

**Submission
No 35**

INQUIRY INTO PARKLEA CORRECTIONAL CENTRE AND OTHER OPERATIONAL ISSUES

Organisation: Serco Asia Pacific

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Executive summary

Serco Australia (Serco) is pleased to provide this submission to the Inquiry. Serco recognises that it can only make general comment in response to points (f) and (h) from the terms of reference, and will make no comment about Management Services for Parklea Correctional Centre.

In preparing this submission we have drawn on our own experiences as a prison operator - not only in Australia but also an international scale - and on independent, fact based analysis and reports. These identify a number of advantages to commissioning corrective services through competition and contracting, as well as general and specific examples of benefits brought by private sector operation of prisons.

Safe and secure operation is our first priority. We recognise that like all prisons, we hold some of the most difficult and vulnerable individuals in society. We work hard to address challenges including violence, contraband, and the potential for corruption. A number of independent reports have found that safety and security in facilities we operate are commensurate with that in publicly run prisons.

We are committed to reducing reoffending. The rehabilitation and reintegration of inmates is central to our operating philosophy. We want to prevent the next person from becoming a victim of crime, and help offenders to turn their lives around so that they don't return to prison. For young men leaving Wandoo, the Reintegration Facility which we operate in Western Australia, reoffending is well under half the expected rate for their age group.

We provide better value for money in the expenditure of public monies. Acacia Prison, which we operate in Western Australia (WA), has a cost per prisoner per day 44 per cent less than the state average. The Queensland Auditor General said that the state's public high security prisons are at least 65 per cent more expensive to operate than its private prisons. The Clarence Correctional Centre (formerly New Grafton Correctional Centre) project here in NSW offers a benefit of 22.6 per cent against the public sector comparator.

We are responsive and innovative. We have continuously brought innovation to our operation of correctional facilities, applying technology to improve safety, security, and surveillance, as well as prisoner education and training. In a number of cases, inspectors have found our approaches to be "best practice" and some of our innovations have been adopted by our customers. We also respond to their needs quickly and effectively, whether that means safely increasing the capacity of a facility, or the changing demographics of inmates in our care.

Contracting makes for clearer accountability, and greater transparency. We are committed to working with the relevant agencies of government to continue to enhance this. The Queensland Auditor General found the state's

Corrective Services monitors the performance of its private operators at a more detailed level than its public prisons. The WA Economic Regulatory Authority said that the state's private prisons are "subject to robust governance arrangements" which establish high levels of accountability and transparency. The WA Chief Inspector of Custodial Services has stated that "the State's public sector prisons are less detailed, less transparent, less clear and less robustly monitored than those of Acacia. And, unlike the private sector, there is no room in the context of a public sector prison to re-tender and to change the operator if performance falls short."

Competition and contracting have proven to be useful in driving better value, improving performance and holding operators to account. We believe that it is appropriate to deliver prison operations through a mix of public and private providers, with support from third sector partners. We believe that greater synergies and measurable benefits can be drawn from working together. This approach can promote both collaboration and healthy competition, raise standards, stimulate innovation, and ensure continuous improvement.

Inquiry overview

On 23 November 2017 the NSW Parliament's Portfolio Committee No. 4 – Legal Affairs announced it would inquire into and report on the current operations of Parklea Correctional Centre.

Subsequently, on 7 December 2017 the committee extended its terms of reference to inquire into Rapid-Build dormitory prisons.

The terms of reference are:

To inquire into and report on the current operations of Parklea Correctional Centre, and in particular:

- (a) the adequacy of staffing levels and staff safety,
- (b) the inflow of contraband,
- (c) the security at the facility, including access to gaol keys,
- (d) corporate governance of the GEO Group and the facility,
- (e) any possible contraventions of the contract between the NSW Government and the GEO Group,
- (f) the appropriateness and operation of private prisons in New South Wales,
- (g) Rapid-Build dormitory prisons;
- (h) the benchmarking of prisons in New South Wales; and
- (i) any other related matter.

