

## Serco Australia

SUBMISSION TO THE ECONOMIC REGULATION AUTHORITY

*Inquiry into options to improve the efficiency and performance  
of Western Australian prisons*

<b>Executive Summary .....</b>	<b>4</b>
<b>Serco Australia.....</b>	<b>6</b>
<b>Serco in Western Australia.....</b>	<b>6</b>
<b>Serco's contracts with the Western Australian Department of Corrective Services.....</b>	<b>7</b>
Acacia Prison .....	7
Wandoo Reintegration Facility .....	8
Court Security and Custodial Services.....	9
<b>Improving prison performance .....</b>	<b>11</b>
<b>The benefits of competition .....</b>	<b>11</b>
Value for money .....	11
A lever for change .....	12
Improved standards.....	14
Accountability .....	14
<b>Consequences for underperformance.....</b>	<b>15</b>
Financial Penalties .....	16
Rectification Notices .....	16
Intervention.....	16
Contract Termination .....	16
Failure to Win Future Business.....	16
<b>Good people, good systems .....</b>	<b>17</b>
Autonomy balanced by accountability.....	17
Better services, better value .....	17
Clarity of objectives .....	17
Increased accountability .....	18
Contracts drive better Management.....	18
Freedom to manage .....	19
Challenge: Managing the tension between cost and quality.....	19
<b>Performance frameworks .....</b>	<b>21</b>
Measuring prisons performance: The UK experience .....	21
Service Delivery Agreements .....	21
Using Performance information – the weighted scorecard .....	22
Prison Service performance ratings: Prisons League table .....	23
<b>Measuring performance in prisons using outcomes.....</b>	<b>24</b>
Designing Performance Measures.....	24
An outcome based payments by results approach.....	26
Prison Comparative Performance Tables in NZ.....	28
<b>The challenge of comparing prison performance.....</b>	<b>30</b>
United Kingdom.....	30
Performance management: quantitative vs qualitative measures .....	31
Prison Inspection .....	32

<b>Operating and design synergies through contracting .....</b>	<b>33</b>
Staffing gains.....	33
Continued Innovation.....	34
Delivery to an output contract .....	34
The next phase in contracting.....	35
The long term relationship .....	36
Scrutiny of Contracted Prisons .....	36
Benefits of a mixed economy.....	37

## Executive Summary

Serco Australia Pty Ltd (Serco) welcomes the opportunity to provide a submission to the Economic Regulation Authority in relation to this inquiry into options to improve the efficiency and performance of Western Australian prisons (Inquiry).

The basis for Serco's operations in Justice and Corrections are to ensure public safety while providing value through reintegration and reduced recidivism. We work with the State recognising the Inspector of Custodial Services' view that:

*When the state buys in services, it does not and cannot contract out of its fundamental obligations. The state, as well as the contractor, owes a duty of care to people in custody<sup>1</sup>.*

Serco's submission addresses only those aspects of the Terms of Reference on which Serco believes it is in a position to assist the Authority.

The submission identifies

- The benefits of competition ensuring value-for-money for the State through a range of innovations that are applied in private sector delivery.
- A range of current and proposed delivery mechanisms for efficiency and effectiveness measures and other performance comparisons.
- How the concept of contestability can be utilised through experiences in other jurisdictions to be a lever for improved performance in State run and contracted prisons.
- Opportunities for diversified delivery based on current experiences in Western Australia and other jurisdictions.

A key deliverable identified in the Terms of Reference is to develop and calculate a set of benchmarks to allow comparisons of the performance of individual prisons in Western Australia. Serco has offered a view on approaches to this challenging question. Serco has also provided information on the management of facilities under contract and experiences in

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<sup>1</sup> <http://www.oics.wa.gov.au/wp-content/uploads/2014/07/OICS-Report-90-Acacia.pdf>; page vi

delivering these contracts. In addition, our submission includes information regarding other jurisdictions Serco operates to support the key deliverable above.

Serco does not make any specific submissions in relation to the wider reforms of the prison system, however we have shared our experience in operating across a number of jurisdictions including the UK where prison contracting and benchmarking has been in place been part of the landscape since the early 1990s.

This submission draws heavily on the UK market for custodial services. Serco Group has had significant experience delivering services in that jurisdiction and observing performance through the Serco Institute. This response draws on the work of the Institute and its former executive director Gary Sturgess, as well as experiences in Australia and New Zealand.

