

JUSTICE SECTOR

Justice Sector Forecast

Fines and Remittals Forecast 2015-2020

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1. Purpose and Scope of this forecast

This document presents a summary of the following components of the Justice Sector Forecast:

- Amount, in dollars, of fines *imposed* for police-prosecuted cases in the criminal courts;
- Amount, in dollars, of fines *received* for police-prosecuted cases in the criminal courts;
- The number of offenders who have unpaid fines remitted to Community Work sentences.

The forecast period is from June 2015 to June 2020.

The forecasts of fines are conducted on behalf of the Legal and Operational Services Unit of the Ministry of Justice. The forecast of remittals to Community Work is conducted on behalf of the Department of Corrections.

2. Justice Sector Forecast

The Justice Sector Forecast covers the prison population (remand and sentenced), non-custodial sentences, legal aid expenditure, Crown Law case numbers, and court-imposed fines, amongst other things. Each major component is published in its own forecast at a different point in the year, and over the course of a year all components of the forecast are updated.

Subsequent forecasts for any particular agency are planned to appear at roughly 12-monthly intervals. Thus the next fines and remittals forecast will appear in or around July 2016. This timetable may be adjusted if there is a need to accommodate new legislative or operational initiatives.

3. Summary of environment

The Legal and Operational Services Unit of the Ministry of Justice is responsible for the collection and enforcement of fines, including Court-imposed fines, lodged infringements and reparation. They also provide enforcement services for unpaid civil judgements/orders at a creditor's request.

The Legal and Operational Services Unit oversees all monetary penalties, not just those imposed by the criminal courts. The Justice Sector Forecast is currently largely based in the criminal section of the justice system, so the items covered in this forecast are fines arising from convictions for criminal cases prosecuted by the Police. This focus allows us to link to the existing assumptions about the number of prosecutions and the proportion of prosecutions resulting in fines to provide a forecast of impositions and receipts that is consistent with the forecasts for other agencies in the justice sector.

The forecast also projects the numbers of offenders whose unpaid fines are remitted to Community Work sentences. This is a good example of a cross-sector dependency – these offenders represent a significant workload for the Department of Corrections, but their court records only identify them as having received fines. It is only by looking at the Legal and

Operational Services Unit's records that we are able to forecast this key flow of offenders in the system.

We capture the impact on the Legal and Operational Services Unit through assumptions about the number of cases passing through the criminal justice system, the proportion of those cases that are convicted, and the proportion of those convictions that receive a fine. At present the first two of these trends are largely level – we are not projecting significant change in either numbers of prosecutions or convictions. The use of fines as a penalty continues to fall slightly. Further assumptions about the average penalty imposed, which offset the drop in usage, allow us to project the total amount imposed. Overall, therefore, we expect amounts imposed to stay relatively flat.

Analysis shows that the amounts received against these penalties are related to the original amounts imposed, which provides a strong constraint on the forecast of receipts. Details of this relationship are provided in Appendix A.

The remittals of fines to Community Work sentences are forecast through consideration of existing trends and any policy and operational changes to the handling of overdue fines will affect future remittal numbers. At present, the focus in fine collection has prioritised offenders with single fines, which has led to less of a focus on offenders with multiple fines. Offenders with multiple fines are more likely candidates for remittal, so at present there are fewer remittals. However, this change in prioritisation does follow a period when there was much greater focus on remittals, as Figure 3 shows. Appendix B outlines a cross-checking approach that ensures the number of remittals is a credible proportion of impositions.

Failure to pay fines can result in remittals to more serious sentences, including prison. It is generally the case that the vast majority of remittals to more serious sentences occur at the same time as the offender is being sentenced for a subsequent offence. For example, a Judge may impose a prison sentence of 6 months for the later offending, with 3 further months added on in consequence of remitting a quantity of fines. That sentence will be recorded as 9 months in total, and the forecast prison population will accommodate it as such.

A similar situation can occasionally occur with Community Work sentences, but it is far more common for an offender to appear in court solely as a consequence of being unable to pay existing fines. The subsequent remittal leads to the situation where an offender apparently given a fine nonetheless becomes part of the Community Work sentence muster. It is important to capture this flow of offenders into the correctional system.

