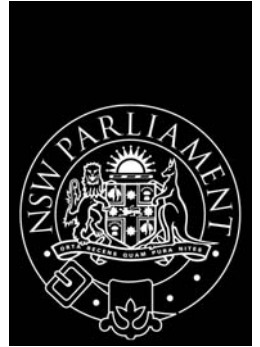


LEGISLATIVE ASSEMBLY



Public Accounts Committee

VALUE FOR MONEY FROM NSW CORRECTIONAL CENTRES

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Charter of the Committee

The Public Accounts Committee has responsibilities under Part 4 of the *Public Finance and Audit Act 1983* to inquire into and report on activities of Government that are reported in the Total State Sector Accounts and the accounts of the State's authorities.

The Committee, which was first established in 1902, scrutinises the actions of the Executive Branch of Government on behalf of the Legislative Assembly.

The Committee recommends improvements to the efficiency and effectiveness of Government activities. A key part of committee activity is following up aspects of the Auditor-General's reports to Parliament. The Committee may also receive referrals from Ministers to undertake inquiries. Evidence is gathered primarily through public hearings and submissions. As the Committee is an extension of the Legislative Assembly, its proceedings and reports are subject to Parliamentary privilege.

Terms of Reference

On 6 April 2005, the Public Accounts Committee resolved to conduct an inquiry into the value for money¹ from New South Wales correctional centres. The terms of reference are to:

- Consider the current initiatives being undertaken by the Department of Corrective Services (DCS) to improve safety and cost effectiveness of correctional centre management;
- Compare the cost of corrective services provided by public correctional centres using the Way Forward program and by private operators; and
- Review whether the planned improvements to the DCS calculation of costs will facilitate better comparisons between private and public sector providers.

¹ Value for money is usually defined as the efficient, effective and economic use of resources.

Chairman's Foreword

I am pleased to present this report on value for money from New South Wales Correctional Centres.

A key role of the Public Accounts Committee is ensuring that the Auditor-General's recommendations are implemented by agencies. The Auditor-General reports to Parliament each year on the results of audits of the accounts of Authorities of the State and the State's public accounts. The Committee resolved to undertake this inquiry as a result of comments in Auditor-General's reports to Parliament from 2002 to 2004 about the difficulty in comparing costs of correctional centres operated by the Department of Corrective Services against the privately operated centre at Junee.¹

The Committee thought that accountability for this area was particularly important given the scale of the Corrective Services portfolio. In 2003-04 the Department of Corrective Services had overall operating expenses of over \$670 million. Its primary function was to house an average of 8,600 inmates in 29 correctional centres.² New South Wales imprisons around 160 people per hundred thousand of the adult population. While this rate is marginally above the national average in both Australia (of 150) and in the United Kingdom (of 141), it is less than half the rate of imprisonment in Singapore and around a fifth of the rate in the United States.³

Roughly eight per cent of these NSW prisoners were held in the Junee centre. A higher proportion of the prison population is managed privately in Queensland, Victoria and Western Australia.⁴ The Committee agrees with the Auditor-General that information about the performance of these private centres should be comparable to that available about the public centres.

The Committee considers that information of the performance of the corrections sector should be improved. Of particular importance is developing performance measures for preparing inmates for their return to society through rehabilitation programs and training. One key measure of this success would be a reliable measure for the rate of 'recidivism' (being the act of re-offending). The Committee hopes the New South Wales Department of Corrective Services will work with the Productivity Commission and the Australian Bureau of Statistics to develop this measure in the next few years.

During the 2004-05 financial year, new correctional centres opened in Kempsey and Windsor. These centres are operating under a new consent award as part of the Department of Corrective Services' Way Forward workplace reform package. This new management model was developed to improve the efficiency and effectiveness of delivering corrective services.

¹ Auditor-General, *Auditor-General's Report to Parliament 2002*, Volume 6, pg 125
Auditor-General, *Auditor-General's Report to Parliament 2003*, Volume 6, pg 341
Auditor-General, *Auditor-General's Report to Parliament 2004*, Volume 4, pg 240

² Auditor-General, 2004 op cit, pg 237, 241

³ Productivity Commission, *Report on Government Services 2005*, pg 7.5, UK Home Office *World Prison Population List 2003*. Please note the Australian figures are from 2004 but the international ones are a year older.

⁴ Lenny Roth, *Privatisation of Prisons*, Background Paper No 3/2004, NSW Parliament, pg 3.

In their first year of operation, both centres have significantly lower levels of overtime and sick leave in comparison to publicly managed centres that are operating under the existing award. The lower levels of overtime and sick leave have resulted in a direct cost per inmate per day that is more in line with the performance of the privately managed facility at Junee.

The Committee is concerned with the high level of overtime and sick leave in some centres and we understand negotiations on implementing the 'Way Forward' model across the all state centres are underway. From the evidence we have considered, the Committee is hopeful that this will reduce the incidence of sick leave and overtime in the longer term and, in the immediate future, we would expect transitional arrangements to be established to keep overtime and sick leave at acceptable levels.

The Department of Corrective Services has upgraded its business information system to improve the accuracy of the cost per inmate per day for each correctional centre. The Committee agrees that comparing the performance of individual correctional centres, including Junee, needs to be done on the basis of direct costs and other relevant indicators.

I would like to thank all organisations and individuals that made submissions and participated in public hearings for this inquiry. The Committee is particularly grateful to the Department of Corrective Services and the GEO Group Australia for providing information throughout the inquiry and for arranging for us to visit the Mid North Coast and Junee Correctional Centres.

I would also like to thank Karen Taylor of the Audit Office of NSW and Vicki Buchbach of the Secretariat for drafting this report for the Committee's consideration. Finally, I would like to thank my fellow Committee members for their discussion of the matters raised in this report.



Matt Brown MP
Chairman

List of Recommendations

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 (pg 23): 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 place to reduce these costs; and
- c) monitor performance on a monthly basis to ensure these costs are reduced to a more reasonable level.

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 (pg 22): 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.

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 (pg 25): The Government should consider strategies to improve the cost effectiveness of health services provided by Justice Health.

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: (pg 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.

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 (pg 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.

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 (pg 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.

Chapter One - Introduction

- 1.1 The Committee resolved to undertake this inquiry into the value for money from New South Wales correctional centres as a result of comments in Auditor-General's reports to Parliament from 2002 to 2004.

THE AUDITOR GENERAL'S REPORT

- 1.2 The Auditor-General's reports to Parliament from 2002 to 2004 included inmate costs for correctional centres operated by the State and by the private sector. Details derived from these reports are included in the table below.¹

TABLE 1.1 Average Costs per Inmate

		2001-02	2002-03	2003-04
Department of Corrective Services	Average cost per inmate per day	\$167.85	\$187.00	\$187.80
Junee Correctional Centre	Average cost per inmate per day ²	\$92.04	\$93.54	\$91.75

- 1.3 In the 2004 report, the Department of Corrective Services (DCS) advised the Auditor-General that the costs were not readily comparable for the following reasons:
- Maximum security facilities have higher operating costs than medium/minimum security facilities like Junee;
 - Female prisoners facilities cater for the special needs to prisoners and have a higher cost structure than male only facilities like Junee; and
 - Correctional Centres operated by DCS are generally older and not as cost efficient as newer correctional centres.³
- 1.4 The Auditor-General recommended that:
- the department should calculate its own costs on a comparable basis (eg security level, gender) to Junee to allow an assessment of the relative costs of private vs public provision.⁴
- 1.5 The department responded to the 2004 report as follows:
- DCS acknowledges the benefits of comparative performance measures in the facilitation of inter-jurisdictional learning. Comparative performance information across jurisdictions is an important component of the cost effective use of resources and on-going performance improvement. Having said this, the use of the ranking system employed in the Auditor-General's report does not successfully report comparative performance measures. The Report of Government Services acknowledges the difficulties in comparing jurisdictions and does not employ a designated ranking system.⁵

¹ Auditor-General, 2002 *op cit*, pg 125, Auditor-General 2003, *op cit*, pg 341, Auditor-General 2004 *op cit*, pg 240

² These figures were not in the Auditor-General's Reports to Parliament. They have been calculated by dividing the quoted annual cost amounts by the number of days in the year. This is the cost to DCS i.e. the management fee plus the allocation of department overheads and not the actual cost to the private operator.

³ Auditor-General 2004 *op cit*, pg 240

⁴ *ibid*

⁵ *ibid*, pg 242

THE INQUIRY

- 1.6 The Committee has the power under section 57(1) of the *Public Finance and Audit Act 1983* to examine any report of the Auditor-General laid before the Legislative Assembly. The Committee resolved at its meeting on the 6 April 2005 to conduct an inquiry into value for money from New South Wales correctional centres. In accordance with the terms of reference, this inquiry was focussed on the financial aspect of value for money.
- 1.7 The Committee sought submissions to this inquiry by writing to the key stakeholders. Seven submissions were received in response. These are available from the Committee's website www.parliament.nsw.gov.au/publicaccounts and are listed in Appendix 1.
- 1.8 The Committee visited the Mid North Coast Correctional Centre and the Junee Correctional Centre on the 2 June 2005 to gain an understanding of how they operate.
- 1.9 The Committee held public hearings in Sydney on 24 June 2005. Transcripts of the evidence are available from the Committee's website www.parliament.nsw.gov.au/publicaccounts. Refer to Appendix 2 for the list of witnesses.
- 1.10 The Committee would like to thank to all individuals and organisations that contributed to the inquiry.

THE STRUCTURE OF THIS REPORT

- 1.11 Chapter Two provides background information on the privatisation of correctional services both in Australia and overseas.
- 1.12 Chapter Three outlines the provision of correctional services in New South Wales by the public sector and the private sector. The workplace reform being undertaken by the Department of Corrective Services is also covered in this chapter.
- 1.13 Chapter Four assesses the efficiency savings that have been achieved through the 'Way Forward' model and compares the cost of corrective services provided under this model with the management fee paid to the private operator. The planned improvement to costs comparisons and current benchmarking strategies have also been reviewed.
- 1.14 Chapter Five covers other qualitative matters such as out of cell hours, industries, increase in prison population and recidivism.