Serco Australia does not currently operate any prisons in NSW. It is part of the NorthernPathways consortium that is contracted to design, build, operate and maintain the Clarence Correctional Centre (formerly New Grafton Correctional Centre). Serco will operate and maintain the centre when building is completed in mid-2020. Serco has reviewed the terms of reference and makes this submission in response to points (f) and (h) above.

Background

Serco Australia

Serco is an Australian proprietary limited company. Serco provides services on behalf of a range of Australian governments and in the private sector in the portfolios of defence, health, transport, justice, immigration and citizen services. These services include:

- Management and rehabilitation of offenders in prisons in Western Australia, Queensland and New Zealand
- Provision of on-shore immigration facilities and detainee services
- Delivery of non-clinical services at Fiona Stanley Hospital in Perth
- Management of the Australian Defence Force medical equipment fleet repair, maintenance and calibration, as well as the pharmaceuticals and medical consumables supply chain
- Road safety in Victoria through its traffic camera services
- Public transport advice for travellers in Perth, Brisbane and New South Wales
- Maintenance of Melbourne's parks and gardens.

Serco is owned and operated by Serco Group plc (Serco Group), a company incorporated in the United Kingdom and listed on the London Stock Exchange. Serco Group provides services throughout Europe, North America the Middle East and Asia Pacific.

Serco Group partners with governments, agencies and companies seeking operational, management and consulting expertise in the justice, immigration, health, aviation, business process outsourcing, defence, education, environmental services, facilities management, home affairs, information and communications technology, knowledge services, local government, science and nuclear, transport and employment sectors.

As is the case for Serco Australia, Serco Group's primary business is service provision to government and the management of critical national infrastructure, particularly in the operation of hospitals, correctional facilities, detention centres, transport services, and defence facilities.

Serco in New South Wales

Serco has been operating in NSW for 20 years delivering essential public services. Our national office is located in the Sydney CBD and we employ some 1300 people across the state.

Currently, Serco provides services in the areas of transport, maritime, immigration and Defence Force support.

These services include:

- NSW's Transport Information Service for Transport for NSW, where our innovation has increased the use of self-service options and digital channels, reducing call times and costs;
- At HMAS Watson in Sydney, we provide simulator based maritime warfare training. The Navy's Bridge Training Facility features two full and four part mission simulators for training young Navy officers in navigation, command, and control in a simulated war fighting environment;
- Defence Maritime services at Jervis Bay;
- Medical and dental and clothing stores support; and
- Facility and detainee services at Villawood Immigration Detention Facility.

Serco was recently awarded the operational contact for the Clarence Correctional Centre, which, from 2020 will deliver best practice in prison management focused on security, safety and reducing recidivism rates by breaking the cycle of reoffending in northern NSW. It is anticipated some 600 new jobs will be created when the prison is operational.

Experience in delivery of services to the Corrections sector

Serco manages critical custodial and justice services on behalf of governments in Australia, New Zealand and the UK.

Our Justice services range from prison management, prisoner escort and court services to electronic monitoring and the rehabilitation and reintegration of ex-offenders back into the community. Serco also manages surveillance, secure storage, and command and control support services for law enforcement agencies.

This means we can transfer best practice, as well as tap into proven technology solutions and Serco's specialist cross-sector capabilities in areas such as facilities management and complex case management. We have an international Centre of Excellence for Justice dedicated to maximising the benefits of this.

We deliver on our operating philosophy through:

- A Responsible Prisoner Model that promotes respect, encourages positive behaviours and allows prisoners to learn and take responsibility for managing their own circumstances and outcomes;
- Addressing the individual needs of prisoners through Individual Management Plans;
- Criminogenic programs;
- Restorative justice programs;
- Prisoner employment;
- Prisoner education, accreditation and skills training;
- Prisoners re-establishing and maintaining relationships with their families and children; and
- Maintaining security and good order through positive staff-prisoner relationships and interaction based on mutual respect.

We are recognised for working with Governments and Departments to identify issues and work with policy makers to meet the needs of the community.

Serco does not own the facilities in which it delivers services. The prisons themselves are typically owned by the State or by public private partnership (PPP) consortiums contracted to the State – in which case they ultimately become a state-owned asset.

