last five years’ data on confiscation orders. • Sentence lengths: <ul style="list-style-type: none"> ○ the length of the primary offence sentence and default sentence does not change; ○ sentence lengths for the primary offence are based on average sentence for those orders under £500,000 and the 95th percentile for those over

¹ The model is built on data from a financial database; it is not linked to sentencing information so we do not have information on the actual number of sentences for default imposed (only the instances of non-payment). Therefore we have assumed that, where a confiscation order is not paid, the offender receives a prison sentence for non-payment.

² I.e. the criminal offence which was associated with the confiscation order – such as drug dealing,

³ As the model is built on a financial database, we do not have information on the actual dates related to time spent in prison. Therefore, we have assumed the prison sentence commences immediately after the expiry of the payment period.

£500,000⁴; and

- no offenders receive multiple consecutive sentences alongside the primary offence.⁵
- No changes in types of offences which receive confiscation orders.
- All offenders who have a sentence for default as part of their sentence serve 50% of this sentence (i.e. none receive any additional adjudications whilst in prison).
- No offender who currently receives a sentence which includes a sentence for default is recalled to prison.⁶
- We have no basis to estimate whether there will be a change in offender behaviour or default rates for confiscation orders. We have therefore assumed no changes to offender behaviour and no additional income.
- Prison places cost on average £28,000 per annum.

If needed, information required on distributional effects of the policy

None

Resource cost to the Exchequer over five years

Costs increase steadily after the assumed introduction of the policy in Q1 of the financial year 2015-16. These costs reach steady state in 2033-34 at approximately £24.7m, representing approximately 880 prison places.

This is based on a typical year, in which approximately 5,000 confiscation orders are issued, of which approximately 40% default, each serving an additional 5 months in prison.

	DEL				
	2015/16	2016/17	2017/18	2018/19	2019/20
Prison Places	0	47	293	564	684
Current	£0	£1,300,000	£8,200,000	£15,800,000	£19,100,000
Total	£0	£1,300,000	£8,200,000	£15,800,000	£19,100,000

Capital costs to the Exchequer over five years

This has not been costed. There is no unit cost of capital for additional prison places, as it depends on too many variables. However, for illustrative purposes, the Government has begun the process to build a new 2,100-place adult male prison in North Wales, at a cost of c.£200m.

⁴ This assumption relates to the sentence for the original crime, rather than the default sentence for failing to pay the confiscation order (which is assumed to be served after the original sentence). This is a simplifying assumption as the costing is built on a financial database, not directly linked to sentencing data: i.e. it does not include information on the sentence given for the original crime and so estimates have had to be made, based on sentencing guidelines for the type of crime, which is recorded alongside confiscation orders. It is assumed that those receiving higher value confiscation orders (above £500,000) have committed more serious crimes and so received longer sentences (95th percentile). This assumption affects the time at which prison places are required, not the overall number of places required.

⁵ Breaching this assumption would delay the time to steady state but not the impact of the policy

⁶ Breaching this assumption would reduce the impact of the policy.

Distributional effects (if none requested, any significant):	
None	
Comparison with current system (if applicable):	
This would involve around 2,000 additional offenders who receive sentences for default of confiscation orders serving longer in prison than currently, with an associated impact on prison places.	
Other comments (including other Departments consulted):	
None	
<i>To be completed by Permanent Secretary's Office</i> Date costing signed off:	6 October 2014
<i>[If applicable]</i> Date revised costing signed off:	16 October 2014