



Department of Corrective Services



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Mr Matt Brown MP
Chairman
Public Accounts Committee
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Macquarie Street
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Dear Mr Brown

I refer to your letter dated 8 April 2005 and would like to thank you for the opportunity to provide the Committee with the attached submission relating to its inquiry into Value for Money from NSW correctional centres.

The nature of corrections and related cost implications are complex. If the Committee has any queries or require clarification on any matter I would be happy to elaborate.

I note your planned visits to the Mid North Coast and Junee Correctional Centres on 3 June 2005. In the event you require further information after your inspections please do not hesitate to contact me.

Yours sincerely


RON WOODHAM
Commissioner
6 May 2005

**SUBMISSION TO THE PUBLIC ACCOUNTS COMMITTEE
INQUIRY INTO VALUE FOR MONEY FROM NEW SOUTH
WALES CORRECTIONAL CENTRES.**

The Department Corrective Services has embarked upon the process of rolling out the most comprehensive workplace reform package in its 200 year correctional history. The reforms are aptly titled the "Way Forward".

Mid North Coast and Dillwynia Correctional Centres are the flagships for the new management model. They function within the existing system with seamless integration and are already producing significant strategic, operational and fiscal outcomes.

The Way Forward provides all stakeholders with substantive returns in terms of staff and inmate safety and work / program enhancements. The resultant effect is increased opportunities for inmate rehabilitation and of course significant cost savings.

Progress has already been made to implement the Way Forward into all NSW correctional centres.

Some key components of the reform agenda have already been implemented and achieved. Other initiatives are in the process of being sequentially rolled out to the rest of the system. An explanation of their impact on correctional centre operations are provided to assist the Committee to understand the complexity of reform required and the strategies being used during this evolutionary process.

REFERENCE 1.

Consider the current initiatives being undertaken by the Department of Corrective Services (DCS) to improve safety and cost effectiveness of correctional centre management;

Achieved opening of Mid North Coast and Dillwynia Correctional Centres under the Way Forward model of workplace reform.

The Mid North Coast and Dillwynia Correctional Centre Industrial Consent Award was ratified in March 2004. Operations at both of these centres are achieving within Corporate key performance areas operating under the Way Forward model.

All executive staff at Mid North Coast and Dillwynia are on annualised salary packages. There is no overtime or penalty rates for this category of staff except in exigency situations.

Both centres are achieving significant financial outcomes when equated against traditionally managed centres. Security and safety of staff and inmates has been enhanced resulting in value for money and increased rehabilitation opportunities.

Local management operates within a flexible framework that permits innovative work practices particularly in relation to day to day management options. In essence, this has resulted in reduced overtime, improved sick leave and streamlining of operation functions.

Additional initiatives associated with the reform package are pending and will yield further savings as soon as they are implemented.

These centres form the benchmark for the Way Forward implementation within all other traditionally managed centres in NSW.

The same management model which is at Mid North Coast will be put in place at Wellington Correctional Centre which is another 500 bed facility due for commissioning in 2007.

Implementation of the Way Forward in traditionally managed centres.

Each Command has submitted proposed operational plans produced by their respective correctional centres. These plans form the blueprint for evolving traditional operations into the Way Forward operational and staffing model.

All proposals comply with the Way Forward concepts and are currently under negotiation with relevant stakeholders. They provide for significant operational reform relatively congruent with operations currently at Mid North Coast and Dillwynia and in due course at Wellington.

Each plan has been costed to ensure fiscal compliance in line with Treasury requirements.

The timeline for full implementation cannot be disclosed at this time given the status of sensitive negotiations.

Achieved Annualised Salary Packaging for senior executive staff.

On the 31st March 2005 the Industrial Relations Commission ratified a new award for General Managers, Superintendents and Managers of Security and Deputy Superintendents within an annualised salary framework. This brings all senior custodial staff in line with the Way Forward model.

Completion of the restructure process in the near future for this category of staff will result in the deletion of 11 Superintendent positions under the Correctional Centre Clustering model. This is a direct saving of \$1.1 M per annum.