Chapter Two - Background to Privatisation

PRIVATISATION OF CORRECTIONAL SERVICES

- 2.1 Privatisation of correctional services in this report refers to outsourcing the management of the facility with the ultimate responsibility remaining with the public sector. The operators are accountable to the government and need to supply a service that is at least consistent with publicly run facilities. This is quite different to the usual meaning of privatisation whereby the private sector owns and controls the assets to provide services that were traditionally provided by the government.
- 2.2 The following factors have influenced governments to privatise correctional services:
- Growth in prison populations leading to overcrowding;
 - Ageing prison infrastructure;
 - Growing costs in a highly labour intensive industry with strong union influence;
 - Less flexibility in the public system to meet changing demands; and
 - Need for more effective prison programs.¹
- 2.3 The greater management flexibility in the private system can create better response times regarding issues of innovation, expansion, staff promotions and terminations. Supporters of privatisation view public prisons as being less flexible, unable to keep up with technological changes or the changing needs of staff and inmates.
- 2.4 The privatisation move began in the United States (US) in the 1980s and today the US has over 100 private correctional centres holding seven percent of the total US inmate population. The United Kingdom (UK) currently has 11 private facilities and Australia has seven private facilities housing around 18 percent of the total inmate population. South Africa has two of the largest private correctional centres in the world each holding about 3000 inmates.²
- 2.5 Detractors of privatisation argue that companies should not profit from incarceration and that there is no incentive to rehabilitate inmates as a reduction in the number of inmates will lead to a less profitable industry. By reducing the number of repeat offenders, private companies are in effect reducing the demand for their services and their revenue.³ However, in the course of this inquiry, the Committee saw no evidence that would support these arguments.
- 2.6 The main competitors in the private correctional services industry are:
- Corrections Corporation of America;
 - The GEO Group Inc;
 - Group 4 Securicor plc;
 - Sodexho Alliance;
 - Serco plc; and

¹ R Harding, "Private Prisons in Australia" (May 1992) No.36 *Australian Institute of Criminology – Trends and Issues in Crime and Criminal Justice*, pg 2

² Lenny Roth, *Privatisation of Prisons*, Background Paper No 3/2004, NSW Parliament, pg 3.

³ *ibid*, pg 25.

- Management & Training Corporation.
- 2.7 The Corrections Corporation of America is the oldest and largest private corrections company. It operates prisons in the US. The GEO Group Inc. was formerly the Wackenhut Corrections Corporation. It is the second largest private corrections company and operates prisons in the US, UK, South Africa, Australasia and Canada. It also provides other services such as immigration and detention, health and mental health, prisoner escort and court security.
- 2.8 All of the main players have underlying profit motives and are answerable to their shareholders. Governments need to ensure that cost savings achieved through privatisation are not as a result of providing a service that is poor quality and/or reduced accountability. To maintain high quality service, the contract needs to include minimum standards of performance that are monitored, reviewed and linked to the revenue stream.
- 2.9 Harding developed the following tenets of accountability which, in his opinion, governments must require of private contractors and which citizens must require of governments:
- The distinction between the allocation and the administration of punishment must be strictly maintained, with the private sector's role being confined to administration;
 - Penal policy must not be driven by those who stand to make a profit out of it;
 - The activities of the private sector and their relations with government must be open and publicly accessible;
 - What is expected of the private sector must be clearly specified;
 - A dual system must not be allowed to evolve in which there is a run down and demoralised public sector and a vibrant private sector;
 - Independent research and evaluation, with untrammelled publication rights, must be built into the private sector arrangements;
 - Custodial regimes, programmes and personnel must be culturally appropriate;
 - There must be control over the probity of private contractors;
 - There must be financial accountability;
 - The state must in the last resort be able to reclaim the prison.⁴
- 2.10 Contract compliance is a key element of accountability. Best practice requires the terms of the contract to be specific and the emphasis to be on outcomes. Loose contracts leave room for discretion by the operator and may tempt them to act in their best interests. Also, the contract specifications should be a public record to allow stakeholders to evaluate the performance of the contractor and the agency. Currently in Australia and the UK, contracts are primarily commercial-in-confidence, which is not best practice for accountability purposes.⁵

⁴ Richard Harding, *Private Prisons and Public Accountability*, Open University Press, Buckingham, 1997, pg 27

⁵ *ibid*, pg 69

- 2.11 All contracts, however, expire. This means there is an incentive for the private operator to 'do the right thing' in order to stand a good chance of successfully bidding for the contract again.

AUSTRALIAN PERSPECTIVE

- 2.12 The first privately run correctional centre in Australia was opened in January 1990 in Queensland. There are currently two private facilities in Queensland, two in Victoria and one in each of New South Wales, Western Australia and South Australia. All privately run prisons in Australia hold male inmates.⁶ Each state uses different models for contracting with the private sector. New South Wales outsourced the design, construction and management of Junee Correctional Centre. Earlier arrangements in Queensland and South Australia covered management only. In Victoria, the Government has used the build, own, operate and transfer (BOOT) scheme. Western Australia is using a design, finance, construct and manage (DCFM) model.⁷ Under BOOT and DCFM models, the private operators pay for and own the infrastructure, whilst the government repays the principle and interest over the term of the contract. At this time the assets are owned by the government.
- 2.13 The model used in New South Wales has the benefit of committing the Government for a relatively short term in comparison to BOOT or DCFM arrangements. The successful contractor needs to rebid regularly rather than simply renew the option. This keeps market forces in play and provides an incentive for the contractor to minimise costs whilst improving performance and maintaining accountability. However, this model requires an upfront capital outlay by the public sector.
- 2.14 DCFM has been found to limit competition as it decreases the number of organisations that have the ability to submit a tender. These complex arrangements require governments to have the expertise to competently evaluate the tenders. Finding this level of expertise can be difficult. Below is a table summarising private correctional centres in Australia.

TABLE 2.1 Private Correctional Centres in Australia⁸

State	Correctional Centre	Operator	Capacity	Percent of State Inmates ⁹
NSW	Junee	GEO	750	8%
QLD	Borallon	MTC	492	9%
	Arthur Gorrie	GEO	710	14%
SA	Mt Gambier	GSL	110	7%
VIC	Fulham	GEO	700	19%
	Port Phillip	GSL	620	17%
WA	Acacia	AIMS	750	24%

GEO – The GEO Group Australia Pty Limited, a subsidiary of The GEO Group Inc.

MTC – Management & Training Corporation Pty Ltd, a subsidiary of Management & Training Corporation

GSL – GSL Custodian Services Pty Ltd, a subsidiary of Global Solutions Limited

AIMS – Australian Integration Management Services Corporation Pty Ltd, a subsidiary of Sodexho Alliance

⁶ The Victorian Government took over the Metropolitan Women's prison in October 2000 due to poor performance by the operator, Corrections Corporation of America.

⁷ Lenny Roth, *Privatisation of Prisons*, Background Paper No 3/2004, NSW Parliament, pg 6.

⁸ Adapted from *ibid*.

⁹ Capacity as a percentage of total inmates as per the ABS National Prisoner Census of 30 June 2004.

- 2.15 Victoria has the highest level of private sector involvement in corrective services. The Kirby Report on the investigation into private prisons noted the following positive outcomes of this policy decision:
- Improved prisoner accommodation;
 - A more transparent policy framework and public accountability for correctional services;
 - Implementation of an accountability framework; and
 - Increased attention to prisoner and prisoner management systems.¹⁰
- 2.16 Governments within Australia have outsourced other services to private operators. The degree of outsourcing varies from state to state. GSL has been contracted to provide:
- Detention facilities on behalf of the Commonwealth Government;
 - Security at a mental health facility in Victoria;
 - Non-emergency medical transport in Victoria;
 - Prisoner transport in Victoria and South Australia;
 - Court management in South Australia; and
 - Equipment and training for electronic monitoring of parolees and bailees in South Australia.
- 2.17 In Victoria, AIMS provides court custody and prisoner transport and GEO manages prisoner health services. In Western Australia, AIMS provides prisoner transport and court security. Recently, due to the escape of nine prisoners, they were fined and lost part of their contract being court security at the Supreme Court in Perth. The inquiry initiated by the Western Australian Government also found that the Department of Justice was deficient in monitoring the company's performance under the contract.¹¹

Purchaser/Provider Split

- 2.18 Privatisation creates a reason for splitting the purchaser of correctional services from the provider of those services. The reason for this is to avoid the problems that can arise when a private sector operator is engaged by the public sector prison provider to provide its core services. Harding is of the opinion that this creates a danger of reduced vigilance by the public sector in monitoring the private operators adherence to the contractual and legislative requirements.¹²
- 2.19 Further issues may arise when the public sector is permitted to bid against the private sector for the right to manage a correctional centre. This creates a situation where the public sector is, in effect, tendering to provide services for which it is ultimately responsible. Besides this anomaly, the actual and perceived independence of this process would be questionable.
- 2.20 Initially to overcome this issue Queensland split the provider function from the Queensland Corrective Services Commission (QCSC) by establishing a separate

¹⁰ Peter Kirby, *Report of the Independent Investigation into the Management and Operations of Victoria's Private Prisons*, October 2000, pg 4.

¹¹ Richard Hooker, *Inquiry into the escape of persons held in custody at the Supreme Court of Western Australia on 10 June 2004*, 30 July 2004.

¹² Richard Harding, *Private Prisons in Australia: The Second Phase, 1997*, pg 2-3

government business. QCSC had responsibilities as the purchaser of correctional services from both the public and private sector, regulator, monitor and policy setter. In 1999, the separate entity was amalgamated with QCSC to form the Queensland Department of Corrective Services (QDCS). It still operates as a separate business unit within the department. In Victoria, the public sector provider is not permitted to compete with the private sector providers for management contracts. At this stage, neither New South Wales nor South Australia has split the role of provider from purchaser.¹³

Accountability and Monitoring

- 2.21 As mentioned, there are two requirements for ensuring the quality of service is maintained: the contract must require minimum standards of performance and compliance with these requirements must be monitored. Different states of Australia have approached accountability and monitoring of their operators in different ways.
- 2.22 The Queensland legislation does not cover requirements for monitoring or reporting. The appointment of a monitor is optional and the contracts are confidential. The annual report for QDCS does not include any details of reviews performed on private facilities. Harding concluded that QDCS is not encouraging a culture of external accountability or allocating sufficient resources to the process.¹⁴ QDCS recently conducted a review of its business and one of the recommendations was to create the role of Chief Inspectorate to monitor correctional centres. The Chief Inspectorate was appointed on 6 May 2005.
- 2.23 The Victorian legislation covers what must be included in the contract and that a monitor may be employed to assess and review the performance of contractors. Where a monitor is employed, their report must be included within the Department of Justice's annual report. The Corrections Inspectorate was established on 1 July 2003 to monitor the performance of public and private operators. However, this role was not appointed under the legislation and consequently the results of any reviews are not published. The operators are accountable to the department, but they are not externally accountable.
- 2.24 The Victorian Government maintains a central register of all major contracts that are awarded to the private sector. This register is located at the Government's website www.contracts.vic.gov.au, but the current agreements for the management of private prisons have not been disclosed. Other contracts that are related to the prisons, such as building works and the supply of health services, are published. Disclosure of major contracts strengthens the accountability of private contractors by reducing the secrecy of these arrangements.
- 2.25 Privatisation went ahead in South Australia without changes to the legislation. This means that monitoring and accountability of private operators is not based upon a statutory framework. Harding sees this as a weak regulatory structure.¹⁵ The annual report for South Australian Department of Corrective Services does not include any information on reviews performed on private operators.

