



New South Wales

The Hon Tony Kelly MLC
Minister for Justice
Minister for Juvenile Justice
Minister for Emergency Services
Minister for Lands
Minister for Rural Affairs
Leader of the House - Legislative Council

RECEIVED
24 JUL 2006
NOREEN HAY MP
MEMBER FOR WOLLONGONG

14 JUL 2006

Ms Noreen Hay, MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Ms Hay

I refer to the Public Accounts Committee's report entitled 'Value for Money from NSW Correctional Centres' and now attach the Government's response.

Yours sincerely

Tony Kelly
Minister for Justice

attachment

**GOVERNMENT'S RESPONSE TO THE RECOMMENDATIONS CONTAINED IN
THE PUBLIC ACCOUNTS COMMITTEE'S REPORT ENTITLED
'VALUE FOR MONEY FROM NSW CORRECTIONAL CENTRES'**

Finding 1

The overtime, sick leave and other employee related expenses in some publicly managed correctional centres are excessive, for example, Mulawa exceeded the 2004-05 budget for employee related expenses by 40 per cent.

Recommendation 1 (p 22)

The Department of Corrective Services should:

- a) identify all correctional centres where the budgets for overtime, sick leave and other employee related expenses were exceeded during 2004-05;
- b) put in place strategies to reduce these costs; and
- c) monitor performance on a monthly basis to ensure these costs are reduced to a more reasonable level.

Response to Recommendation 1

As part of its information technology upgrade, the Department of Corrective Services (DCS) enhanced its financial and performance reporting systems by putting in place an on-line, real time corporate reporting system. The real time reporting system is designed to capture the latest information from various departmental databases for all employee related costs, including overtime and sick leave by correctional centres. These reports are now providing managers with a comparative picture of all employee related costs against budgets and are available on line. These reports will significantly enhance management's ability to forecast costs and trends and to put in place strategies to address issues or concerns proactively.

Under the Way Forward Workplace reform package, strategies are being progressively implemented to address the overtime and sick leave issues.

To-date, DCS has successfully negotiated annualised salary packages with its executive custodial staff, resulting in overtime costs being reduced.

The existing sick leave policy has been reviewed and managers have been provided with regular sick leave reports to enable them to identify any problem cases. DCS has reiterated to all managers the need to closely monitor sick leave levels and to ensure full compliance with the sick leave policy.

DCS monitors all employee related expenses in particular overtime and sick leave through monthly financial reports, fortnightly payroll reports and other ad hoc management reports. These reports are also used to gauge the effectiveness of cost saving measures implemented to-date and to guide any necessary adjustments to the planned and implemented cost reduction strategies.

Finding 2

The correctional centres operating under the 'Way Forward' model have reduced overtime, sick leave and other employee related expenses. It is early days and progress needs to be monitored on a regular basis to ensure the planned results are being achieved. To allow the stakeholders to understand and assess the performance

of corrective services, external reports should clearly show the results achieved under the 'Way Forward' against the results under the traditional model.

Recommendation 2 (p 23)

The Annual Report for the Department of Corrective Services, where possible, should clearly differentiate the performance levels that have been achieved under the 'Way Forward' from the results under the traditional model. This will provide useful information and enable users to assess how the initiatives are progressing.

Response to Recommendation 2

In DCS's Annual Report 2004/05, performance levels achieved under The Way Forward in Dillwynia and Mid North Coast Correctional Centres were reported in comparison with those correctional centres which are not yet operating under the new model. With the further roll-out of the reforms, DCS will again report on the cost savings of The Way Forward in the next Annual Report 2005/06.

Finding 3

Justice Health, a division within NSW Health, provides the health services for inmates housed in publicly managed correctional centres. The cost is covered by the health budget and is approximately \$20 per inmate per day. This is more than double the cost of health services provided by GEO at the Junee Correctional Centre. However, Long Bay Hospital would be a large component of the cost in the public system. Nevertheless, GEO is providing efficient and effective health services to the inmates in the privately managed facility.

Recommendation 3 (p 25)

The Government should consider strategies to improve the cost effectiveness of health services provided by Justice Health.

Response to Recommendation 3

The Public Accounts Committee's report included information comparing the cost of providing health services between public and private sector operators.

The Report made a finding that the cost of providing health services by Justice Health was \$20.28 per inmate per day as compared with the figure of \$7.26 quoted by the GEO Group for health services provided at Junee Correctional Centre. This calculation is to be found in the submission from GEO on page 5.

Once allowance was made for the cost of Long Bay Hospital, Justice Health calculated the cost per inmate per day at \$12.47. Unfortunately this submission missed the deadline for consideration by the Public Accounts Committee. Consequently the costing information provided by GEO in relation to Justice Health costs per inmate per day went unchallenged.