The services delivered are the operation and management of the prison in compliance with performance standards. Serco is responsible for supervising prisoners, monitoring and maintaining prison security and managing the welfare of each prisoner. The requirements for Serco are typically the same or greater than those for public sector counterparts. Such requirements are covered by legislation. In a number of cases, Serco has a contractual incentive to address prisoners' offending behaviour in order to reduce the likelihood that they will reoffend and return to custody. Population management (i.e. the number and classification of inmates sent to prisons) is controlled by the State.

Acacia Prison

Acacia Prison is the largest correctional facility in Australia, accommodating up to 1,475 medium-security, convicted male prisoners. Located in Western Australia, Acacia opened in 2001 with an operating capacity of 650. Serco has managed the facility since 2006, and has successfully overseen a number of periods of expansion to create Australia's largest prison. Serco is contracted to run Acacia until 2021.

In 2016, the Western Australian Economic Regulation Authority found that Acacia was the most efficient prison in the state with the cost per prisoner per day 44 per cent less than the state average, while still maintaining levels of safety and security that were equivalent to State run prisons and outperforming in its rehabilitation and reintegration programs.

Prisons in Western Australia are overseen by the independent Office of the Inspector of Custodial Services (OICS). The Inspector regularly undertakes inspections of all prisons, including Acacia. The Inspector's most recent review of Acacia was undertaken in August 2016. In his findings, he stated:

"Acacia is well poised for its next era. Serco has worked well with [the Department of Corrective Services] to lay excellent foundations for a positive future, foundations that must now be built on. To Serco staff and management, it has been a difficult journey at times in the past three years: well done, be proud, and keep up the good work,"

"Serco has made some profit from Acacia, but it has also delivered an efficient service over the years, including lower staffing levels than most prisons. ... Importantly, they have also demonstrated a strong professional commitment to the prison that has certainly not been driven by profit alone."

The inspection followed an expansion program that was the state's largest ever undertaken in an operational secure facility. It concluded: "The scale, impact, and risks of the expansion could not be under-estimated. The project was equivalent to building a prison within a large, fully operational prison and was on a different scale to other infrastructure projects conducted previously. ... This was a very high risk exercise and Serco and the Department (especially Serco, who carried both the daily and reputational risk) are to be commended for ensuring such an impressively safe and timely fill."

The key findings of the Inspector's prior review of Acacia in 2011 were:

- At Acacia, corporate profits and savings to the state / taxpayer are not being achieved at the cost of service delivery;
- Acacia's performance is at least equal to the best public sector prisons in the State and in many respects it is superior;

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- The health service provision at Acacia is the best in the State and resettlement service continues to be a strong point; and
 - Acacia Prison is providing value for money: in terms of service standards, it is without doubt one of the best performing prisons in Western Australia, if not the best and it is also providing a financial saving to the State.'

Wandoo Reintegration Facility

Wandoo Reintegration Facility is a unique minimum security facility in Western Australia for 18 to 28 year old offenders to help them gain life skills and to reintegrate into society on release. The concept originated from a 2009 Government election commitment that focused on the need to deliver targeted services to the 18 to 24 year old cohort who had at that time a 70 per cent reoffending rate. A particular focus was placed on reducing reoffending, and facilitating reintegration into the community.

Serco was awarded the contract for the operation and maintenance of the Young Adults facility in 2012. The contract included a \$4 million enabling works plan wholly designed and managed by Serco that was completed in April 2013. In 2015, the age group was broadened to 18 to 28 year olds following success of the program, to increase utilisation of the facility. Wandoo typically houses up to 77 residents at one time.

Serco partners with community services organisation Mission Australia to deliver reintegration transition planning for Wandoo residents and provide post release mentoring. Research has shown that post-release support services are an effective rehabilitative measure for reducing reoffending.

Our operating model has three key tenets:

- Partnership with non-government social enterprises to deliver transition care on release and up to three months post release mentoring and support;
- Reducing reoffending through evidence based practice in Relationships, Restorative Justice and Responsibility operating models; and
- Creation of a collegiate and collaborative environment conducive to change with successful end to end intensive case management aligned to Aboriginal and Torres Strait Islander cultural understanding.

The outcome is a reoffending rate around 25 per cent, which is well under half the expected rate for similarly aged males from other facilities.