Within the new model correctional centres are clustered to ensure the concept of shared corporate services opportunities is blended into the operations of each centre. General Managers will control their respective clusters and will be required to achieve against the Corporate Plan in key performance areas.

Furthermore, they will no longer be remunerated for overtime or penalty rates.

Progress of Annualised Salary Packaging for other executive staff.

Senior Assistant Superintendents and Assistant Superintendents have been presented with an annualised salary package and negotiations are in progress.

The completion of annualisation of salaries for this group will result in the cessation of remuneration for overtime and penalty rates and the proposed deletion of 55 positions. This equates to approximately \$5.5 M in direct savings per annum.

Removal of Operational Agreements at all correctional centres to be replaced with Memorandums of Understanding.

The Department has identified the need to restructure existing Operational Agreements. The agreements were initially designed to meet the needs of the Area Management model introduced in 1990. Most of the agreements remain in force with many undergoing only minor industrial modifications over time. They were primarily constructed based on fairly rigid business rules including protocols for overtime allocation, minimum staffing thresholds and restrictive work practices. These documents are no longer relevant to the current correctional environment and act as an inhibitor to workplace operations and essential reform. However their agreements were held in high esteem by the Industrial Commission in the past.

The Memorandum of Understanding within the Way Forward is predicated on the following:

1. Maximum staff participation through consultation in any matter relating to staff safety or workplace relations.
2. Management provided with the ability to manage in a flexible manner to ensure operational and fiscal compliance with their Performance Management Agreement.
3. Reduction of union focus on overtime maximisation.

The Mid North Coast and Dillwynia Correctional Centres are currently operating in accordance with the Memorandum and are already achieving distinct operational and fiscal outcomes.

Implementation of rolling 'Let go' and lock in'

The Way Forward model incorporates the concept of 'controlled let go and lock in.

Traditionally correctional centres have undertaken this process by deploying all staff commencing duty to their respective work locations including wings, gates and other posts. Once all staff commenced duty, the Officer in Charge of the Centre would authorise 'let go' of inmates.

Staff located in accommodation units (usually 2 or 3 depending on the size and nature of the unit) would then proceed to let inmates out of their cells. Let go and lock in are notably the most dangerous inmate management periods.

To enhance staff safety and security the Department has adopted a controlled 'let go' and lock in model. This arrangement increases the number of staff attending the accommodation units during let go and lock in providing a more flexible and structured approach to inmate management. Once let go has been completed staff move with the inmates to work or programs locations. The amount of 'down time' for inmates is reduced through this process. More time is spent in productive pursuits improving rehabilitative opportunities. Conversely less time is spent by inmates contemplating or participating in negative behaviour.

This form of improved inmate movement also provides the opportunity to flexibly manage the staff resources and to absorb unforeseen contingencies. This can occur at any time for reasons such as court attendance, medical escorts or staff sick or other leave management. The structure of the controlled let go and lock in permits normal operations to continue without automatically incurring additional operating expenses.

New sick leave policy.

The Department is in the process of negotiating a new sick leave policy for custodial and industrial staff. The existing policy was also derived from the Area Management era and is no longer in keeping with the spirit of the Public Sector Management Act and Personnel Handbook.

The existing policy is grounded primarily in a sanction based approach and has significant deficiencies in relation to interpretation and application.

The new proposed policy is a progressive document with provisions for reward as well as sanction and the opportunity to assist staff to manage their own sick leave.

This policy when fully implemented provides incentives for staff to substantially reduce sick leave, an area upon which the Department has placed significant emphasis upon.

The potential financial returns are at this time subjective however are considered to be substantial.

Development of the Centralised Roster Unit (CRU).

The Department has trialed centralised rostering at Mid North Coast and Dillwynia Correctional Centres through the development of a prototype rostering unit located in Head Office. Since its inception a number of other centres operating under the traditional roster model are also now being managed by the CRU. This form of roster management has proven to be very successful in managing budgetary compliance.