The additional variant not considered in the GEO submission to the Inquiry is throughput. Typically, the cost of inmate care is weighted toward receptions and remand and reduces significantly with settled sentenced inmates. Assessment, mental health interventions, detoxification and other services are all focused heavily on the remand population.

Junee Correctional Centre has a capacity of 750 beds, which is approximately 8% of the NSW adult inmate bed capacity. Junee Correctional Centre received 4.9% of the State's

total new receptions in 2004/2005, with many of these new receptions only staying at Junee for a period of several days before being transferred to other correctional centres. Junee Correctional Centre also has a high proportion of sentenced inmates in its population, which as previously stated is the most stable.

In line with other Area Health Services, Justice Health is working towards meeting its requirements to reduce expenditure on central administrative costs. It is important to note that many Justice Health clinics operate in rural / remote correctional facilities. The majority of funding for these clinics goes towards clinical staffing requirements.

Finding 4

Despite the difficulty in making comparisons between the performance of particular correctional centres, the privately operated centre was a useful comparison for the Department during the development of its 'Way Forward' strategy.

Recommendation 4 (p 27)

The Government should maintain at least one private prison in the State for the purposes of benchmarking the performance of publicly operated centres and to encourage the development of innovative management techniques.

Response

The Junee Correctional Centre commenced operations in 1993. The current policy is to retain Junee as a privately run gaol. The contract with GEO Group Australia expires in March 2009. The Government will consider the Public Accounts Committee's recommendations at that time.

Finding 5

Currently, there are national initiatives being undertaken by the Productivity Commission and the Australian Bureau of Statistics to improve the comparability of crime and justice statistics across jurisdictions and across portfolios. The Committee is concerned that planned improvements for cost comparison being developed by DCS may not be consistent with these national initiatives. Consistency would minimise the risk that resources will be wasted on collecting data that is not useful or implementing cost allocation methods that will not achieve the desired results.

Recommendation 5 (p 30)

The Department of Corrective Services should ensure that any planned improvements to statistics are compatible with the National Information Development Plan for Crime and Justice Statistics. This will ensure that resources are not wasted on collecting information that is not comparable and that the statistics remain relevant and useful over time.

Response to Recommendation 5

The Department of Corrective Services is a permanent member of the National Corrections Advisory Group and the Corrective Services Working Group. These two groups constantly develop, administer and provide data for publication in the National Report on Government Services - a yearly publication of the Productivity Commission.

As such DCS is fully aware of and actively develops the national initiatives undertaken by the Productivity Commission, including but not limited to financial measures and comparisons of performance.

DCS has been a lead agency in these and other national initiatives since 1995.

Finding 6

The Auditor-General's reports to Parliament from 2002 to 2004 compared the cost of correctional centres operated by the Department of Corrective Services against the privately operated centre at Junee. The inmate costs quoted in 2004 were from a DCS costing model that is no longer used for external purposes, as it is not comparable to other jurisdictions.

Recommendation 6 (p 30)

To improve consistency in assessing and reporting performance:

- Individual correctional centres should be compared on the basis of direct costs and other relevant indicators for internal management purposes;
- The cost of outsourcing the management of the Junee Correctional Centre should be compared to direct costs of the publicly managed facilities; and
- The Report on Government Services issued by the Productivity Commission should be used to compare the performance of the Department of Corrective Services against other jurisdictions.

Response to Recommendation 6

The Government is committed to consistency in assessing and reporting performances of agencies across the whole of government. In particular, DCS is currently improving its costing model, accounting for costs and reporting of such as follows:

- a. Vigilant use of activity codes to allocate costs to the inmate classifications in each correctional centre.
- b. Use direct costs only (and exclude cost of health services) when using inmate cost per day in comparing correctional centres within DCS (including Junee Correctional Centre), with other jurisdictions and with other private sector-providers.
- c. For external reporting and benchmarking, use the security classification of inmates in accordance with the National Indicators measure (open and secure instead of maximum, medium and minimum classification).
- d. Adopt the Committee's comparison of employee related expenses of correctional centres under the "Way Forward" and traditional models. Include the comparisons in DCS's monthly management report. Also include in the Annual Report a comparison of performance under the two models as per the Committee's Recommendation 2.
- e. Include in the monthly Management Report graphs on overtime and average sick days per staff member for each correctional centre, allowing rigorous monitoring to ensure that overtime and sick leave are contained within reasonable levels.
- f. Ensure that key result indicators used for external reporting (ie. Annual Report, Productivity Commission Report, State Budget Papers) are consistent and comparable with other jurisdictions and private-sector service providers.

DCS will continue to collaborate with the Productivity Commission and the Australian Bureau of Statistics in developing further the Department's cost comparison and performance measures to ensure that data and information collected are consistent, comparable and relevant.