The WA Office of the Inspector for Custodial Services who labelled Wandoo a "good news story, with many examples of good practice" in its independent review in January 2015. The Inspector highlighted several areas where the performance at Wandoo was "best practice in Western Australia". The Inspector, Professor Neil Morgan

said: "Wandoo provides a positive, purposeful and safe regime, and has performed well across all key measures. It offers new ways of 'doing business' that are relevant to the management of both adult prisoners and juveniles."

The report said that there were several standout areas of delivery:

- A coherent, purposeful philosophy that is supported by staff and which permeates all areas of the centre's operations;
- A strong multi-disciplinary approach to managing and supporting the residents;
- A model that is based on personal responsibility, positive reinforcement and genuine opportunities for rehabilitation;
- Sustained and targeted partnerships with the not-for-profit sector;
- 'Real' work opportunities for residents leading to post-release employment; and
- Serco contractor's willingness to respond, innovate and improve.

Southern Queensland Correctional Centre

Serco has operated prisons in Queensland since 2008 and Southern Queensland Correctional Centre (SQCC) has been managed by Serco since it was commissioned in January 2012. Our strong management and rehabilitation program at the facility was recently recognised with a contract extension to June 2018.

SQCC is Queensland's newest, most modern, and technologically advanced correctional centre. The facility is operated by Serco under a management and operation agreement with Queensland Corrective Services (QCS).

Our operating philosophy is focused on five key areas, which support QCS' commitment to community safety and crime prevention through the humane containment, supervision and rehabilitation of offenders:

- Security: physical, dynamic, and procedural security measures ensure community safety through secure containment;
- Safety: a commitment to ensuring the safety of everyone living, working in and visiting the facility;
- Respect: prisoners are treated with dignity and respect;
- Purposeful activity: structured days provide a wide range of services, programs and skilling opportunities, tailored to each prisoner's needs, to build on their strengths and support their post-release plan; and
- Re-entry: Prisoners are prepared for release into the community through pathways designed to reduce the likelihood of reoffending.

Rather than allowing criminogenic behaviour to increase during their time in custody, we are committed to ensuring that prisoners leave our care as better citizens. Serco's culture and programs aims to reduce reoffending and provide prisoner with the skills to succeed in the community and are underpinned by our Responsible Prisoner Model and Restorative Justice Framework.

Independent validation of Private Sector performance in the operation of Queensland Prisons was given in the Queensland Audit Office *Report into the Management of privately operated prisons*, Report 11: 2015-16 which found that:

- Cost efficiencies at SQCC generated a 21.4 per cent improvement on the public sector comparator between 2012 and 2014;
- The cost savings are being delivered while providing a level of service commensurate with publicly run prisons; and
- When compared against public prisons, the private operators' performance is comparable in almost all areas we examined, but QCS monitors the performance of its private operators at a more detailed level than what it does for its public prisons.

In 2014, Lockyer Valley Mayor, the late Steve Jones, told media "Serco have been strong supporters of the local community and excellent corporate citizens."

Clarence Correctional Centre

Serco is part of the NorthernPathways consortium that was chosen in March 2017 to design, build, operate and maintain the Clarence Correctional Centre (formerly New Grafton Correctional Centre).

The contracting of Northern Pathways followed a three-stage PPP process to identify the private sector party best placed to deliver the centre. The procurement process was conducted to ensure that the State received the best value-for-money outcome.

The centre will service the northern part of NSW and will be the primary correctional facility for all corrections operations from the Queensland border in the north to Kempsey in the southeast, and Tamworth in the southwest. Upon completion, the facility will provide a 1700-bed correctional complex comprising:

- 1,000 maximum security male beds;
- 300 maximum security female beds; and
- 400 minimum security male beds.

The centre will provide: a mix of accommodation and custodial services that cater towards a variety of placement options for sentenced and remand inmates; hospitality services; soft and hard facilities management; programs, education and industries; health services including primary and secondary mental health care; and transport. The facility will also provide 40 beds for high needs male maximum security inmates and 12 beds for high needs female maximum security inmates.