## **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 infrastructure. These services include:

- support for the Australian Defence Force through the provision of garrison and port services;
- rehabilitation of offenders in prisons;
- road safety in Victoria through our traffic camera services;
- managing non-clinical services at Fiona Stanley Hospital;
- delivery of immigration services;
- business process outsourcing and consultancy;
- public transport advice for travellers in Perth, Brisbane and New South Wales; and
- greening 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, Africa and Asia.

Serco Group partners with governments, agencies and companies seeking operational, management and consulting expertise in the health, aviation, business process outsourcing (BPO), defence, education, environmental services, facilities management, home affairs, information and communications technology, knowledge services, local government, science and nuclear, transport and welfare to work 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 Western Australia**

Serco has been operating in Western Australia for 19 years, successfully delivering essential public services. Currently we provide services in the areas of transport, justice, immigration, health and defence support. These services include:

- Transport information and ticketing for Transperth since 1995.

- Support to the Navy at HMAS Stirling and elsewhere along the WA coast through Serco Systems.
- Great Southern Rail, a fully owned subsidiary of Serco, which operates the iconic Indian Pacific trans-continental train that travels to and from Perth twice a week.
- Lead services integrator providing facilities management and support services for Western Australia's new Fiona Stanley Hospital, which opened in 2014 and will be fully operational this year.
- Acacia Prison, Western Australia's largest prison which Serco has operated for eight years.
- Court Security and Custodial Services in WA, delivering inter-prison transfers, court security services, and the operation of court custody centres.
- Wandoo Reintegration Facility for young men aged 18 – 24. This facility is designed to support young men to allow positive reintegration and reestablishment into society on their release from prison.
- Serco also delivers services on behalf of the Department of Immigration and Border Protection (DIBP) on Christmas Island and other Western Australian locations, and other sites across Australia.

Serco currently employs 2100 staff in WA. The company has a corporate office in the Perth Central Business District as well as project offices for the above sites.

### **Serco's contracts with the Western Australian Department of Corrective Services**

Serco is a provider of prison services to the Department of Corrective Services through two Service Agreements for Acacia Prison and Wandoo Reintegration Facility. Serco also is contracted to provide Court Security and Custodial Services.

#### *Acacia Prison*

Serco Australia has held the contract for prison services at Acacia Prison since May 2006. It performs the services under the Acacia Prison Services Agreement, managed by the Department of Corrective Services.

Serco took over from Australasian Integration Management Services (AIMS) who held the initial contract for service since 2001.

Serco's success followed a decision to test the market for private sector providers by the Labor Government of the time. The contract for prison services was initially from May 2006 until May 2011 (five years). The contract was renewed in May 2011 for a further five years in line with the extension period available. The extension also included a variation of the contract to take account of the planned expansion of the prison to 1387 prisoner places. The contract is due for renewal in May 2016.

The maintenance contract for Acacia Prison is separate from the Prison Services Agreement and is performed by Sodexo Australia Pty Ltd.

The Acacia Prison Services Agreement obligates Serco to manage Acacia in line with nearly 90 specific operational service requirements. There are 12 Key Performance Indicators which are performance linked. Ten percent of the contract value is withheld by the Department and returned to the contractor based on performance against the benchmarks set by the Department of Corrective Services. The KPIs are spread across the four corner stones of imprisonment focusing on operational performance and improving outcomes for prisoners.

The cost per prisoner per day under the Prison Services Agreement is \$132. The total cost including the maintenance contract and Departmental costs is \$150 per prisoner per day<sup>2</sup>.

The contract is publically available, including performance schedules. In addition, the Department issues an annual report of performance to the Parliament, which is also publically available. Acacia Prison and Wandoo Reintegration Facility are the only prisons to receive such reports.

### *Wandoo Reintegration Facility*

Serco Australia commenced providing services at Wandoo in October 2012. Serco are contracted for five years with the option of two five year extensions.

The decision to open Wandoo has its genesis in the 2008 State election, when the then opposition committed in Government to providing a facility that would address the needs of young offenders, by providing a detention centre for men aged 18 – 24.

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<sup>2</sup> <http://www.oics.wa.gov.au/wp-content/uploads/2014/07/OICS-Report-90-Acacia.pdf>; page vi

After State procurement analysis it was decided the new facility would be most efficiently and effectively operated under a Public Private Partnership model.