Centralised rostering ensures that all rosters are properly balanced, costed and meet operational and safety requirements. Cost control mechanisms are easily implemented and managed centrally during the life of the roster allowing managers to get on with the business of ensuring the centre is functioning at an optimal level. The CRU functions as a support mechanism to ensure budget compliance with requests for overtime. It requires central approval subject to an appropriate business case, prior to any shifts being worked. The CRU assists centres to identify alternative management options in lieu of calling on additional staff. Traditional staff pressure on local roster clerks for favourable rostering is removed under this model.

Progressive statewide centralisation of all rosters to the CRU will result in a rationalisation of roster clerks. The processes and technology employed by the CRU reduces the labour requirement for roster management. It is anticipated that approximately 45 positions will be subject to deletion at the completion of this process.

In the past Deputy Governors controlled localised rosters. Centralising this function will allow Deputy Governors to concentrate on security, staff and inmate management.

Alignment of 24 hour court cells with correctional centres.

Alignment of court cell staff into correctional centre rosters has commenced in a number of locations. The purpose of the alignment is to provide flexibility in staff management in these areas. It provides an opportunity to multi skill staff whilst simultaneously reducing operational costs.

Some 24 hour cells in close proximity to correctional centres will change operations by ensuring inmates are transferred to correctional centres at the end of the day. This

will enable some complexes to reduce from 24 hour operations to 8 hours with a commensurate reduction in staff operating expenses.

Staff at correctional centres will be able to be redeployed to court complexes as required to reduce the financial impact of sick and other leave.

Broken Hill and Tamworth Correctional Centres have already taken control of local court cell operations

Implementation of Performance Agreements, Operational Standards and local Board of Management (BOM).

The Way Forward requires performance agreements for centres as well as all executive staff.

The Department has recently produced its draft Operational Standards tool. The purpose of the document is to ensure operational compliance with the Way Forward, accepted national benchmarks and the Department's Operations Procedures Manuals.

All staff above the rank of Senior Correctional Officer will be on a performance management agreement.

The Way Forward requires local centre management to convene a Board of Management each month. The Board is constituted by all functional managers and union delegates. This is a departure from the traditional management model with an emphasis being placed on ownership and resolution of local issues.

The experience at Mid North Coast and Dillwynia Correctional Centres is this form of management is inclusive and constructive. Both centres function with a Monitor similar to that in operation at Junee Correctional Centre.

SUMMATION

The Way Forward is producing significant results for the NSW Department of Corrective Services. Operational and financial benefits are being realised in the centres currently operating under the model.

The Department is carefully managing the sequential roll out process to all centres across the state and has been extremely successful in doing so in a consultative manner.

REFERENCE 2.

Compare the cost of corrective services provided by public correctional centres operating using the Way Forward program and private operators;

NSW has only one private operator, GEO which currently manages the Junee Correctional Centre. This centre caters for 600 medium and 100 minimum security male inmates.

In accordance with the terms of reference an assessment between the costs of Mid North Coast (MNCC) and Junee Correctional Centres is required. It must be noted

that MNCC is a 500 bed remand and reception centre catering for 350 maximum and medium male inmates, 75 minimum security male inmates and 75 minimum security female inmates.

The following comparative analysis is based on cost per inmate per day. Costs provided are predicated on the following;

1. Cost per inmate per day incorporates all centre based costs with the exception of health.
2. Cost per inmate per day caters for deflator adjustments to enable accurate assessment of costs for inmates across various security and gender categories.

The rationale for this comparative is that the Committee will require a true base line cost for inmate incarceration at both centres particularly given the significant cost variances between classifications and male and female inmates.

The costs per inmate per day are as follows:

June Correctional Centre	=	\$82.31 per inmate per day
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Mid North Coast Correctional Centre	=	\$80.12 per inmate per day
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The calculation sheet provides a breakdown of methodology used. It is acknowledged that refinement to the methodology will be possible with the Ellipse upgrade and this is discussed further in Reference 3 below.

Nevertheless a clear comparative based on assessing like inmates of like classification reveals that the Mid North Coast Correctional Centre is \$2.19 per inmate per day cheaper than June Correctional Centre to manage.