¹³ *ibid*

¹⁴ Richard Harding, *Private Prisons and Public Accountability*, Open University Press, Buckingham, 1997, pg 43.

¹⁵ *ibid*, pg 41

- 2.26 In Western Australia, a separate annual performance report is prepared for Acacia Prison. This report includes statistics of inmates and staff, the review process, results of the reviews, key performance indicators that impact on the performance-linked fee, penalties incurred for poor performance and details of how the contract has been managed. The review process in 2003-04 included four specialist reviews, a peer review by Corrections Victoria and a management review performed by SAI Global. These arrangements contribute to the private operator being accountable to the state and to the taxpayers.
- 2.27 Most state level correctional legislation specifies various statutes that apply to the private operators in the same way that they apply to public agencies. They typically cover freedom of information, corruption investigations and complaints handling by the Ombudsman. These requirements contribute to the accountability of the contractor and strengthen the independence of the review process.

SITUATION IN NEW SOUTH WALES

- 2.28 The following background information about the privatisation of correctional centres in New South Wales was mainly derived from a research paper prepared by Lenny Roth for the NSW Parliamentary Library.¹⁶
- 2.29 In 1990, legislation was passed to allow private companies to manage New South Wales correctional centres.¹⁷ In 1991, tenders were sought for the innovative design, construction and management of a 600-bed medium/minimum security correctional centre at Junee. The State Government maintains the ownership of the correctional centre, which effectively reduces the exit costs of private operators. Australasian Correctional Services (ACS) was selected as the successful candidate to undertake the design, construction and management. It subcontracted the management component of the contract to Australasian Correctional Management Pty Limited (ACM).
- 2.30 The New South Wales Public Works Department¹⁸ managed the contract with ACS for the design and construction of the Junee Correctional Centre. The total design and construction cost of \$53 million was seen as cost effective when compared to equivalent correctional centres of the day.
- 2.31 The Junee Correctional Centre commenced operations on the 5 April 1993. The original five-year term expired on the 31 March 1998. The Department of Corrective Services (DCS) invoked its option to extend the management agreement for a further three years i.e. until 31 March 2001.
- 2.32 A competitive tender process for the management of the Junee Correctional Centre began in July 2000. The NSW State Contracts Control Board approved ACM as the preferred tenderer on 24 October 2000. The Commissioner for Corrective Services entered into a new five-year agreement that took effect on 1 April 2001. ACM's current business name is the GEO Group Australia Pty Limited (GEO).
- 2.33 The management specifications in the new agreement are consistent with the vision, mission, values and corporate goals of DCS. This was done to ensure that expected outcomes at Junee Correctional Centre were no different to publicly run facilities.

¹⁶ Lenny Roth, *Privatisation of Prisons*, Background Paper No 3/2004, NSW Parliament.

¹⁷ *Prisons (Contract Management) Amendment Act 1990*. Provisions are currently part of *Crimes (Administration of Sentences) Act 1999*.

¹⁸ Function is currently within the NSW Department of Commerce.

Currently Junee Correctional Centre is the only privately managed prison in New South Wales.

- 2.34 There was early speculation that the new correctional centres at Kempsey and Dillwynia would be privatised.¹⁹ Around the same time, DCS was negotiating with the Prison Officers Vocational Branch (POVB) of the Public Service Association to introduce the 'Way Forward' workplace reform to improve the efficiency and effectiveness of the public system. The negotiations with the union proved successful and a new consent award was established to cover these new facilities. Subsequently in March 2004, the NSW Government approved the public operation of the new correctional centres.²⁰
- 2.35 Even though the private sector is not managing the new facilities, they are being utilised to design, construct and/or maintain them. The Department of Commerce manages the contract for the design, construction and maintenance of the 500-bed Mid Western Correctional Centre at Wellington. This contract was awarded to the same company that designed and constructed the Dillwynia Correctional Centre, Richard Crookes Constructions Pty Limited. The total cost for the construction is an estimated \$125.6 million.²¹
- 2.36 The monitoring and accountability mechanisms that operate in New South Wales are detailed in the next chapter.

¹⁹ Lenny Roth, *Privatisation of Prisons*, Background Paper No 3/2004, NSW Parliament, pg 2.

²⁰ NSW Legislative Council Hansard 5/5/0, g 8271.

²¹ The Hon John Hatzistergos MLC, previous Minister for Justice, 'New Prison Construction Contract Awarded New Airstrip Officially Opened', *Media Release 18 May 2005*.

Chapter Three - Correctional Services in New South Wales

PRIVATE MANAGEMENT

- 3.1 Junee is located approximately 468km south west of Sydney and 248km north west of Canberra. The closest regional centre is Wagga Wagga, some 40km south west of Junee. The Junee Correctional Centre was built on a 108-hectare site located to the west of the town centre. The centre provides employment to approximately 250 people from the local area. It is the only privately run correctional centre in NSW.
- 3.2 GEO is responsible for managing the facility in accordance with the specifications set by the Department of Corrective Services (DCS) and legislative requirements. The Ombudsman, Official Visitors and the Monitor regularly review the performance of the operator. The management fee comprises a base amount and a performance-linked component of 2.5%. The performance-linked component is withheld until the end of the contract year and payment is conditional on meeting the required levels of performance. Each year DCS and GEO agree upon the key performance indicators (KPIs) for each of the areas of focus. The Monitor assesses and reports on their performance, which directly impacts on the amount of the performance-linked fee.
- 3.3 The current management agreement is for 750 inmates (80 remand, 140 minimum security and 530 medium security). Over 150 of these inmates receive daily doses of methadone or buprenorphine. GEO is responsible for the health care of inmates. It employs a full time doctor, a part time dentist and have nursing coverage for 24 hours per day. The cost of providing health services is approximately nine dollars per inmate per day.¹ This cost is built into the management fee.
- 3.4 The employees at the Junee Correctional Centre are employed under an enterprise award registered with the NSW Industrial Relations Commission. The majority of employees are members on the Liquor, Hospitality and Miscellaneous Union. At the time of making its submission, the Union was in the process of negotiating a wage increase of between 29 and 36 percent on behalf for its members.² Correctional officers at Junee work 12 hour shifts with the inmates being out of cells for 11 hours per day.³
- 3.5 The contract requires staff to be trained by a registered training organisation in accordance with the standards in the National Correctional Competencies. GEO is registered in Victoria as a training organisation and has mutual recognition with the NSW Vocational Education and Training Advisory Board. Under these arrangements, GEO delivers the prescribed training and assessment activities to enable professional development of staff.⁴
- 3.6 The submission from GEO outlines the following key advantages of outsourcing correctional centre management:

¹ Transcript of Hearing, 24 June 2005, pg 14.

² Submission No.4, Liquor, Hospitality and Miscellaneous Union. At 21 September 2005, this case had not been finalised.

³ Submission No.5, The GEO Group Australia Pty Ltd, pg 36.

⁴ *ibid*, pg 30.

Chapter Three

- The transfer of risks associated with public liability, workers compensation, leave entitlements and other employment issues;
- The transfer of responsibility for maintenance of the building and the cost of depreciation;
- Cost efficiencies;
- Possible improved performance outcomes;
- Provides a benchmark and can be a catalyst for reform; and
- Modern infrastructure that enables delivery of best practice in safety, security and efficiency.⁵

3.7 The private operator also has the following accreditations:

- International Standard ISO 9000 certification;
- Australian Council on Health Care Standards; and
- 5 Star rating with National Safety Council of Australia in Workplace Health and Safety.⁶

Accountability and Monitoring

3.8 In New South Wales, a high degree of the external regulation and accountability mechanisms have been included in the *Crimes (Administration of Sentences) Act 1999*. According to Harding, including accountability requirements within the legislation is more effective than contract based arrangements where negotiations may lead to compromise.⁷

3.9 The following statutory requirements increase the accountability of private operators in New South Wales:

- Appointment of a Monitor;
- Appointment of Official Visitors;
- Appointment of a Community Advisory Council;
- Corrections Health Services being responsible for ensuring the operator complies with legislation relating to the health of offenders; and
- The application of the *Independent Commission Against Corruption Act 1988* and the *Ombudsman Act 1974* to the management company as if it were a public entity.

3.10 Section 242 of the *Crimes (Administration of Sentences) Act 1999* requires the Monitor to be appointed under the *Public Sector Management Act 1988*. The Monitor is responsible to the Commissioner for assessing and reviewing the management of the correctional centre. Performance is assessed against the minimum standards that are based on the key result areas in DCS's Corporate Plan. The Monitor's report is published in DCS's Annual Report. All legislation and guidelines that apply to public sector employees apply equally to the Monitor. This includes the responsibility to act

⁵ Submission No.5, The GEO Group Australia Pty Ltd, pg 19-20.

⁶ *ibid*, pg 38-39.

⁷ Richard Harding, *Private Prisons and Public Accountability*, Open University Press, Buckingham, 1997, pg 38

in the public interest. The cost to the department for the Monitor and managing the contract is approximately \$150,000 per annum.⁸

3.11 The Minister appoints at least one Official Visitor per correctional centre. The Official Visitor visits the centre on a monthly basis to conduct interviews with correctional officers, other staff members and inmates. The Official Visitor must provide biannual reports to the Minister.⁹

3.12 The Community Advisory Council is appointed by the Minister to assist in monitoring the correctional centre and to encourage community involvement in the oversight of its management.¹⁰ The Council submits quarterly reports to the Minister on the management of Junee Correctional Centre. The Council made the following positive comments about GEO:

GEO has developed a strong working relationship with Junee Shire Council and community groups. The correctional centre provides local organisations with support required to implement and maintain community projects and to conduct special events every year. The centre provided daily support to the local council to maintain the town's public spaces and places of significant cultural and historical value.¹¹

3.13 Whilst visiting Junee, the Committee saw evidence of the positive outcomes from these community projects. This included beautification of the railway station, town centre and historical monuments. The Junee Correctional Centre has received many letters from schools, church groups, sporting clubs and other organisations acknowledging their support. Such community driven outcomes were not as evident to the Committee in the vicinity of the Mid North Coast Correctional Centre at Kempsey.