The Department of Corrective Services put a Request for Services out to the open market in March 2011 and on 1 November 2011; Corrective Services Minister Terry Redman announced that Serco had been selected as the preferred respondent.

The contract includes 19 Key Performance Indicators. The KPIs are based around the contract outcomes, focus on operation delivery and measure successful aspects of performance related to reduced reoffending for this age group, including education, life skill development, employment and housing.

The contract is publically available. As with Acacia Prison, the Department issues an annual report of performance to the Parliament, which is also publically available.

#### *Court Security and Custodial Services*

Serco has provided Court Security and Custodial Services in Western Australia since August 2011.

Serco is the latest provider of services in prisoner transport in Western Australia, which was first contracted in January 2000. It has not been provided by the State Public Service since that time.

Serco is responsible for court security, prisoner custody and allied services for Perth and regional courts. In addition Serco are responsible for the Secure Vehicle Fleet including maintenance and replacement. Prisoner transport includes air and coach transportation of persons in custody across Western Australia and movements from Police lockup hubs around the State.

While the Department of Corrective Services is the contracting entity, services are provided to the Department of Attorney General and Police through the above services.

Serco was awarded the contract following a public tender process and took over services from the previous provider, G4S Custodial Services. Serco's contract is for an initial term of five years with an extension option of up to another five years.

The contract is based on a fixed monthly service fee for delivering specified service volumes identified across 17 pricing tables that are subject to quarterly service volume band reviews. Contracts with previous providers were on a 'cost plus' basis and did not involve associated fleet management provisions and associated services.

The contract is based on 100 per cent service provision. It includes Key Performance Indicators relating to Specified Events referred to in the contract and Performance Failures (reporting based and operational). Where service is not delivered at the expected level of 100 percent an abatement is be applied subject to mitigation. There are 21 KPIs categorised as 'Specific Events' [9], 'Contractual Failure' [4], 'Reporting Failure' [7] and 'Operational Failure' [1]. The maximum abatement per month is the value of that month's Gross Monthly Service Payment. In delivering the service some 25,000 individual moves covering more than one million kilometres are undertaken each year. In addition over 6000 hours of court time is serviced.

The contract is publically available. In addition the Department issues an annual report of performance to the Parliament, which is also publically available.

## **Improving prison performance**

In the UK, the contracting out of prisons has been part of the landscape since the early 1990s. England and Wales (Her Majesty's Prison System) initially led contracting and the Scottish Prison Service followed in the late 1990s. There were a number of drivers for change that flowed from a government drive to introduce 'new managerialism within the public service aimed at improving efficiency and effectiveness of Government Departments.

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 create a reason for cultural change within the state sector;
- To provide a catalyst or lever for the union to engage with change or modernise its practices; and
- To bring innovation into the sector as a whole.

The decision to contract was also, in part, due to rising prisoner numbers and considerable disorder in HMPS prisons caused by overcrowding, frustration from prisoners as they were moved long distances from home, and were unable to access services whilst in prison to address re-offending needs.

## **The benefits of competition**

### *Value for money*

The vast majority of studies agree that, when done well, competition and contracting deliver better value-for-money, although the scale of these benefits and the conditions under which they are delivered remain a matter of ongoing discussion.

Studies of US prison contracting, found positive benefits associated with contract management, and these were mostly in the range of 5-15 percent. The financial gains in the UK appear to have been more than 20 percent, and perhaps as high as 30 percent.

In the Inspector of custodial Service report into Acacia Prison (Report No.71) estimated that 'the cost of managing a prisoner at Acacia is 30 per cent less than at a public prison. Serco manages to achieve this while still collecting profits of around eight per cent'. Even today

the cost per day of a prisoner is estimated at approximately \$150 compared with state average of \$324.

It is self-evident that if competition reduces costs, but simultaneously reduces the quantity and/or quality of service by a similar amount, then there has not been an improvement in value-for-money. Service quality is notoriously difficult to measure, however there are a number of studies that have addressed this question and support that financial savings that can be made without a diminution in quality. However studies show that where the contracting process is poorly applied with a cheapest win approach there can be a race to the bottom where contractors compete to win and take risk in the deliverability of their solutions. A well structured procurement process with clear standards and quality evaluation methodologies alleviate this issue.