4. The forecast

In the following sections we report on the three components of this forecast. Forecast quantities are reported by fiscal year.

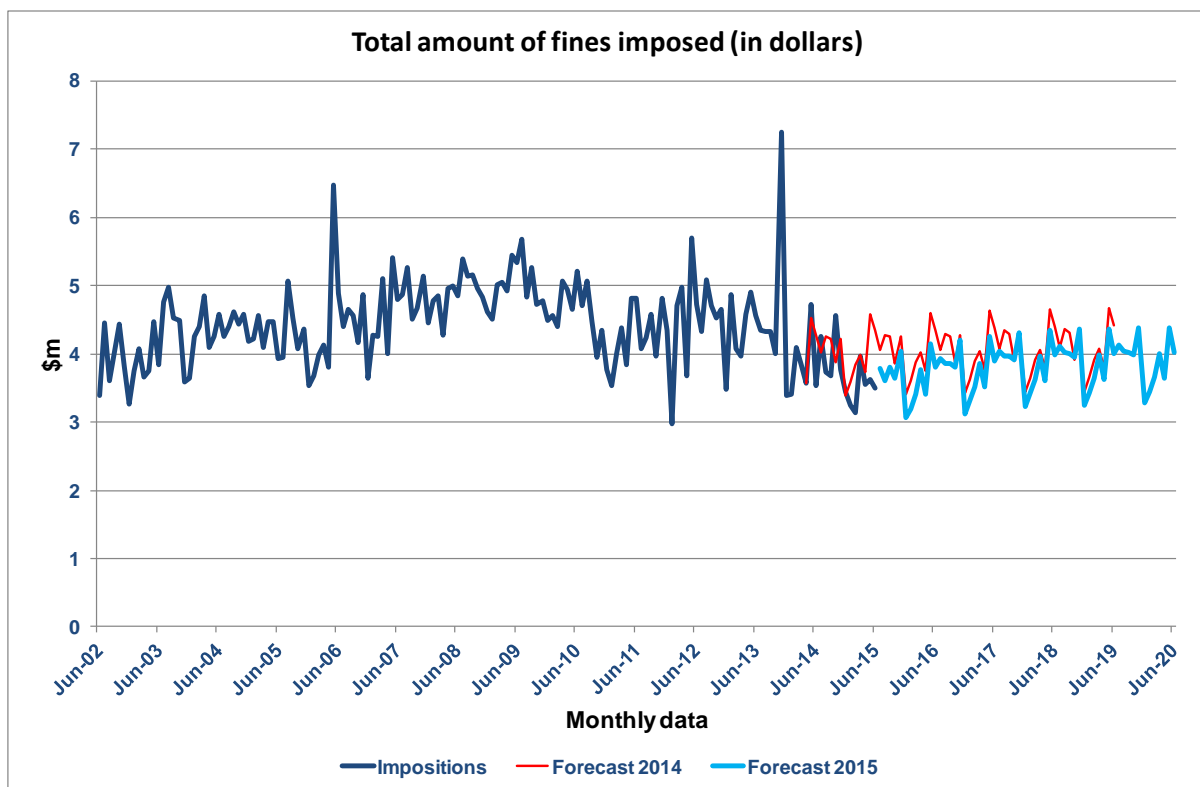
4.1 Fines imposed

Table 1 and Figure 1 show the historical and forecast amount of fines imposed in police-originated prosecutions in the criminal courts.

Table 1: Total amount of fines imposed (in dollars)

Fiscal year	Monetary penalties imposed				
	Amount (\$m) 2014 forecast	Annual change	Amount (\$m) 2015 forecast	Annual change	Difference between forecasts
2014-2015 (actual)	\$44.4	-12.5%	\$44.4	-12.5%	0.0%
2015-2016	\$48.3	8.6%	\$43.6	-1.8%	-9.6%
2016-2017	\$48.5	0.5%	\$45.1	3.3%	-7.0%
2017-2018	\$48.8	0.6%	\$46.3	2.8%	-5.0%
2018-2019	\$49.0	0.4%	\$46.8	0.9%	-4.5%
2019-2020	n/a	n/a	\$46.9	0.4%	n/a