PUBLIC MANAGEMENT

3.14 The 2005-06 State Budget has appropriated \$763.8 million for expenditure and \$164.5 million for capital works to the Department of Corrective Services (DCS).¹² The department provides custodial and community based correctional services as an important element of the system of criminal justice. In addition to managing offenders under the jurisdiction of New South Wales's courts, DCS manages Commonwealth offenders and provides custodial services on behalf of the Australian Capital Territory. Services include custody of remand and sentenced inmates, periodic detention, home detention, parole, pre-sentence advice to courts, community service orders, transporting offenders and court security.

3.15 The major capital works program includes:

- 1000 new beds with the expansion of Cessnock Correctional Centre, Lithgow Correctional Centre and the new facility at Wellington;
- An increase in the inmate transport fleet;
- Redevelopment of Mulawa to improve female inmate accommodation;
- Second Chance Facility on the North Coast for indigenous offenders;

⁸ Correspondence from Gerry Schipp, received 16 August 2005, pg 2

⁹ *Crimes (Administration of Sentences) Act 1999*, s.228

¹⁰ *ibid*, s.243

¹¹ Submission No.3, Junee Advisory Council

¹² Budget Estimates 2005-06, pg 11-3.

- Compulsory Drug Treatment Centre at Parklea Correctional Centre;
 - Mental Health Screening Unit at the Metropolitan Remand and Reception Centre; and
 - Long Bay Redevelopment to cater for therapeutic special needs programs and inpatient health care.¹³
- 3.16 DCS currently supervises approximately 9,100 inmates and 17,885 offenders under community correction orders. Its facilities include 30 correctional centres, 10 periodic detention centres, 69 probation and parole offices and two transitional centres for women. The department employs approximately 6,000 staff, of which about 70 per cent are involved in the custody or care of inmates and periodic detainees.
- 3.17 DCS staff are employed under a number of different awards depending on their respective jobs and whether they are working at Kempsey or Dillwynia under the 'Way Forward' model or working at other correctional centres. The Prison Officers Vocational Branch of the Public Service Association of NSW represents non commissioned officers and the Commissioned Officers Vocational Branch of the same association represents commissioned officers.
- 3.18 On 15 July 2004, the Mid North Coast Correctional Centre (MNCC) at Kempsey and the Dillwynia Women's Correctional Centre at Windsor were opened. Both these centres operate under the department's new initiative known as the 'Way Forward' model. The Mid-Western Correctional Centre at Wellington, due to open in 2007, will also operate under this model. The submission from the department states that:
- Mid North Coast and Dillwynia Correctional Centresfunction within the existing system with seamless integration and are already producing significant strategic, operational and fiscal outcomes.¹⁴
- 3.19 A person has been appointed as the Monitor to oversee correctional centre management at Junee, Mid North Coast and Dillwynia. This person will also be responsible for Wellington in the future. The Monitor will not only ensure that contractual standards are met by the private operator, but will monitor, measure and report of the operational and financial performance of management in both sectors. The department intends to expand this model of performance management and monitoring to all correctional centres in New South Wales by appointing additional Monitors.¹⁵

CURRENT INITIATIVES TO IMPROVE VALUE FOR MONEY

- 3.20 Value for money is commonly defined as the efficient, economic and effective use of resources. The focus of this inquiry is on the financial aspects of value for money. Treasury is working closely with DCS to improve the cost effectiveness of publicly operated correctional centres in NSW.
- 3.21 The submission from DCS summarised the following current and planned initiatives:
- Implementing the 'Way Forward' model for workplace reform at the new Mid North Coast and Dillwynia Correctional Centres;

¹³ *ibid*, pg 11-3 to 11-7.

¹⁴ Submission No. 1, Department of Corrective Services, pg 1

¹⁵ Correspondence from Gerry Schipp, received 16 August 2005, pg 2

- Implementing the 'Way Forward' model at other correctional centres;
- Annualised salary packaging for senior and other executive staff;
- Replacing Operational Agreements with Memorandums of Understanding;
- Implementing rolling 'let go' and 'lock in';
- Developing a new sick leave policy;
- Creating the Centralised Roster Unit (CRU);
- Aligning 24 hour court cells with correctional centres; and
- Implementing performance agreements, operational standards and local Boards of Management.¹⁶

3.22 When the Committee asked about the key driver of the 'Way Forward' program, DCS responded:

Mr MCLEAN: The key drivers were obviously taken from the need to align ourselves with national indicators of reduction, not just of overheads and costs, but reductions in line with such as deaths in custody and escapes, and looking at the way the centres operated to better those programs and how we could facilitate that...We believe that the overtime costs within the system also from a financial point of view have led us to look at better ways of doing business in relation to the development of the Way Forward...¹⁷

Mr SCHIPP: Perhaps if I can add to that, one of the big drivers associated with the workplace reforms which are under the banner of the Way Forward, was the 16 per cent pay increase that was awarded to the Public Service Association, which includes the POVB and the COVB, the two main bodies covering prison officers. That award and the funding arrangements associated with that placed some demands on the department to achieve productivity savings in the order of six per cent of the 16 per cent and the department, along with every other agency, was required to put together a savings plan as to how it was going to achieve that six per cent productivity improvement. The Way Forward was a major part of the department's saving strategy in achieving that result.¹⁸

3.23 These initiatives have been expanded on below using information provided by the department in their submission, at public hearings and in correspondence to the Committee.

The 'Way Forward' Model ¹⁹

3.24 The 'Way Forward' model is the most significant strategy, aimed at improving the safety, security and cost effectiveness of correctional centre management in NSW. The program has been in operation at the Mid North Coast and Dillwynia Correctional Centres since the 15 July 2004. Wellington Correctional Centre is expected to open in 2007 under the same model.

3.25 The main benefits of the model include reduced overtime, reduced sick leave and streamlining of operational functions. This has resulted in significant cost savings when compared to correctional centres operating under the traditional model. Other advantages include improved security and safety for both staff and inmates and increased rehabilitation opportunities.

¹⁶ Submission No. 1, Department of Corrective Services,

¹⁷ Ian McLean, Senior Assistant Commissioner, Transcript of Hearing, 24 June 2005, pg 7.

¹⁸ Gerry Schipp, Executive Director, Finance and Asset Management, Transcript of Hearing, 24 June 2005, pg 7

¹⁹ Submission No.1, Department of Corrective Services

3.26 Treasury indicates in its submission that the new centres are operating in a cost effective manner, but the full potential of the 'Way Forward' program will not be realised until it is implemented across the State.²⁰ The strategic plan is to implement the 'Way Forward' model in all NSW correctional centres. This process is currently being negotiated with the relevant stakeholders. Due to the sensitive nature of these negotiations, no further details were disclosed to the Committee about the implementation timetable.

Annualised Salary Packaging²¹

3.27 On the 31 March 2005, the Industrial Relations Commission ratified the *Crown Employees (General Managers, Superintendents, Managers Security and Deputy Superintendents, Department of Corrective Services) Award 2005*. This new award in combination with 'clustering' of correctional centres will result in 11 less Governors at a saving of \$1.1 million per year. Under the clustering model, a General Manager is responsible for either one large facility or up to three smaller facilities. All facilities will have a Manager of Security who will control the day-to-day operations. Under the new award, General Managers and Managers of Security do not receive overtime or penalty rates except in extreme emergencies. This will result in additional cost savings.

3.28 Negotiations are currently underway to expand this initiative to Senior Assistant and Assistant Superintendents. The expected savings will be \$5.5 million per year through the proposed elimination of 55 positions. Overtime and penalty rates of pay will also be abolished for this level of the executive staff, resulting in additional cost savings.

3.29 Replacing private use of company vehicles with salary sacrifice arrangements is expected to reduce fringe benefit tax by \$500,000.²²

Memorandums of Understanding²³

3.30 The existing Operational Agreements for correctional centres are no longer relevant or aligned with best practice in the corrective services industry. The department intends to replace these agreements with Memorandums of Understanding that support the 'Way Forward' model. The main elements of this initiative are to:

- Consult staff on matters related to safety and workplace relations;
- Increase flexibility of management to pursue operational and economic key performance measures; and
- Reduce the union focus on maximising overtime in future award negotiations.

Rolling 'Let Go' and 'Lock In'²⁴

3.31 Under the traditional model, all inmates are let out of their cells at the beginning of the day at the same time and the unit remains open. Each accommodation unit has about two or three staff depending on the size and nature of unit. Even when the

²⁰ Submission No.6, NSW Treasury

²¹ Submission No.1, Department of Corrective Services

²² Correspondence from Gerry Schipp, received 16 August, pg 2

²³ Submission No.1, Department of Corrective Services

²⁴ *ibid*

majority of inmates in that unit are attending programs, the number of staff in the unit remains the same.

- 3.32 Under the new process, the 'let go' and 'lock in' will be performed on a rolling basis to ensure maximum staff coverage during the most dangerous times and then more efficient utilisation of staff throughout the day. The best way to explain this procedure is through a hypothetical example. Cells in accommodation Unit A are opened and 100 inmates are 'let go' with all staff supervising. Seventy of the inmates attend programs and 30 remain in unit supervised by two officers. The remaining staff move to Unit B and repeat the task except they also lock the unit. Inmates from Unit B that are not in programs join inmates in Unit A. This process continues until all inmates are in programs or in Unit A and all other units are locked. The process is similar for 'lock in' at the end of the day.
- 3.33 This initiative allows more flexibility in managing staff resources and enables unforeseen circumstances to be addressed. This has resulted in overtime not being the only solution to resolving staff shortages.
- 3.34 This concept was first used at the Lithgow Correctional Centre in 1990. Over the last 15 years, various formats have been used and the resulting model is now part of the 'Way Forward' package. The key benefit is that safety and security of staff is enhanced during the most dangerous management periods. As well as the new centres and Lithgow, these procedures are in place at other centres including Bathurst.²⁵

Sick Leave Policy²⁶

- 3.35 The policy is being updated to encourage staff to reduce their use of sick leave and reduce the costs associated with sick leave. The sick leave policy for correctional centres operating under the traditional model was issued in 1990 and is no longer in keeping with the spirit of the *Public Sector Employment and Management Act 2002* or the Personnel Handbook. The proposed policy will provide incentives for staff to reduce sick leave. The expected costs savings cannot be determined at this stage.