#### *A lever for change*

One of the expected benefits of introducing competition into a public service system is an improvement in the efficiency of the system overall. Public providers seek to retain services that have been or might in the future be contested, public sector organisations respond to the pressure of being benchmarked against alternative providers and lessons are learned and disseminated across the system as a whole. Strong anecdotal evidence of this effect can be found in the UK where public officials have commented on the benefits that prison contracting had for the system as a whole.

In the United Kingdom, the 2001 report into the prison system by Lord Carter, concluded:

*It is widely accepted by management and unions alike, that the competition offered by the new private prisons and the market testing of existing establishments has made the prison system more efficient and effective as the public sector has sought ways to improve its working practices and become more competitive.<sup>i</sup>*

Mike Newell, then president of the Prison Governors' Association, acknowledged in 2002 that "despite my moral objections to placing prisons in private hands, I have to admit that the shock to the Service of privatisation did start it on a path to recovery".<sup>ii</sup>

The process by which cross-fertilisation occurs has been little studied. In some cases, those responsible for managing an individual facility or the public system as a whole use the threat of competition as a lever to introduce changes that were previously not possible.

For example in the case of the new generation prisons in New South Wales, the changes were introduced as part of departmental negotiations with public sector unions, resulting in a new industrial award. It was only once the new award had been agreed that the government agreed that the public sector would operate these facilities without the need for actual competition.<sup>iii</sup>

Similarly the Governor of Woodhill Prison, a public facility opened at roughly the same time as The Wolds (which was the first contract prison in the UK), used the threat of competition as a way of introducing a performance culture into his prison.<sup>iv</sup>

In some cases, managers use the new prisons as exemplars, to demonstrate that desired reforms are capable of being implemented without risk to prisoners or staff, although without some form of external stimulus such as competition or contestability, staff may still cling to established patterns of working. The use of female prison officers may provide an example of this.

Prior to The Wolds, the first privately managed prison in the UK, the ratio of female custody officers throughout the Prison Service was around three percent. When The Wolds opened, around 30 percent of its prison officers were female, and the contract prisons have retained this gender ratio. Once it had been established that a prison could be safely managed with such high levels of female staff, the public sector followed.<sup>v</sup>

In some cases, the systemic changes necessary to introduce competition and contracting provide policymakers with the tools that they had previously lacked to introduce reform. The obvious examples in the UK system is the 'Weighted Scorecard', a performance management tool introduced across the prison system after the performance measurement regime for the contract prisons had been established, and Service Level Agreements for prisons being managed by in-house teams following successful competition against the private sector. In effect the impact of privatisation has been to improve the performance of prisons, improve conditions for prisoners, and importantly pushed the public sector along the improvement curve and deliver value for money.

### *Improved standards*

When the UK market was originally designed, the government elected to demand higher standards of the private sector, particularly in relation to hours spent out of cell, and hours of purposeful activity. In this regard, it was heavily influenced by the Woolf Report into riots in a prison in Manchester, which had made strong recommendations about the quality of relationships between prison officers and prisoners. As a result, prison contracting in the UK has been strongly associated with an improvement in prison standards, and Ministers and senior civil servants, as well as the Inspector-General of Prisons, have acknowledged the role that competition and contracting played in delivering the government's so-called decency agenda.

Research among inmates in public and contract prisons has confirmed these conclusions. In a 2002 survey of prisons in five UK prisons on the quality of prison life, the one contract prison strongly outperformed the public sector facilities on all five 'relationship' measures (respect, humanity, support, relationships and trust), and matched or outperformed the others on 'regime' measures (fairness, order, safety, wellbeing, prison development, family development and decency)<sup>vi</sup>.

A study undertaken of Acacia Prison, made similar findings with significantly higher results on the quality of life measures and several of the safety and security ratings (though not on several others) than a public sector comparator.<sup>vii</sup>

A more recent academic survey has concluded that 'the most significant difference that distinguishes public from privately managed prisons is the relationship between staff and prisoners' – 'many (although not all) private prisons significantly outperform traditional public sector prisons in the areas of staff attitudes, and levels of fairness, respect and humanity towards prisoners'.