Figure 1: Total amount of fines imposed (in dollars)



Fine usage in the criminal courts has been in decline in terms of numbers of impositions. This reflects the impact of the Policing Excellence initiative in which a significant number of relatively minor offences – in particular, public order offences – were dealt with by means other than prosecution. Many of these cases would have resulted in low-value fines, so a consequence of Policing Excellence is that fewer fines have been imposed since the initiative commenced in 2009-2010. In addition, there has been a swing in Judges’ sentencing practice from fines to non-custodial sentences, reflecting both a belief that fines were increasingly ineffective (driven, in part, by an increase in the numbers of remittals) and the availability of additional non-custodial sentences from 2007 onwards. The related trends in community and monetary sentences are discussed in Appendix C .

At the same time, the average fine imposed has increased in amount. This is again partly due to Policing Excellence removing low-value fine cases from the system.

The decline in the number of fines imposed is roughly offset by the increase in average value of fine imposed. Consequently, the total dollar amount imposed has remained largely flat, although there are indications of a decline from 2009. (The spike in November 2013 is a one-off imposition and has been discounted in the modelling undertaken for the forecast.)

Future assumed trends include a levelling-off of the number of cases in the system, the proportion receiving fines ceasing to decline, and a continuing slow increase in average amount imposed. These trends combine to produce a slow increase in the amount imposed.

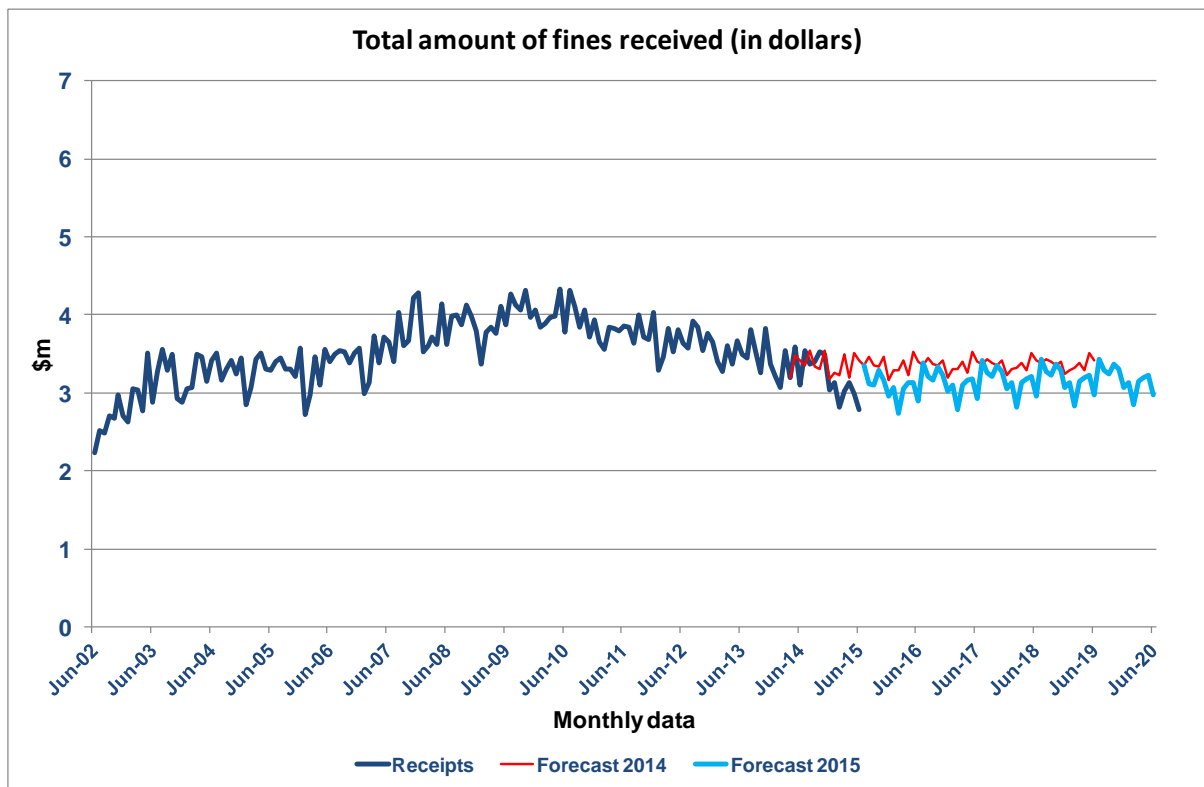
4.2 Payments received against fines

Table 2 and Figure 2 show the historical and forecast amounts received against fines imposed in Police-originated prosecutions in the criminal courts.