Centralised Roster Unit (CRU)²⁷

- 3.36 The CRU is currently preparing rosters for all correctional centres under the 'Way Forward' and for some of the centres operating under the traditional model. The advantages stated by DCS include:
- Improved management of the budget as rosters are properly balanced and costed;
 - Rosters meet operational and safety requirements;
 - Cost control mechanisms can be easily implemented and centrally managed;
 - Operational management can focus on the correctional centre and not be disrupted with rostering issues;
 - CRU can assist centres in managing staff shortages more effectively ie without incurring overtime;

²⁵ Correspondence from Gerry Schipp, received 16 August, pg 2

²⁶ Submission No.1, Department of Corrective Services

²⁷ *ibid*

- Reduce the pressure on decentralised roster clerks to comply with staff requests; and
- Cost savings associated with 45 surplus positions for roster clerks once all rostering is centralised within CRU.

Alignment of 24 hour Court Cells with Correctional Centres ²⁸

3.37 Currently, court cells are in operation for 24 hours per day and have staff rostered on for the entire period. Where the court cells are in close proximity to a correctional centre, use of these cells can be reduced to eight hours per day by transferring the inmates when the court is closed. The court cell staff will be placed onto the correctional centre rosters. As a result of this, the staff can be redeployed between centres and court cells to meet needs on a day to day basis. This will allow increased flexibility in staff management and reduce operating costs.

Implementation of Performance Agreements, Operational Standards and a Local Board of Management (BOM) ²⁹

3.38 Under the 'Way Forward' model, performance management agreements will apply to all staff above the level of Senior Correctional Officer and all correctional centres.

3.39 The Operational Standards will be used to ensure compliance with the 'Way Forward', national benchmarks and the department's procedures.

3.40 The BOM, comprising of local centre managers and union delegates will meet on a monthly basis. There is an emphasis being placed on ownership and resolution of local issues by the Local BOM.

²⁸ *ibid*

²⁹ *ibid*

Chapter Four - Comparison of Costs

FACTORS THAT INFLUENCE COSTS

- 4.1 The provision of corrective services is highly labour intensive. Therefore, controlling employee related expenses must be a key focus of any cost control initiatives. Currently, employee related expenses in NSW correctional centres range between 60 and 80 per cent of total operating expenses. Labour costs can be influenced by the following factors:
- the award;
 - design and age of the correctional centre;
 - culture of the workforce;
 - classification and number of inmates;
 - out of cell hours;
 - number of inmates with mental illness or drug dependency; and
 - types of programs being offered.
- 4.2 The Committee acknowledges that managing inmates that are security risks, have mental illnesses, are drug dependent or possess more than one of these characteristics, is a labour intensive process.
- 4.3 In NSW, employees in corrective services are performing similar types of work, but are employed under different awards. The *Crown Employees (Correctional Officers, Department of Corrective Services) Award 2004 for Kempsey, Dillwynia and Wellington Correctional Centres* was ratified in March 2004. All other publicly run facilities are operating under awards in place prior to the 'Way Forward' workplace reform and Junee Correctional Centre has its own award. The various conditions of employment under each award directly impact of the employee related expenses in any particular correctional centre.
- 4.4 The pay rates at Junee have remained static since 2003. At the time of giving evidence, an application for a new award was before the Industrial Commission. The Committee heard the following in evidence on the difference between public and private sector wages:
- Mr VANCE:** If we compare where people are at present, that is at the 2003 rates at Junee ...with what is being paid...at Dillwynia and Kempsey in the public sector, our people are about 20 per cent behind the public sector. If you look at the annual salaries in each of the agreements, you will see they are not dissimilar. They are not a long way apart. However, the Junee award functions on the basis of incorporating all of the penalties for weekend and shifts...
- Mr McLEAY:** What about in other jurisdictions, other States?
- Mr VANCE:** In New South Wales we are, on my reading of it, a little ahead of where we are privately in Queensland...¹
- 4.5 Labour is the highest cost for all correctional centres so the different awards have an influence over the comparability of operating costs. Consequently, the same number

¹ Michael Vance, Liquor, Hospitality & Miscellaneous Union, Transcript of Hearing, 24 June 2005, pg 3.

of staff performing the same number of hours in three correctional centres that operate under different awards would result in different labour costs at each centre.

- 4.6 DCS told the Committee that newer correctional centres are designed to minimise operating costs including employee related expenses. The lowest up-front capital investment is not always the best option as infrastructure that has efficient design and quality features can reduce the operating costs over the life of the building. These designs also allow other initiatives such as rolling 'let go' and 'lock in' to operate smoothly. Some of the older centres have areas with poor visibility, narrow corridors and other design issues that increase risks to the safety of staff. In these centres, more staff are required to maintain minimum safety standards.²
- 4.7 Each centre requires a minimum level of custodial staff to operate the reception, gatehouse and visitor areas. This level is not dependent on the number of inmates. This can result in smaller correctional centres having higher percentages of employee related expenses. The classification of inmates within a centre will also impact on labour costs. Inmates with the highest classification will require an increased level of supervision by more experienced employees to maintain safety of staff and security of the centre.³ The differences between facilities holding minimum, medium and maximum security inmates are shown in the following table:

TABLE 4.1 Security Classification of Inmates⁴

Security Level	Type of institution
Minimum	There are fewer physical barriers to escape. These institutions hold inmates who can be trusted in open conditions. Minor offenders and those nearing the end of their sentences.
Medium	Medium security institutions are normally surrounded by walls or high security fences. Inside the walls or fences inmates are still under constant supervision but move around more freely than in maximum security.
Maximum	Maximum security correctional centres generally have high walls, state-of-the-art electronic perimeter security and strict security inside the walls. These institutions hold inmates whose escape would be highly dangerous to members of the public or the security of the State. As well as sentenced inmates, those who are awaiting trial or sentence and those sentenced by the courts but waiting to be assessed as security risks are generally held in maximum security.

- 4.8 GEO agree that maximum-security facilities have a higher operating cost. However, they operate the Arthur Gorrie Correctional Centre in Queensland at \$99.12 per inmate per day, which is still very competitive when compared to the average cost for New South Wales of \$187.80 in 2003-04.⁵
- 4.9 The other main direct costs for correctional centres include inmate catering, inmate programs and welfare, maintenance and depreciation. Where correctional centres are

² Information provided at informal meeting between the Committee and DCS on 6 April 2005.

³ *ibid*

⁴ derived from Department of Corrective Services <http://www.dcs.nsw.gov.au/correctional/>

⁵ Submission No.5, The GEO Group Australia Pty Ltd, pg 10, Auditor-General 2004 *op cit*, pg 240

more self-sufficient, in the sense that they produce raw materials for catering and the inmates perform maintenance, the costs will be lower. The number of inmates engaged in programs and the types of services being offered will vary between centres and consequently so will the costs. Depreciation is higher for newer centres and in centres where new major works have been carried out.

- 4.10 Publicly managed correctional centres can reduce their net costs by increasing the revenue they earn through Corrective Service Industries (CSI).⁶ The new prisons are still in the process of establishing their products and sourcing their customers so their income is lower than some of the established prisons. Junee Correctional Centre also provides employment opportunities for inmates in a number of industries.

RESULTS UNDER THE 'WAY FORWARD' MODEL

- 4.11 This new model has been operating at the Mid North Coast and Dillwynia Correctional Centres since they opened on the 15 July 2004. The Committee has compared their results with correctional centres of similar size and classification that are operating under the traditional model. The purpose of this comparison is to demonstrate the differences between the two models and highlight any benefits that have been realised.
- 4.12 At 26 June 2005, the 500-bed Mid North Coast Correctional Centre (MNCC) had an inmate population of 462. The population comprised of 348 inmates classified as maximum security and 114 minimum security inmates. The 200-bed Dillwynia Correctional Centre (Dillwynia) is a purpose built women's facility. The inmate population at 26 June 2005 was 166 females classified as minimum security. Both these centres operate under the new award.
- 4.13 Bathurst Correctional Centre is a medium/minimum security facility for males. The inmate population at 26 June 2005 was 441. Mulawa Correctional Centre houses female inmates of all classifications and the population at 26 June 2005 was 142. Both of these centres operate under the old award. These centres were selected due to their respective similarities in size and demographics with the new correctional centres at Kempsey and Windsor.
- 4.14 Employee related expenses are the most significant operational cost for a correctional centre. One of the expected benefits of workplace reform was a reduction in overtime costs and sick leave. This has been achieved through a new award, centralised rostering, updated sick leave policy and other initiatives. The table below compares overtime, sick leave and total employee expenses under the 'Way Forward' model to the traditional model.

⁶ CSI (a division of the Department of Corrective Services) provides inmates with employment opportunities.

TABLE 4.2 Employee Related Expenses 2004-05

		Mid North Coast	Bathurst	Dillwynia	Mulawa
Overtime	% of total employee related expenses	1%	6%	2%	11%
	\$ per inmate per day ⁷	0.84	5.93	1.67	25.52
Sick Leave	average sick days per staff member	6.37	9.89	5.96	13.81
Total Employee related expenses	\$ per inmate per day ⁸	65.55	103.09	101.33	230.00

- 4.15 The Committee notes that the management model at MNCC and Dillwynia has been able to achieve overtime costs and average number of sick days that are lower than under the traditional model. The centres operating under the new award are clearly outperforming similar centres that operate under the existing award. Based on the percentages of overtime at Bathurst and Mulawa, the approximate combined savings for MNCC and Dillwynia are \$1 million for 2004-05.
- 4.16 The total employee related expenses per inmate per day for MNCC and Dillwynia are significantly less than their respective comparative prisons. In respect of labour costs, the newer correctional centres are showing that they are operating more efficiently than Bathurst and Mulawa. In the overall scheme of things, Bathurst is achieving better results than other correctional centres operating under the existing award.
- 4.17 Mulawa is a female prison that caters for maximum-security inmates and has a high percentage of inmates on remand. For these reasons it would be expected to have slightly higher costs. However, the total employee related expenses for 2004-05 have exceeded the budget by 40 per cent and appear to be excessive. Savings at MNCC and Dillwynia are nullified by overspending at other correctional centres.