Delivery of the project is undertaken with a range of key objectives that form part of the project deed. These objectives ensure performance is matched to outcomes and delivery is measured according to the objectives and key performance indicators. The Project Objectives are that the centre will:

- i. be a safe and secure correctional centre;
- ii. be a humane and ethically managed centre;
- iii. help reduce the risk of re-offending through (among other things) preparing inmates for reintegration into the community on release from the State's correctional centre network;
- iv. manage resources effectively and efficiently, enhancing value for money;
- v. utilise effective governance arrangements;
- vi. produce strong economic and social benefits to the local area, the northern NSW region and the broader NSW community;
- vii. be a valuable physical asset for the duration of the operating phase and beyond;
- viii. be operated in such a way as to keep pace with best correctional practice over the term of its operational life; and
- ix. be operated so that it links with the broader management strategies and operational needs of the State's correctional centre network.

Validation of the private sector offering the State of NSW value for money in its contract to design, build, finance, operate and maintain the centre can be seen in the NSW Treasury Project Summary for the New Grafton Correctional Centre, dated 17 Sept 2017. That report reveals that: The comparison of the Public Sector Comparator (PSC) versus the Net Present Cost (NPC) of Northern Pathway's proposal shows a benefit of \$579.2m in NPC terms (a 22.6 per cent improvement in value).

Establishing and measuring value in prisons

As above in discussion about Acacia, Wandoo and SQCC, there have been two recent independent and informed reviews of prisons in Western Australia and Queensland. Each of these reviews has provided some insight into the comparative value of private prisons and their operations.

Western Australian Economic Regulatory Authority

In 2014 and 2015 the Western Australian Economic Regulatory Authority (ERA) undertook an inquiry into options to improve the efficiency and performance of Western Australian prisons. The final report was published in November 2015.

The ERA provided advice based on economic, market and regulatory principles. It also provided advice on the design of appropriate performance standards, incentives and performance monitoring processes for the prison system.

The ERA found that the Western Australian prison system would benefit from improvements in four main areas:

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- Establishing clearer roles and responsibilities for the Department of Corrective Services and the Superintendents who run each prison. In doing so it noted that private prisons already had clear responsibilities through the contracting mechanism that led to more transparent practice.
 - Making the Department and Superintendents more accountable for how successful they are in meeting these responsibilities. It noted that private prisons have the ability to manage staff including superintendents and directors to meet the key performance indicators set by the Government.
 - Making the prison system more transparent, so stakeholders and the Western Australian public can understand how the State's prisons are performing.
 - Establishing better information systems, planning, and processes within the Department.

The ERA stated that “private prisons in Western Australia are subject to robust governance arrangements”, that contracts “establish clear roles and responsibilities, performance targets and consequences for non-performance”, and “high levels of accountability and transparency.”

It said the overall performance of the prison system can be enhanced through greater competition for the opportunity to manage prisons and deliver prison services. Greater competition in the delivery of services would encourage better overall performance of the prison system through a wider choice, better quality service offerings, higher levels of innovation, and potentially lower costs. Importantly the ERA emphasised that this decision was one that should address the broader objectives of the prison system, and not simply be a matter of engaging the lowest-cost provider. The ERA made four key conclusions from 40 recommendations:

1. Introduce a framework for choosing prison operators. The ERA said that currently, the Government decides whether a prison should be privatised, then seeks tenders from commercial providers. The ERA found that a ‘commissioning’ model would be a better option, and should be considered once the other reforms recommended in the report have been implemented. Under commissioning, the Government seeks tenders from across the public, private, and not-for-profit sectors, and only makes a decision once all options have been considered. This model ensures that, where public and not-for-profit providers can deliver a better outcome than private providers, they will have the opportunity to do so. The Government can also seek tenders for specific services, rather than a single operator for the prison, where this is likely to deliver a better result.
2. Formal agreements should be established between the Department and each public prison Superintendent. These agreements (called ‘Service Level Agreements’) clarify what is expected of each Superintendent, and ensure that all prisons – public and private – are held to the same performance standard. They also ensure that Superintendents have a clear understanding of their decision-making powers in operating the prison. These Service Level Agreements perform the same function as contracts established between the Government and private prison operators. They set performance targets, outline financial arrangements, and introduce incentives for good performance, and consequences for poor performance. The agreements

should also be subject to the same public disclosure requirements as the contracts between the Government and private prison operators.