Table 2: Total amount of fines received (in dollars)

Fiscal year	Monetary penalties received				
	Amount (\$m) 2014 forecast	Annual change	Amount (\$m) 2015 forecast	Annual change	Difference between forecasts
2014-2015 (actual)	\$38.3	-6.6%	\$38.3	-6.6%	0.0%
2015-2016	\$40.3	5.4%	\$37.0	-3.2%	-8.1%
2016-2017	\$40.3	0.1%	\$37.6	1.6%	-6.7%
2017-2018	\$40.4	0.1%	\$38.0	1.0%	-5.9%
2018-2019	\$40.4	0.1%	\$38.2	0.4%	-5.6%
2019-2020	n/a	n/a	\$38.2	0.2%	n/a

Figure 2: Total amount of fines received (in dollars)



Analysis shows that the amounts received are closely related to the amounts imposed, with receipts in a given month generally close to 85% of the amount imposed. As a result, the forecast trend in receipts is very similar to that for impositions. Further details of this analysis are presented in Appendix A.

This may not seem intuitive when one considers that there is a large amount of unpaid fines awaiting collection. Policy changes aimed at clearing such a backlog – such as segmentation – should mean there would be less correlation between impositions and receipts. In fact, the backlog of unpaid fines lies elsewhere than in the criminal courts, primarily with infringements.

A further complicating factor is that fine receipts in any given month come from fines that were initially imposed in cases completed at different dates over a lengthy time period. Some receipts will be a recent fine paid off promptly, while others will be instalments on a long-term repayment plan. The Legal and Operational Services Unit has recently progressed its segmentation initiative by encouraging more people owing fines to set up payment arrangements. The additional arrangements, often for relatively small regular amounts, have reduced the average payment, although the absolute level of overall receipts is unaffected. However, we await further data to see whether the fall in receipts recorded during 2014 represents a new level or is just a temporary dip.

A consistent repayment rate of just over 80% has been, and is expected to be, maintained over a substantial period of time. This suggests that, despite the fall in usage, fines in the criminal courts have retained their effectiveness in the face of a wide range of policy changes and economic circumstances.