RECOMMENDATION 1: 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.

- 4.18 A key element of rehabilitating inmates is the provision of employment, education and programs. The percentage of inmates enrolled in employment and programs are shown in table 4.3. During the first year of operations, the programs are still being developed and the population of inmates is in a building stage. Consequently, one would expect the performance indicators to be lower for the newer centres.

⁷ Inmate numbers are the average for the year. As Kempsey and Dillwynia opened during the year their averages were taken from January to June.

⁸ *ibid*

- 4.19 The Mid North Coast and Dillwynia Centres were commissioned in July 2004. Due to inmates being progressively moved into the centres as staff number and operational capacity gradually increased, the actual employment statistics were averaged over 10 months at Mid-North Coast and 6 months at Dillwynia rather than a full year. For similar reasons, education statistics for Dillwynia were not available and the average enrolment statistics for Mid North Coast are based on 6 months rather than 10 months.

TABLE 4.3 Key Performance Indicators 2004-05⁹

		Junee	Mid North Coast	Bathurst	Dillwynia	Mulawa
Inmate Employment	% enrolled	85%	56%	95%	67%	78%
Inmate Education Programs	% enrolled	17%	25%	63%	na	54%

- 4.20 These figures show that the enrolment levels in education programs is lower in the privately operated centre than in more established publicly operated centres but that Junee performs well on the percentage of inmates participating in employment programs.

Conclusion

- 4.21 It is evident that the 'Way Forward' workplace reform has resulted in improved cost effectiveness of correctional centre management in NSW. 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: The Annual Report for the Department of Corrective Services, where possible, should clearly differentiate the performance levels that have 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.

COMPARISON WITH JUNEЕ

- 4.22 The comparability of costs between correctional centres is a difficult task and stakeholders will always disagree over the methodology including which costs should be included and excluded. However, benchmarking performance is a necessary impetus for change. The Committee has elected to compare the operating cost of MNCC, which operates under the 'Way Forward' model, against the cost to DCS of outsourcing Junee Correctional Centre. The actual operating costs for Junee are not available as GEO is a private company that is in competition with other operators in Australia and this information is commercially sensitive.
- 4.23 The following table summarises the main differences between the Mid North Coast and Junee Correctional Centres that may impact on costs.

⁹ derived from correspondence from Gerry Schipp, 21 September 2005

TABLE 4.4 Compare Junee to Mid North Coast

Variables	Junee	Mid North Coast
Capacity	750	500
Classification	Medium/Minimum ¹⁰	Maximum/Medium/Minimum
Inmate gender	Male ¹¹	Male and Female
Provision of health services to inmates	GEO is responsible for the provision of health services	Justice Health
Approximate % of inmates on Methadone / Buprenorphine Program	24%	20%

4.24 The Managing Director of GEO made the following comments on the problems with comparing costs:

Mr BEZUIDENHOUT:It would be wrong to look and say the department is working on \$200 per day per inmate because that includes a whole structure, so that should be eliminated as far as possible. One should look at the direct operating cost. Once you draw down to that level then you should look at total cost comparing with each other, not separate budget or maintenance and separate budgets for health...¹²

...I support what was said earlier, that it is difficult to do cost comparisons. It is difficult for us to do cost comparisons between our facility here and the facility down in Victoria because they have a different program content....Whatever you do, you need to do that on a direct cost per facility basis, without any apportionment, or weighting of factors or other things associated with it. It should be based on the actual numbers of inmates there because Junee, for instance, has a capacity of 750...you can deflate the cost if you work on the artificial capacity numbers rather than the actual numbers.¹³

4.25 The Auditor-General reported the average cost per inmate per day for DCS in 2003-04 as \$187.80 (\$187.00 in 2002-03 and \$167.85 in 2001-02). These figures are all inclusive costs, meaning they included allocations for overheads incurred by the department. To assess the performance of correctional centres, it is more feasible to compare the direct operating costs of different correctional centres with the cost of outsourcing to the private sector. Individual correctional centres including Junee have no control over the allocation of overhead from activities such as classifying inmates, transporting inmates, providing court security and corporate costs.

4.26 Under the management contract, GEO is responsible for health care of inmates at the Junee Correctional Centre. Justice Health, a division within NSW Health, provides the health services for inmates housed in publicly managed correctional centres. The cost of the public system 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, the Committee is confident that GEO is providing an efficient and effective health service to the

¹⁰ The GEO submission states that there were nine maximum security prisoners on 26 May 2005 – Submission No 5 pg 11 however the centre was designed as a medium/minimum security facility.

¹¹ From time to time Junee houses a small number of female inmates from the local courts.

¹² Pieter Bezuidenhout, Managing Director, Transcript of Hearing, 24 June 2005, pg 21.

¹³ *ibid*, pg 25

inmates in the private managed facility. There may be opportunities for the public sector to learn from the delivery of health services by the private sector.

- 4.27 The Committee was advised that Justice Health was considering making a submission to this inquiry. This did not reach the Committee before it considered the draft report and the Committee does not believe it would alter the substance of the following recommendation. Should a submission be received after this report is tabled, the Committee will publish it on its website.

RECOMMENDATION 3: The Government should consider strategies to improve the cost effectiveness of health services provided by Justice Health.

- 4.28 The department paid GEO \$22 million for management of the Junee Correctional Centre for 2004-05. This equates to \$82.59 per inmate per day based on the average number of inmates for the year. This includes the cost of health care that has been estimated to be nine dollars per inmate per day.¹⁴ As DCS is not providing health services out of its budget, these costs need to be eliminated to allow effective comparison with MNCC. Therefore, after the health costs are excluded, the direct cost to DCS of outsourcing inmate management in 2004-05 was \$73.59 per inmate per day.
- 4.29 MNCC houses inmates of all classifications so the cost per inmate per day is expected to be higher than the management fee paid to GEO. The cost per inmate per day for MNCC in 2004-05 was \$87.76.¹⁵ The first year of operations includes start up costs so further reductions should occur in the coming year. This result shows that the 'Way Forward' initiative is improving the cost effectiveness of correctional centres in NSW.
- 4.30 MNCC operate under a different award to the older correctional centres under public sector management. As shown in Table 4.1, MNCC's overtime is one percent of total employee related expenses. The Managing Director of GEO estimated that the overtime for Junee would be less than two percent. MNCC has achieved its objective of reducing overtime and its results are consistent with the private sector operator.

PLANNED IMPROVEMENTS TO COST COMPARISONS

- 4.31 Currently, each correctional centre manages its costs using short-form management reports produced centrally and distributed to the various cost centres. The focus of these reports is around direct costs and revenue.
- 4.32 Historically, DCS produced a spreadsheet to calculate inmate costs per day for maximum, medium and minimum-security inmates. This calculation was used for internal management and benchmarking purposes. This report was the source of average net cost per inmate per day of \$187.80 reported by the Auditor General in 2004. The Auditor-General recommended that improvements needed to be made to the calculation basis to ensure the relative costs of private and public correctional services can be compared.¹⁶

¹⁴ Transcript of Hearing, 24 June 2005, pg 14 & 21.

¹⁵ This is the total employee related expenses and operating expenses (excluding depreciation) divided by the number of days and average number of inmates. Depreciation costs are excluded, as GEO does not own the land and buildings at Junee.

¹⁶ Auditor-General, 2004, *op cit*, pg 240. This amount includes periodic detention centres and the cost of healthcare, which is not a cost to the Department of Corrective Services.

- 4.33 This calculation is no longer comparable to other jurisdictions. The inmate cost per day for one correctional centre cannot be compared to another correctional centre within the same report. Some of the reasons behind this include:
- There is currently one cost centre per correctional centres even when there are multiple classifications. To calculate the inmate costs per day the direct costs are allocated on the basis of inmate numbers. This allocation basis results in one correctional centre having the same average direct cost for all of its security classifications.
 - Overheads are allocated to cost centres on the basis of staff numbers, inmate numbers or the budget. Some types of overhead expenditure may be directly related to certain centres and not driven by the cost drivers currently being used.
 - For the calculation, staff numbers have been assigned to the maximum, medium and minimum classifications within the same cost centre based on inmate numbers. This means the resulting number of inmates per staff member is equal for all correctional centres, whether it is the Supermax at Goulburn or the Ivanhoe Work Camp.
 - Justice Health costs are allocated to each prison on the basis of inmate numbers. This means that Parramatta Correctional Centre, with a higher number of inmates, is allocated a higher proportion than Long Bay Hospital, a full time health facility.
- 4.34 The submission from DCS includes the following example to demonstrate the flaws in the current costing model:
- Bathurst Correctional Centre has a combination of minimum and maximum-security inmates. The current costing model calculates the inmate cost per day for Bathurst as \$127.43..... for all inmates in the centre. This does not give the true cost of the minimum-security inmates as against the medium-security inmates.¹⁷
- 4.35 Labour is the most significant cost to DCS and should be the starting point for any improved costing methodology to ensure maximum benefits are achieved. At the end of April 2005, DCS upgraded its business information system to Mincom Ellipse. The application has an integrated labour costing module that integrates rostering, time and attendance, payroll and the general ledger. This module is scheduled to be operational for the 2005-06 financial year. This will enable labour costs to be allocated to the correct inmate classification and should result in an improved calculation of cost per inmate per day.¹⁸
- 4.36 To enable costs to be compared across jurisdictions and assist with decision-making by governments, the Productivity Commission issues its *Report on Government Services*. It is a publication that presents performance indicators that measure the outcomes of common objectives agreed to by all jurisdictions. The comparability of these reports has improved over time by standardising the counting rules and establishing a systematic process for data collection.¹⁹ One of the standard rules is classifying correctional centres as 'secure' or 'open' instead of the traditional 'maximum', 'medium', 'minimum' classifications. DCS utilises the common counting

¹⁷ Submission No.1, Department of Corrective Services

¹⁸ *ibid*

¹⁹ Productivity Commission, *Report of Government Services 2005*, pg 1.4

rules for all external reporting purposes to maintain consistency and ensure comparability to other jurisdictions.