3. The introduction of performance benchmarks. The ERA said an effective prison system needs both clear performance measures, and a reliable way to assess whether those measures are being met. Targets for each measure should be set at a level that provides prisons with an incentive to improve. In this inquiry, the ERA was asked to develop a set of performance measures for Western Australia's prison system. The recommended measures cover safety and security, rehabilitation, prisoner quality of life, and prison management. Defining consistent measures that apply across all prisons is challenging, since Western Australia's prisons vary significantly in terms of size, remoteness, and the type of prisoners accommodated. Some prisons are designed largely to house remand prisoners, and others to rehabilitate prisoners in anticipation of their release. To address this problem, the ERA recommended a 'weighted scorecard' approach. This means that the Department will use the same set of performance measures for all prisons, but will set individual targets for each prison.
4. The introduction of effective planning, processes and use of information. The ERA said that meaningful performance measurements and good decision-making rely on evidence and accurate data. These are critical in planning for the future, and understanding how the prison system can be improved. The ERA identified a variety of opportunities for improvement in this area, spanning the Department of Corrective Services' infrastructure planning, program delivery, financial management, and data sharing processes.

Queensland Office of the Auditor General

In Queensland the Auditor General undertook a review of the Management of privately operated prisons in that State. It found:

1. The private provision of public services in the state's prison system is realising significant cost savings while providing a level of service commensurate with publicly run prisons.
2. The state should avail itself of the opportunity to garner insights from its privately run prisons and apply these across the entire prison portfolio.
3. A greater understanding by Queensland Corrective Services (QCS) of how their private sector service providers operate offers the prospect of establishing better practice process and quantitative benchmarks, particularly in relation to how they achieve their cost efficiencies.
4. Queensland Health delivers its medical services in public prisons at a significantly higher cost than do the private operators.

The Auditor General said that Queensland's eight public high security prisons are at least 65 per cent more expensive to operate than its two private prisons.

In addition it found that QCS monitors the performance of its private operators at a more detailed level than it does for its public prisons. This was especially in relation to the quality of food services and measuring the time prisoners spend in meaningful activities such as training and employment. Both private operators have annual inspections of

their food service operations and they have a dietician review of their menu annually. However, there is currently no similar requirement for publicly operated prisons.

The report also found that lower staff numbers in private prisons were not achieved by keeping prisoners in cells longer than in publicly run prisons. It did not identify any material anomalies with the private operators' performance in relation to security of their prisons.

When we examined available performance data for prisoner rehabilitation, we identified that the private prison operators performed above the public sector average for the percentage of Vocational Education and Training (VET) programs prisoners completed. They also achieved similar results as publicly operated prisons for the percentage of prisoners they employ in prison industries. Public and private prison operators provide eligible prisoners with employment opportunities (which generate profit) to assist them with their rehabilitation.

The University of Sydney Business School

A 2016 report, partly funded by an industry partnership grant between The University of Sydney Business School and the Western Australian Prison Officers Union (WAPOU), claimed that overall "there is not sufficient evidence to support claims in favour of prison privatisation in Australia. As a consequence, it is our view that no further privatisations should take place before an appropriate level of information is made available to policy makers and the public in order to properly assess the impact of privatisation on the sector." The authors of *Prison Privatisation in Australia: the State of the Nation* chose not to draw on publicly available information such as that provided in the Queensland Auditor General's report because "The Auditor-General's report was released after the data collection phase for this report had been completed."

Improving prison performance

In the UK, the contracting out of prisons has been part of the landscape since the early 1990s. Her Majesty's Prison Service (HMPS) initially led contracting in England and Wales, and the Scottish Prison Service followed in the late 1990s. The rationale for contracting prisons had several goals:

- To bring cost reductions per place offered;
- To create competition with the monopoly state provider as well as competition of bids from within the private sector;
- To provide a catalyst for cultural change and modernisation within the state sector; and
- To bring innovation into the sector as a whole.