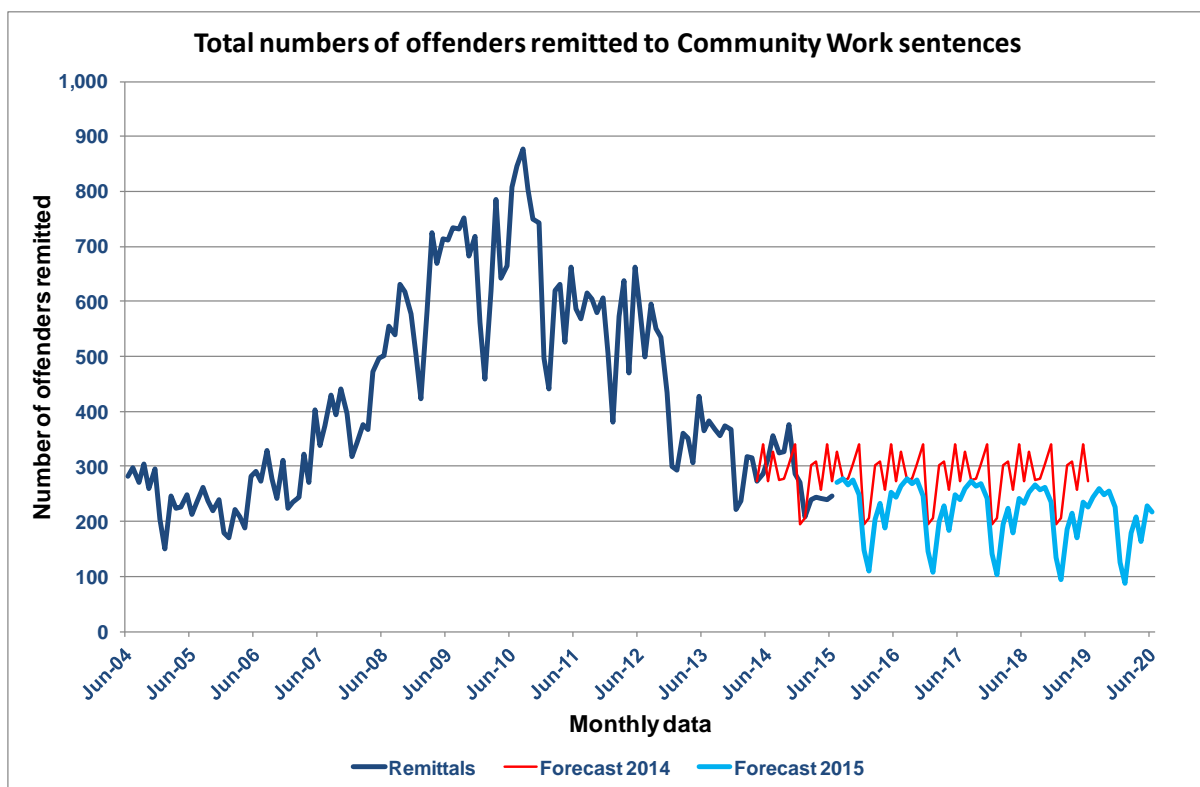
4.3 Remittals to Community Work sentences

Table 3 and Figure 3 show the historical and forecast numbers of offenders remitted to sentences of Community Work.

Table 3: Total numbers of offenders remitted to Community Work sentences

Fiscal year	Remittals to community work sentences				
	Remittals	Annual change	Remittals	Annual change	Difference between forecasts
2014-2015 (actual)	3,362	-11.8%	3,362	-11.8%	0.0%
2015-2016	3,410	1.4%	2,718	-19.1%	-20.3%
2016-2017	3,410	0.0%	2,691	-1.0%	-21.1%
2017-2018	3,410	0.0%	2,622	-2.5%	-23.1%
2018-2019	3,410	0.0%	2,535	-3.3%	-25.7%
2019-2020	n/a	n/a	2,442	-3.6%	n/a

Figure 3: Total numbers of offenders remitted to Community Work sentences



There are four key points to note on this graph:

- In 2007 the number of remittals begins to climb, as a result of a Legal and Operational Services Unit initiative to work through longstanding unpaid fines. Our understanding is that some Judges perceived this increase as an indication that ‘fines weren’t working’ and began to reduce their usage of them. In addition, the introduction of additional non-

custodial sentences in October 2007, and the increased range of alternatives to fines this implied, expedited the decline in usage of fines, as seen in Appendix C.

- In 2010 that initiative was completed. From 2011, the Legal and Operational Services Unit's segmentation initiative identified key instances of unpaid fines and focused attention on those offenders. The result was a short-term run of around 600 remittals a month.
- The cases identified by the segmentation initiative have now been fully worked through, and numbers have fallen again to a level that is moving back to that seen before 2007.
- A further fall at the start of 2015 is a result of a re-prioritisation of Legal and Operational Services Unit attention to ensuring payment of single fines. These offenders are less likely to be remitted to alternative sentences so there is currently a further step down in the number of such remittals. The forecast assumes that this reduced number of remittals persists.

5. Summary

A key element of the Justice Sector Forecast is the aim to ensure consistent use of assumptions across the sector where there are shared processes and flows. The Legal and Operational Services Unit covers a wide range of fines, trends in many of which will be driven by factors not directly connected with the Justice Sector (for example, parking infringement penalties are overseen by local government). However, the fines associated with the criminal courts do need to be forecast in accordance with the assumptions made about workload therein.