REFERENCE 3.

Review whether the planned improvements to the DCS calculations of costs will facilitate better comparisons between private and public sector providers.


DCS has historically calculated inmate costs per day for internal management and benchmarking purposes for maximum, medium and minimum-security inmates.

This calculation has been undertaken annually using audited financial information rather than on a more regular (monthly) basis. The systems available to the department at the time restricted the calculations to basic costs on a centre-by-centre basis and does not allow for centres that have a combination of security classifications. For example Bathurst Correctional Centre has a combination of Minimum and Medium security inmates. The current costing model calculates the inmate cost per day for Bathurst as \$127.43 per inmate per day as an average for all inmates in the centre. This does not give the true cost of the minimum-security inmates as against the medium security inmates. That is the true cost could be \$100 per inmate per day for the 130 minimum inmates and \$150 for the medium security inmates.

It has been acknowledged that this more accurate costing requires an Activity Based Costing model in order to directly attribute the different costs to the different parts of these facilities. In addition, the distribution of overheads within the centres, regions and corporate office to the relevant inmate classification will be improved by the identification and costing of specific activity drivers.

The prerequisite to any activity costing in an industry such as corrections is the accurate costing of labour to the relevant activities. Whilst this is critical to the final outcome it is essential that the expense associated with labour costing to activities does not overtake the benefits to be accrued. In order to minimise the cost of allocating labour costs to activities the departments business information system "Ellipse" has incorporated a labour costing module that links the rostering and Time and Attendance system to the payroll and general ledger. When implemented in late 04/05 for the 05/06 financial year, the labour costs, for example, for supervising minimum security inmates will be differentiated from supervision costs for medium and maximum inmates. Hence a more accurate reflection of cost per inmate day by classification will be provided.

In conjunction with developments internally to the different costing models, there has also been significant advances outside the department in improving cost comparability between jurisdictions. The Productivity Commission and Corrective Services Administrators have developed detailed counting rules in relation to inmate costs per day between states. In order to enhance the comparability of data despite administrative differences between jurisdictions, a common definition of secure and open custody has been adopted. This classification of costs per inmate day runs in parallel to the DCS Maximum/Medium and Minimum classification. In order to minimise confusion to the user, the DCS public reporting through the annual report has been changed from 2003/04 to reflect the Secure/Open categorisation rather than Maximum, Medium and Minimum.


RON WOODHAM
COMMISSIONER
9 May 2005

Costing of Weighted Minimum Security Per Inmate Per Day - Junee Vs Mid North Coast Correctional Centre

	Women	Maximum	Medium	Minimum
2004-05 Cost Per Inmate Per Day (Department of Corrective Services)	\$196.00	\$153.00	\$131.00	\$119.00

	Women	Maximum	Medium	Minimum
Deflator for weighting inmate classifications to minimum security	0.61	0.78	0.91	1.00

Junee Correctional Centre

	Women	Maximum	Medium	Minimum	Total
Inmate number					
Junee inmate number	-	-	410	90	500
x deflator			0.91	1.00	
Junee weighted minimum inmate number	-	-	372.44	90.00	462.44
Junee cost per inmate day (all classification)	\$98.00				
Less inmate health cost	\$9.00				
Adjusted cost per inmate day at Junee	\$89.00				

Junee per inmate day cost weighted to minimum security	\$82.31
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Mid North Coast Correctional Centre

	Women	Maximum	Medium	Minimum	Total
Inmate number	75	350	-	75	500
x deflator	0.61	0.78		1.00	
	45.54	272.22	-	75.00	392.76

Mid North Coast cost per inmate day (all classifications)	\$102.00
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Mid North Coast per inmate day weighted to minimum security	\$80.12
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Cost comparison of weighted minimum security inmate

Junee	\$82.31 per inmate day
Mid North Coast	\$80.12 per inmate day
Weighted cost at Mid North Coast is Less than Junee by:	<u>\$2.19 per inmate day</u>