Corrective Services New South Wales' Better Prisons initiative creates a culture for improved performance. The inclusion of benchmarking and market testing, supported by an extensive infrastructure renewal program, and reform of education and vocational training for inmates, create an opportunity for reduced reoffending and ongoing community safety. Importantly this sets key standards for all prisons, private or public, and while public sector prisons are not subject to the same contractual requirements of privately run prisons, it does deliver a level of accountability against public submission to measure benefits.

Accountability and consequences for underperformance

The view that private providers are solely focussed on profit and have little incentive to provide rehabilitation services which the community will benefit from has little merit. Indeed, private providers have been a leading light in the development of payment by results models where the delivery of improved outcomes for prisoners and the community form part of contractual delivery. This is the case in contracting at the Clarence Correctional Centre. The belief that working for profit reduces service delivery is counterintuitive. Service delivery is incentivised through the contracting mechanism and greater accountability. The ultimate accountability for a private sector provider is that they will be replaced if their performance is found to be unsatisfactory. Accountability measures include key performance indicators; financial and reputational sanctions for failure to meet service levels; independent inspections and audits; and on-site government monitoring of the contract with penalties for non-delivery against the contract specifications. These levers help to ensure the highest standard of service, they drive innovation, they direct the provider's focus to the government's priorities, and they help to ensure value for money for tax-payers.

An important difference with contractual performance management is found in the consequences for underperformance. These consequences are fundamental to the effectiveness of any accountability regime that changes take place as a result of transparency and external scrutiny. As the WA Chief Inspector of Corrective Services stated in his inspection of Acacia Prison in 2011: "It can safely be said that the expectations of the State's public sector prisons are less detailed, less transparent, less clear and less robustly monitored than those of Acacia. And, unlike the private sector, there is no room in the context of a public sector prison to re-tender and to change the operator if performance falls short."

Financial penalties

Contracting of providers ensures there are financial penalties, linked to performance. The abatement regime helps to drive best practice and provides transparency and accountability, well beyond prisons where there are no penalties for shortfalls or failure.

Rectification Notices

One of the early interventions by an authority commissioning a service is to issue a rectification notice regarding identified failings. The seriousness with which an intervention of this kind is treated by providers is most evident in the PPP prisons, where in some cases, funding banks have appointed their own monitors to track performance against the contractual targets.

Intervention and Contract Termination

In the case of serious and persistent underperformance, the public sector State Commissioners can intervene and suspend the management of the prison. In extreme cases, the remedy of contract termination is open to them. In one of his final reports as Inspector of Custodial Services in West Australia in 2008 Inspector Richard Harding said:

“one of the attractions of private sector participation in prison management is that a poor performer can be replaced.”

Scrutiny of contracted prisons

The contracted sector is without doubt subject to greater and closer scrutiny than its public sector counterparts. External scrutiny of contracts comes from several areas. Firstly, the state contracting team has full time contract managers with unhindered 24/7 access to all information and areas of prison operation. Contracts are also structured in a way to ensure that all issues are reported accurately and in a timely manner. The penalty for failing to report is high and in some cases greater than the penalty for the incident reported. In most jurisdictions there is also independent scrutiny from bodies such as the Office of Custodial Services (OICS) in WA, who may conduct pre- arranged inspections, unannounced inspections or visits at any time. Their access is unlimited and enshrined in law and independent from DCS as the contracting authority. The Independent Visitors Scheme (IVS) and Aboriginal Visitors Scheme (ABS) also operate in some jurisdictions. These bodies monitor services and care of prisoners in all WA prisons, with unhindered access to any part of the prison they wish to visit.

Benefits of a mixed economy

Competition and contracting, as well as the scrutiny of prison operators (whether public or private), are valuable and greatly assist the state in discharging its responsibility for imprisonment. All prison services must be managed decently, safely and in a cost effective manner, with proper oversight and accountability. There is now more than adequate evidence that the private sector can do this well, making communities safer, turning inmates' lives around, reducing reoffending and providing savings to the taxpayer.

Serco does not advocate for a wholly private system, just as it does not support a monopoly of public provision. A mixed provider system can promote competition, raise performance standards, stimulate innovation, and ensure continuous improvement.