### *Accountability*

The ERA issues paper<sup>3</sup> identifies commonly cited advantages and disadvantages of private sector involvement in the prison system. Many of the disadvantages are counter arguments

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<sup>3</sup> Table 6 page, page 51

often cited by detractors from privatisation and are based on generalised assumptions rather than based in fact. For example, there is no evidence in the UK or Australia that private providers have lobbied legislators and the Judiciary to introduce greater use of imprisonment or longer sentences. Similarly 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 the leading light in the development of payment by results models where they only get paid if they deliver improved outcomes for prisoners and the community.

The belief that working for profit reduces service delivery is counter intuitive. 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.

## **Consequences for underperformance**

One of the important differences about contractual performance management is found in the consequences for underperformance. It is fundamental to the effectiveness of any accountability regime that changes take place as a result of transparency and external scrutiny.

This is one of the great strengths of prison contracting – there are serious consequences for underperformance, and strong incentives to rectify the problems. The often repeated statement of the UK's National Audit Office that 'the best PFI prisons are outperforming most public prisons but the lowest performing PFI prison is among the worst in the prison estate' overlooks the fact that by the time the NAO published its report, that prison, a young offender institution, had been turned around. Three months after that report was tabled in the House of Commons, the Chief Inspector conducted a full inspection of the same facility and reported that 'it bore comparison with some of the best performing young offender institutions we have inspected'.<sup>viii</sup>

### *Financial Penalties*

The published literature on the financial penalties levied on contract prisons is evidence enough of the serious consequences for a failure to meet the agreed performance targets. In the UK, contractors have been penalised as much as £800,000 a year for a single prison, and deductions in excess of £100,000 have not been unusual.<sup>ix</sup>

### *Rectification Notices*

One of the early interventions by the authority commissioning the 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*

In the case of serious and persistent underperformance, it is possible for public sector commissioners to intervene and suspend the management of a contract prison.

### *Contract Termination*

In extreme cases, the remedy of contract termination is open to public sector commissioners. This has been employed in some North American jurisdictions, and with one of the contract prisons in Victoria.

### *Failure to Win Future Business*

In one of his final reports as Inspector of Custodial Services in West Australia, Richard Harding commented: 'One of the attractions of private sector participation in prison management is that a poor performer can be replaced.' There are, of course, examples where inadequate performance has resulted in a contractor being replaced upon re-competition with another provider. In the case of Western Australia, the Inspector of Custodial Services played a leading role in the decision to open the contract for Acacia prison to re-tender, in large part because of concerns over the performance of the incumbent.<sup>x</sup>

## **Good people, good systems**

In a survey undertaken by the Serco Institute entitled, 'Good people, good systems: what public service managers say'<sup>xi</sup>, the authors interviewed a number of private sector managers who had transferred from the public sector to identify the differences in delivering public services through traditional bureaucratic structures and delivering them under contract with extremely informative results.

### *Autonomy balanced by accountability*

The researchers found increased autonomy is achieved within a robust framework of accountability: the process of defining a contract and a supporting performance regime can establish a clear purpose and agreed measures of success for a public service, sometimes for the first time. Yet contract managers go beyond the letter of the contract: 92 percent

see themselves as responsible for delivering public outcomes – and not just providing the service. This balance of freedom and accountability is a common theme throughout the researcher's findings.

### *Better services, better value*

Contract managers are in no doubt that the services they deliver now provide both greater value for money (94%) and better quality for end users (95%) than the services they delivered as public sector managers. The researchers asked former private sector managers a less personal question: whether, in their contracts, the transfer of public service delivery to the private sector had resulted in improvements. 82% believe that both quality and value for money had risen. Thus a huge majority across both groups were confident that they were delivering benefit to the public sector in terms of both price and quality. Moreover, those with first-hand experience of government were even more convinced that improvements have been made.

### *Clarity of objectives*

Almost all of the respondents (95%) agreed that under a contractual model, they felt more accountable delivering outcomes than for just managing processes. The vast majority (89%) believe that the process of drafting and negotiating a contract helps to focus both client and contractor on the desired outcomes of the service with nearly 80% agreeing that a contract gave them a stronger sense of mission. A similar number identify contractual performance

measures as useful in clarifying what must be done. A clear, well-constructed contract was paramount. It acts as the backbone to the client-contractor relationship, enabling a shared sense of mission to emerge. Yet this requires consistent management from both sides, and a number of respondents commented that ‘desired outcomes are not always explicit’ and can change as a contract matures.