The forecasts here are all broadly flat, suggesting an expectation of long-term stability in this part of the justice system. In particular, the decline in usage in fines has been the result of a loss of low-value fines following the introduction of the Policing Excellence initiative. This has been offset by an increase in the average fine imposed.

More importantly, we have seen that fines in the criminal court are being paid off at a consistent rate – the payment rate is around 80% of impositions over a long period. This says that fines remain a reliable sentencing option.

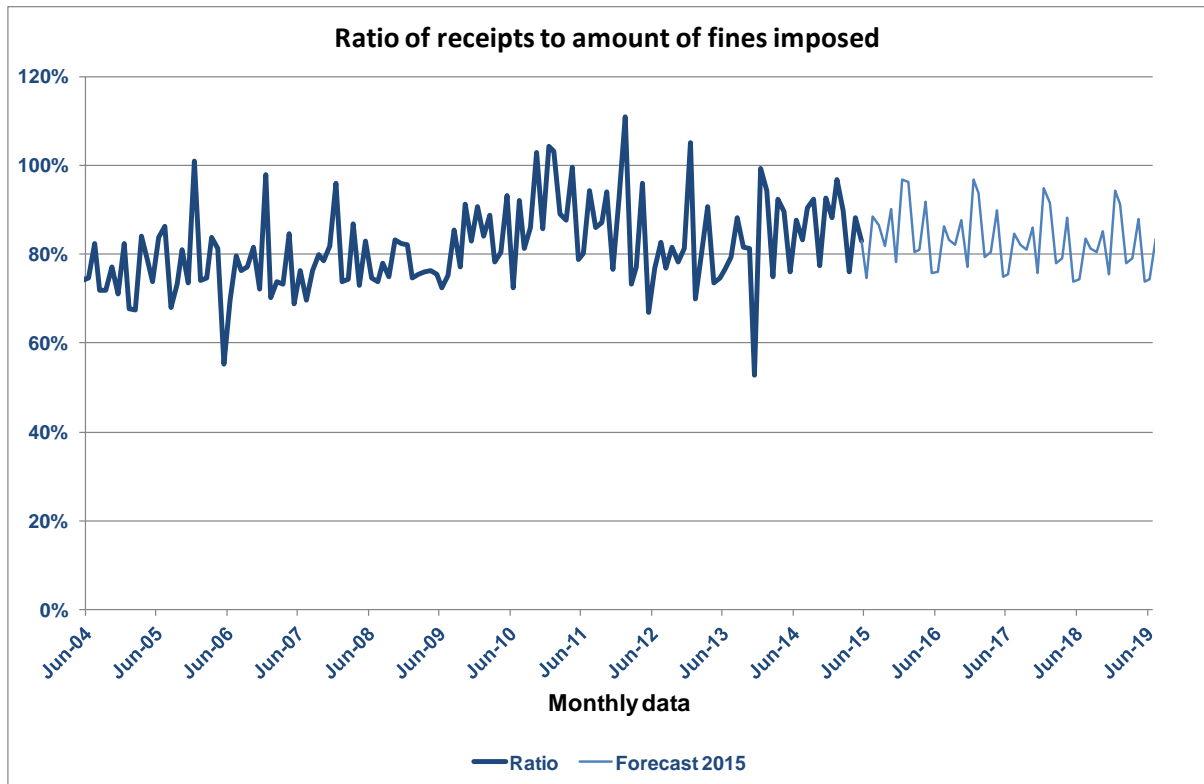
As with all component parts of the Justice Sector Forecast, we will monitor this forecast by comparing it to actual values. The Justice Sector Forecast already provides quarterly updates that do this. From the next update – covering the quarter ending September 2015 – the impositions, receipts and remittals quantities will be compared to this new forecast.

Because this forecast has focused on the impacts on the Legal and Operational Services Unit, its conclusions cannot be extended to other parts of the sector. As the rolling forecast process continues, these other parts will be updated in turn.

Appendix A: Relationship between receipts and imposed penalties

Figure 4 shows the amount of payments against fines in a given month as a proportion of the fines imposed by courts in that month.

Figure 4: Ratio of receipts to the amount of fines imposed



Given that receipts in any month are composed of both recent payments and payments from fines originally imposed some time earlier, it is entirely feasible for this ratio to exceed 100% on occasion.