BENCHMARKING

4.37 Having both public and private operators providing correctional services creates an opportunity for improved performance through collaboration. Being able to effectively compare performance across jurisdictions will help to drive change. DCS were not of the opinion that the private sector was required for change to occur:

Mr MCLEAY: Does the department consider that it is healthy having a private sector comparator in the New South Wales system, a private sector benchmark, so it assists you in driving reforms like the Way Forward? If it was not for GEO operating Junee, might you have been as aggressively able to go with the Way Forward and is it helpful to have a private sector comparator in our market?

Mr MCLEAN: I believe regardless of a private sector prison being within the system that the opportunity for us to look at how we do business, not just with competing industries, just the way that we have a commitment and an obligation to the Government of New South Wales and the people of New South Wales to provide a cost effective service, regardless of the private providers. We certainly speak regularly with our unions in relation to the development of those methods, and that is difficult, but we think that regardless of that private provider we would be moving into best practice, looking at how we could operate better....To answer it in short, I believe that we would be doing this regardless.²⁰

4.38 On the other hand, the GEO Group argues that the efficiencies gained at the new publicly operated centres were made possible by the efficient and innovative example of Junee.²¹ The Managing Director of the GEO Group provided the following description of this process in evidence:

Mr BEZUIDENHOUT: In singing the praises of independent, whether you want to call them private or whether you want to call them independent facilities, one the greatest benefits to a public system, I am not trying to do a selling job here, is that you have an independent test bench where you can go and try new things. We find that with other jurisdictions that they would use us as the test bench, use us as the benchmark and see if it works throughout the rest of the system. It doesn't contaminate the rest of the system until it is proven in an independent facility.

Mr MCLEAY: What if it does not work?

Mr BEZUIDENHOUT: Then we stop.²²

4.39 The Committee agrees that it is likely that the Junee centre does provide the Department of Corrective Services with a useful example of innovative practices.

RECOMMENDATION 4: That the Government maintain at least one private prison in this State for the purposes of benchmarking the performance of publicly operated centres and to encourage the development of innovative management techniques.

Productivity Commission

4.40 Correctional centres across Australia differ in terms of management structure, design, age, inmate classification, size and various other factors. This makes it difficult to

²⁰ Ian McLean, Transcript of Hearing, 24 June 2005, pg 16

²¹ Submission No. 5 The GEO Group pg 20

²² Transcript of hearing pg 19

find centres that are similar enough to make effective comparisons. Also, in addition to the financial cost, the quality of the services being provided needs to be measured. To effectively benchmark performance, common indicators need to be developed and routinely measured.

4.41 All jurisdictions have collaborated to establish a performance indicator framework for corrective services. The indicators relate to the key objectives of custody, community, reparation, offender programs and advice to sentencing/release authorities.²³ A benchmarking data collection sheet is completed by each state and submitted to the Productivity Commission on an annual basis.

4.42 The Productivity Commission issues the *Report on Government Services* annually. The information in this report can be used to compare performance of government services, including correctional services. As stated in the most recent report:

Performance measurement provides one means of shifting the process from resources (inputs) to the use of resources to deliver desired outcomes of government services.²⁴

4.43 In corrective services the composition of the following factors may impact on comparability of data:

- The size and scale of operations,
- The physical layout and design of the prison,
- Location,
- Programs offered, and
- Classification and sex of inmates.

4.44 The influence of these factors in certain states may impact directly on their relative cost effectiveness. For example, the transport costs in Western Australia and New South Wales would be higher than in Victoria due to variations in size and distance between population centres and prisons.

4.45 The core business of all state departments would be the management of inmates, but the scope of responsibilities and the structure of the organisation can be quite varied. For example, only New South Wales and the Australian Capital Territory provide periodic detention. Also, functions administered by corrective services in one state may be performed by a different justice agency in another state. An example of this is the management of prisoners in court cells and police cells. These differences can also impact on comparability of costs.

4.46 The performance indicators reported include both qualitative and quantitative variables. It is important to consider both when making comparisons. A jurisdiction may have higher costs per inmate per day, but have the lowest number of escapes and offer better rehabilitation programs for inmates.

Australian Bureau of Statistics (ABS)

4.47 A key strategic objective of the ABS and its National Statistical Service is to promote good statistical and data management practices. These promote a unified approach that helps to avoid duplication of effort during the data collection process. The data helps managing or administering agencies to determine resource allocation, set policy,

²³ Productivity Commission, *Report of Government Services 2005*, pg 7.9

²⁴ *ibid*, pg 1.4

develop plans and evaluate results. It also enables the public to assess the relative efficiency and effectiveness of criminal justice services. Also, research groups, criminologists, academics and the media source this data to assist with various aspects of their work.

- 4.48 The National Criminal Justice Statistical Framework was developed to provide a structure for organising, collecting and reporting data on crime and the criminal justice system. DCS was one of the various stakeholders that were consulted during the development stage. The primary purpose of the framework is to facilitate the compatibility and integration of aggregated data on populations across the criminal justice system and across geographical areas.
- 4.49 In June 2005, the ABS National Centre for Crime and Justice Statistics published their *National Information Development Plan*. The plan was developed through consultation with a large range of government and non-government agencies. It will provide a conceptual framework, identify priority needs, list data currently available, identify gaps in data and propose strategies to fill the gaps. The twelve priorities of this plan are:
- Improve data comparability across jurisdictions and across portfolios;
 - Improve quality and integration of national crime and safety survey data;
 - Improve data to better understand the impacts of crime and justice in relation to measures of progress and wellbeing;
 - Improve crime and justice statistics about Indigenous people;
 - Develop measures of recidivism;
 - Develop statistics on juvenile contact with the crime and justice system;
 - Develop statistics on family violence;
 - Improve data on fraud and electronic crime;
 - Develop an information base on substance abuse and how it relates to crime and justice;
 - Develop statistics on health, including mental health, as it relates to crime and justice;
 - Improve statistics on gender and cultural diversity and how they relate to crime and justice; and
 - Improve spatial data on crime and justice.²⁵
- 4.50 Currently, there are national initiatives being undertaken to improve the comparability of crime and justice statistics across jurisdictions and across portfolios. The Committee would like to see that any planned improvements for cost comparison being developed by DCS are consistent with these national initiatives. This will 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.

²⁵ ABS, *National Information Development Plan for Crime and Justice Statistics*, 4520.0, June 2005, pg 15-29

RECOMMENDATION 5: 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.

RECOMMENDATION 6: 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.

Chapter Five - Other Considerations

QUALITATIVE MATTERS

- 5.1 Besides comparing costs of correctional centres, other qualitative factors should also be compared to provide a complete picture. However, comparing the quality of service can be even more difficult than comparing the cost.

Out of Cell Hours

- 5.2 The inmates at Junee Correctional Centre are out of their cells for 11 hours per day to participate in programs, education, work and recreation and see visitors.¹ This compares to eight hours a day at the Mid North Coast Centre.² During this time, inmate can access medical services including counselling. The Union made the following comments about out of cell hours at Junee:

Mr VANCE: ...Since 2001 the advice that we have received from membership is that it is increasingly difficult to perform case management at the same level due to a lack of access to inmates. It was the case that officers had access to inmates for up to 14 or 15 hours per day via the working of two eight hour shifts by the correctional officers. Since that time they have moved to a 12 hour shift roster, which offers certain advantages to the system and certain advantages in terms of the price at which a job can be contracted for. However, it allows our members less time to interface with the inmates and appropriately perform case management.³

- 5.3 For 2003-04, the average out of cell time for inmates in NSW ranged from 12 hours for open custody to 7.65 hours for secure custody.⁴ This may be influenced by public sector correctional officers working eight-hour shifts and the low out of cell time for inmates housed in SuperMax facility at Goulburn. It is interesting to note that during the same period, the escape rate in NSW is significantly lower than any other state in Australia at 0.21 per 100 prisoners.⁵

Case Management

- 5.4 Even though the out of cell time at Junee has been reduced, the officers still have more time to perform case management than most officers in the public system. However, the Union informed the Committee that the use of casual staff also has an impact on effectiveness of case management. The Committee heard in evidence:

Mr McLEAY: What is the impact of casuals? You said they do not have as much ability to case manage.

Mr VANCE: It is not so much ability as they have all had the same training. The casuals, once they have been there a while can provide the same skills as permanent officers. The problem is that they are not on any fixed type roster. They are not always working in the same unit or with the same particular inmates. That would mean were they case managing an inmate they might only have that inmate for the duration of a roster...

When a correctional officer picks up a new inmate for his case load, he is required to review the notes. Depending on how long the inmate has been in the system, that can

¹ Submission No. 5, The GEO Group Australia Pty Ltd, pg 36.

² Transcript of Hearing, 24 June 2005, pg 10-11

³ Michael Vance, Transcript of Hearing, 24 June 2005,pg 1

⁴ Productivity Commission, *Report of Government Services 2005*, pg 7.17.

⁵ *ibid*, pg 7.16.

be anything up to a foot of paperwork. You do not want to be reviewing that regularly. It takes some time to get up a relationship with an inmate that allows case management to run properly. If you are changing all the time that is difficult to manage, and I think one of the things that the Committee should consider in terms of whether it is value for money is the effectiveness of case management and whether 12 hour shifts and the amount of officers who are actually able to do case management adequately allows for case management and proper rehabilitation doing the job they are supposed to be doing.⁶

- 5.5 In 2003, the Monitor conducted a comprehensive audit of the case management processes at Junee Correctional Centre. They found that the staff Junee had conducted six-monthly case conferences on all inmates, but had not completed monthly case notes or bi-annually reviewed all case plans as required by the operational standards. GEO has introduced systems to assist them in meeting these obligations.⁷
- 5.6 DCS confirmed that similar performance deficiencies have been experienced in facilities that it manages.⁸ The Committee has no additional information on the specifics of case management in the publicly managed facilities. However, case management is important and all NSW correctional centres should strive to achieve their obligations in this area.

Industries

- 5.7 Corrective Services Industries (CSI) is a division within DCS whose main function is to enable inmates to develop a work ethic and gain work experience. It is competitive but it has a social obligation to ensure it does not have a detrimental effect on businesses outside the prison. The Correctional Industries Consultative Council, with members from business, trade unions and the community, reviews business proposals to ensure they are ethical, transparent and open to scrutiny.
- 5.8 There are nine CSI divisions including food services, printing, engineering, technology, furniture, textiles and agriculture. The geographic location, inmate classification and other factors determine the work opportunities available in each correctional centre. Examples include:
- Girrawaa Creative Work Centre at Bathurst is a purpose built facility to enhance Aboriginal skills in art and design and increase the market;
 - Printing facilities operating at Grafton, Berrima and Parklea can produce signage, printed stationery and provide desktop publishing services;
 - Emu Plains Dairy;
 - Mannus Vineyard; and
 - Supplying linen and clothing for the health care sector.
- 5.9 The industries operating at the MNCC are primarily large contracts, whilst at Junee Correctional Centre they are locally based. DCS explained why this is the case:

CHAIR: One of the big differences we found between the Kempsey facility and the Junee facility was, I suppose, the difference in industries. ...the industries we saw at Kempsey

⁶ Michael Vance, Transcript of Hearing, 24 June 2005, pg 2.