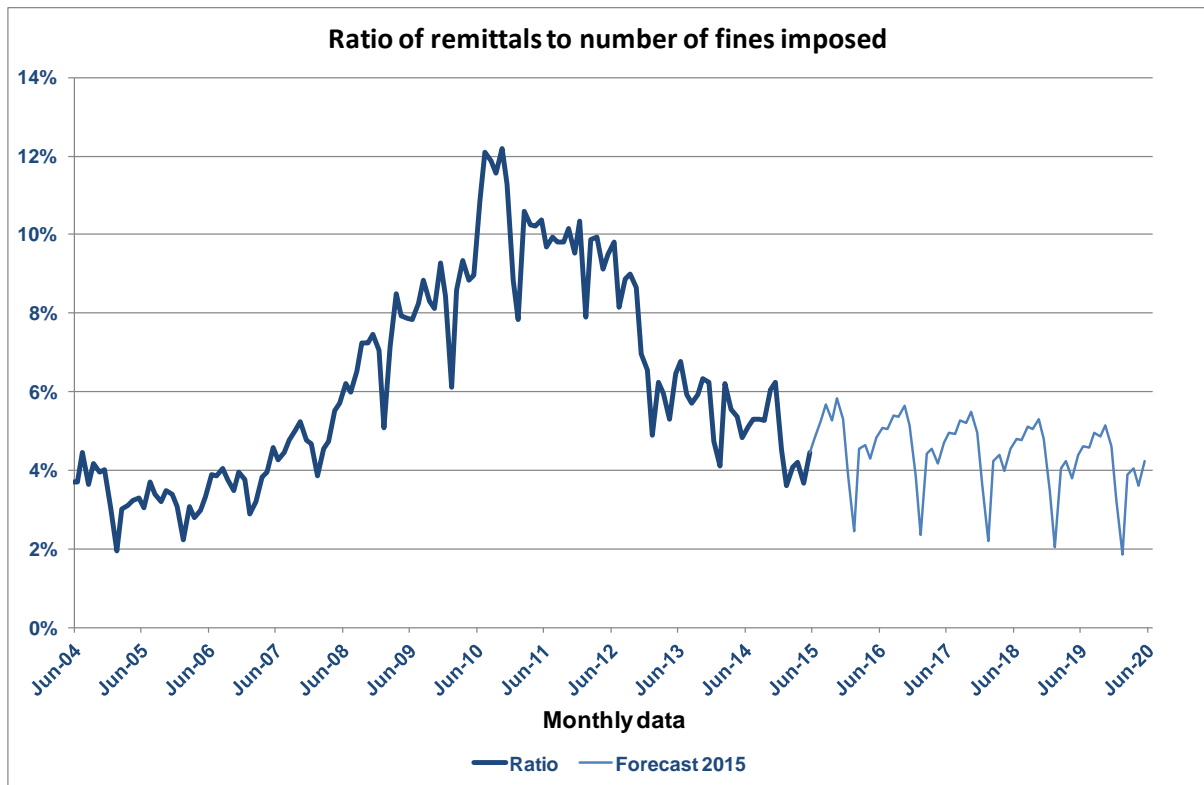
The historic trend, calculated from the observed amounts each month, is consistent. From 2004 to 2009 it runs at just below 80%. In 2009 and 2010, during the peak in remittals seen in Figure 3, the ratio increased to around 90%, but it has since fallen back a little. The Legal and Operational Services Unit's introduction of Segmentation has maintained the ratio at just over 80%, where it is projected to remain.

Once such a relationship has been observed, it can be used as a confirmation that individual assumptions about impositions and receipts are compatible. Any irregularity in this quantity would suggest that either or both of the assumptions regarding impositions and receipts should be reconsidered.

Appendix B: Relationship between remittals and imposed penalties

Figure 5 shows the number of remittals to Community Work sentences as a proportion of the number of fines imposed twelve months earlier. Using a lag of this kind reflects that it takes some time for it to become apparent that a defendant is unwilling or unable to pay a fine, and for the process of remittal to occur.