⁷ DCS, *2003-04 Annual Report*, pg 133.

⁸ Information provided at informal meeting between the Committee and DCS on 6 April 2005.

focussed on quite large purchases of products, the Department of Education. We saw the workshop there and we saw the production of computer cable...Both organisations did not really have a local presence as such in that Kempsey community, whereas Junee on the other hand seemed to be using more local businesses in the way that they were working with their industries. We heard evidence down at Junee that some of the inmates who were seen by local employers as good workers were often offered jobs once their term in gaol expired.

Mr MCLEAN: ...the relationship of the industries that are at Kempsey, one of the main thrusts of the development of an inmate's work ethics with us is development of contracts that can be lead through several centres so that the inmate when he is in a maximum facility can be involved in an industry that when they are moved to medium or to minimum they can continue along that vein of actually developing that trade, if it goes to trade qualifications....

We have a central base of corrective services industries, as you are aware, and those contracts are awarded out where the need is for the development of each centre as we go across the inmate population. That, in itself, does not always specifically encourage industries in the local community. However, we do try through a community consultative group that we deal with to ensure as much as possible that such things as community projects that operate out of the facilities involve the community where possible....

Mr SCHIPP: Just picking up a couple of other issues that flow on from what Ian has said, industries within a correctional environment require fairly close management because of the stakeholders and the external issues that need to be managed....We are governed, or at least overseen by a consultative committee which consists of people from industry as well as from the unions, to make sure that the prison industries are not encroaching into areas that could otherwise be serviced by the general community and commerce within the general community.⁹

5.10 The department provided the following response when asked how Junee fits within this system of transporting skills throughout the period of incarceration:

Mr SCHIPP: The major shift from the old specification and old contract and new specification and new contract was a greater appreciation that the facility was an integral part of a network of facilities and inmates would move between facilities and there needed to be a consistency of programs, of industries, of philosophy in terms of how inmates were being managed in terms of their case management, through care, theories and philosophies and so on and so forth. It is definitely the case that it is a desirable outcome to have a consistency between all the centres in respect of how the inmates are managed.

Mr WHAN: Corrective services have a contract with the Education Department...can Junee access that work?

Mr SCHIPP: The Department of Corrective Services has a contract on specific deliverables, whether it is refurbishing, demountables, whether it is refurbishing tables and chairs or whatever else....Invariably agencies, whether they are private agencies or public agencies that go out to tender, in the case of the public provider, CSI, will put in a tender and it is based on a particular capacity, somewhere within the system and similarly GEO would be tendering for business...Whether or not there was a sharing of customers between the two organisations, I suppose, is something we would have to sit down with GEO and work through.¹⁰

⁹ Transcript of Hearing, 24 June 2005, pg 8-9

¹⁰ *ibid*, pg 10

Increase in Prison Population

5.11 At the 30 June 2004, there were 9,329 inmates in custody in NSW correctional centres, a 17 per cent increase since 30 June 1994. During the same period the national inmate population increased by 30 per cent.¹¹ NSW is the fourth ranked state for imprisonment rates with 179.7 per 100,000 adults compared to national rate of 157.1.¹²

5.12 The following changes to legislation have increased the size and changed the classification of the NSW inmate population:

- The *Bail Amendment (Repeat Offenders) 2002* removed the presumption of bail for certain types of offenders;
- Amendments to the *Crime (Sentencing Procedures) Act 1999* that require minimum non parole periods for certain serious offences; and
- The *Crime Legislation Amendment (Periodic and Home Detention) Act 2002* provides that a person who has previously served full time sentence of more than six months is ineligible for periodic or home detention.¹³

5.13 The increase in prison population is influenced by many factors, including changes to legislation, Government policy, sentencing of offenders, the effectiveness of the police and rehabilitation of inmates. The Committee acknowledges that DCS only has limited influence over the increase in the prison population and understands that the department is under pressure to continuously improve its cost effectiveness.

Recidivism

5.14 Recidivism is the term used to describe the extent to which persons convicted under the criminal justice system re-offend. The statistics are not weighted on the basis of the nature or severity of the subsequent offence. Historically, recidivism was not measured and was not thought of as way to assess performance of correctional services. Today, it is one of the performance indicators used to measure the success of rehabilitation strategies although it is acknowledged that better measures are needed. The Auditor-General also points out that that the Department of Corrective Services has limited influence over the risk factors for recidivism.

5.15 For 2003-04, NSW had the third highest rate of all States for inmates returning to corrective services within two years of release (49.2%). This recidivism indicator represents inmates returning to prison or community corrections. Due to NSW legislation, re-offenders are more likely to receive a prison term. This results in NSW being ranked second for inmates returning to prison with 44.7%.¹⁴ Queensland and South Australia have a wider disparity between the two figures indicating that a higher percentage of re-offenders are receiving non-custodial sentences.

5.16 There are no figures available on whether private correctional centres have better or worse recidivism rates compared to the public system. As Victoria has the highest

¹¹ Australian Bureau of Statistics, *4517.0 Prisoners in Australia, 2004*, pg 29-30. Calculations performed using figures from this report.

¹² *ibid*, pg12.

¹³ NSW Department of Corrective Services, *NSW Inmate Census 2003: Summary of Characteristics*, Statistical Publication No.25, January 2004, pg vi.

¹⁴ Productivity Commission, *Report of Government Services 2005*, pg C.12. Victoria and ACT are not reported so the ranking is out of the remaining states and territories and no national average has been calculated.

percentage of private prisoners, these figures would be a useful starting point, but they do not report these rates separately. In the United States and United Kingdom, where private participation is high, the rates of recidivism are over 50%. This alone is not evidence one way or another on whether different prisons or different systems influence the rate of recidivism.

5.17 DCS made the following comments in relation to recidivism:

CHAIR: You mentioned before that we need to look at other things other than just costs and that seems to be the general view of the Committee. I am interested to know why you do not have any indicators in regard to recidivism or employment once an inmate finishes their term in the gaol. The reason I make that comment is, I suppose, the fact you presented to us at the gaol that 99 point whatever per cent of the inmates will be released into the community. If all of these inmates are coming out, why are we not measuring whether they come back in as a comparison between different prisons?

Mr SCHIPP: That is a fairly complex question. Essentially the department's position has been that recidivism is a very crude measure of the department's overall performance from an outcome point of view. The department has had for a number of years with Treasury what has been referred to as a service and resource allocation agreement, which identifies key areas of performance at an outcome level. Recidivism has been utilised in the past in that reporting process and that measuring process.

The difficulty that the department has ... in having its performance measured by recidivism is that there are significant other contributing factors to an inmate's return to custody. An example is that policing strategies at the moment are targeting repeat offenders and so there is a situation where in one part of the justice portfolio there is a specific direction towards targeting repeat offenders, and in the other part of that justice portfolio, namely Corrective Services, there are some fairly significant resources being put in to keeping inmates out of gaol and to rehabilitate them.

...participation levels in education and those sorts of performance measures are identified more as intermediate results, whilst the return to custody, the recidivism type measures are becoming more of the measure of the whole justice system rather than of a particular agency.¹⁵

5.18 Justice Action stated in its submission:

The cost of keeping a human alive and healthy is relatively standard around the world...The only significant savings that can be achieved... are by preventing the person from returning to the care of the State in the future. This may mean that cost-per-prisoner-per-day is higher when comparing them to other governments, however the savings can be measured through reduced recidivism rates.¹⁶

5.19 Andrew Jaffrey expressed similar views, considering that a real return on investment to the community would be provided by having a reduction in the rate of recidivism as a goal. He believes the focus should be on programs and services targeted at reducing re-offending.¹⁷

5.20 However, as stated by the ABS and in other statistical research, recidivism measures need to be developed. The current measures are not comparable and do not provide a complete picture. Also, the rates are influenced by many different portfolios of which corrective services is just one component. For these reasons, it would premature at this stage for the Committee to use recidivism rates to evaluate the value for money

¹⁵ Gerry Schipp, Transcript of Hearing, 24 June 2005, pg 7-8

¹⁶ Submission No.2, Justice Health, pg 1

¹⁷ Submission No.7, Andrew Jaffrey, pg 2

from correctional services, but only at this stage. Within the next three years, the ABS expects to publish reliable recidivism rates that could be used to assess the performance of rehabilitation strategies across the crime and justice system. The Committee looks forward to the availability of this level of assessment.

5.21 DCS plans to reduce the risk of re-offending by implementing the following strategies:

- Implement and refine a standardised instrument across the correctional system which will provide a reliable assessment of the risk of re-offending and of the priorities to be addressed to reduce that risk;
- Provide effective rehabilitation programs for targeted high risk offenders;
- Establish half-way houses to provide residential services and programs to parolees assessed as being at high risk of re-offending;
- Improve services and programs for offenders with significant mental health issues;
- Improve strategies for dealing with female offenders who present challenging, self-destructive or violent behaviours; and
- Establish a program on the north coast based on the existing program at Brewarrina (Yetta Dhinnakal) Correctional Centre.¹⁸

¹⁸ Budget Estimates 2005-06, pg 11-2

Appendix 1 - List of Submissions

1. Department of Corrective Services
2. Justice Action
3. Junee Advisory Council
4. Liquor, Hospitality & Miscellaneous Union
5. The GEO Group Australia Pty Ltd
6. NSW Treasury
7. Mr Andrew Jaffrey

Appendix 2 – List of Witnesses

24 June 2005, Parliament House

Organisation	Representatives
Liquor, Hospitality & Miscellaneous Union	Mr Michael Vance , Industrial Officer
Department of Corrective Services	Mr Ian McLean , Senior Assistant Commissioner Mr Gerry Schipp , Executive Director, Finance and Asset Management
The GEO Group Pty Ltd	Mr Pieter Bezuidenhout , Managing Director Mr Col Kelaher , Executive General Manager, Operations