Figure 5: Ratio of remittals to the number of fines imposed

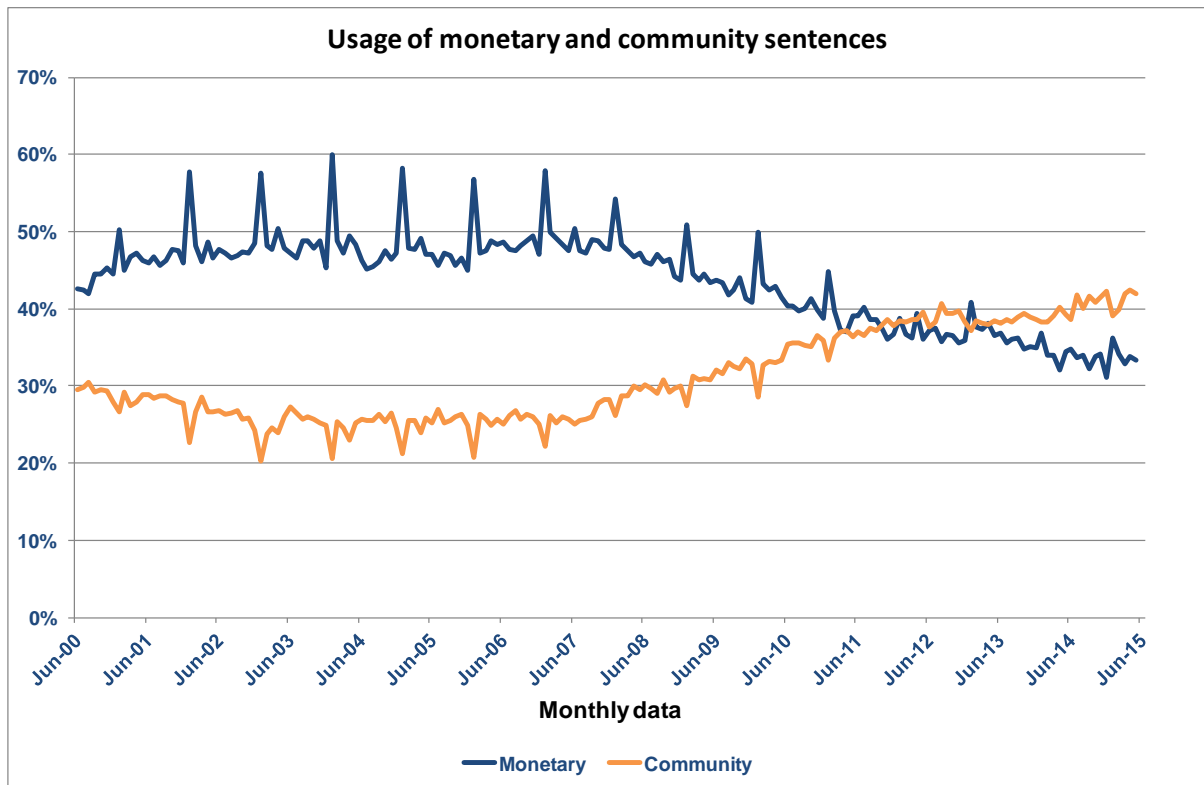


The ratio recorded in this figure is not used specifically in the forecast but acts as a check of the results. We are looking to confirm that the results are credible when compared with historic behaviour. Here we know that the 2007 initiative and Segmentation had a temporary impact on the number of remittals, forcing this ratio up. Now that these initiatives have run their courses, we need to check that the ongoing ratio reflects the behaviour that predates them. We have settled at a level last seen in mid-2007. The future trend moves slowly into levels seen in 2005 and 2006.

Appendix C: Relationship between monetary and community sentences

Figure 6 shows how the use of fines and community sentences has varied in recent years. The graph shows the most serious sentences only – i.e. an offender receiving a community sentence and a fine is counted under community sentence.

Figure 6: Relationship between monetary and community sentences



The two sentence types exhibit a consistent and complementary pattern – together they account for 75-80% of sentences. However, over time, fines have dropped from over 50% of sentences to closer to 30% while community sentences have risen from a low point of around 27% of sentences to 40% and higher, and are now more common than fines.