### *Increased accountability*

The existence of a contract articulating clear service requirements creates an environment in which performance is continuously and openly scrutinised. Based on the results of the survey, it would appear that accountability is more transparent under a contractual model than under traditional service delivery arrangements. Nine out of ten former public officials said that a contract results in closer scrutiny and greater transparency of performance than exists in similar traditionally-managed public services. What accounts for this? As noted above, one of the differences between the two models is that contract accountability focuses on outcomes more than processes. Moreover, 84% of contract managers felt that accountability is much more personal than it was in the public sector: they feel that they were under the spotlight to deliver. As one of the respondents volunteered: ‘If you believe in your contract and you want to deliver, it does tend to become personal’. The fact that the company faces financial consequences for underperformance is central to this: 92% reported that the threat of financial penalties made the consequences of failure more significant. Contractual documents define most accountabilities, but rarely reflect the whole picture. Day-to-day, 84% of contract managers said they manage a wider set of stakeholders; customers, inspectorates, audit bodies, politicians, community organisations, partner agencies, sponsoring departments and funders all make for a rich network of external interests that must be heard. At the same time, the company’s Board must be satisfied, and through them, investors. ‘It’s a fact of modern businesses, said one respondent – with contract managers taking the load of balancing different demands.

### *Contracts drive better Management*

One of the implications of this heightened accountability is that contract managers are obliged to develop a more detailed understanding of their business than would have been necessary if they were still employed in the public sector (79% agreed with this proposition). Having a detailed knowledge of the contract enables contract managers to make decisions rapidly when problems emerge. 94% of contract managers said that because they were

empowered to make their own decisions, the speed of decision-making was much quicker. One explanation given by former public officials for delays in government decision-making is the necessity of making decisions by committee. Furthermore, more than eight out of ten report that they are required to exercise greater financial discipline than in a similar capacity in the public sector: “How else could you run a contract?” asked one.

### *Freedom to manage*

86% of managers agreed that they had greater freedom to experiment and innovate under a contractual model than they enjoyed as a manager in the public sector. Contract management has its own formalities, but 55% of respondents felt that there was less bureaucracy in private sector contracts – twice the number of those who believe that there is ‘as much’ or ‘more’. 88% report that they are left to resolve more key issues by themselves. This autonomy is important in delivering better public service outcomes: combined with a more intimate knowledge of their business, driven by contract accountability, contract managers are better able to respond to emerging issues.

### *Challenge: Managing the tension between cost and quality*

Front-line managers from both the public and private sectors recognise the challenge of delivering the best possible service to customers and end-users within the constraints of available resources. Contract managers felt that tension as much as anyone, and for them the financial pressures come from two directions – internal management and the client. More than half of the respondents to the survey maintain that the need to deliver a profit rarely, if ever, compromised their capacity to deliver high quality services. Only one in five would give profit priority over delivering a professional service to clients. (Significantly, the proportion of former private sector managers who gave priority to profitability was roughly the same, suggesting that it is the financial demands of the contractual environment that creates the challenge for contract managers, not their background and experience.) In fact, over half of contract managers were clear that delivering a good service takes precedence, with the remainder unable to choose between the two – reflecting the views volunteered by respondents that both requirements need to be balanced. Demands by government clients for cost savings can also compromise service levels to customers and, interestingly, a slightly higher proportion of former public sector contract managers (55%) see client demands for cost savings as compromising service levels, than see the need to deliver profit as sometimes creating this dilemma (43%). It is the people interviewed in this survey –

managers of front-line public services – who are most likely to experience the tension between commercial demands and customer service. What was the most surprising was that only 8% see the need to deliver a profit.

The researchers found that the respondents believed that the services they delivered under contract for government were better than those they provided when they worked in government. They said the difference was in greater managerial freedom, bounded by clear accountabilities and underpinned by a clearer sense of purpose. For most of them, working in government was a positive experience, but less than a quarter would consider becoming a public sector employee again.

## **Performance frameworks**

The introduction of contractual performance measurement has brought with it a revolution in the management of performance in prisons.

### *Measuring prisons performance: The UK experience*

In the UK the Prison Service agrees Key Performance Indicator (KPI) targets annually with Ministers. The experience has been that applying national KPIs directly to individual prisons can be of limited value. Headline KPIs lack the breadth and depth needed to capture the full range of activities carried out in a prison. Nor could they reflect the functional specialism of individual establishments.

A new business planning system for prisons was implemented from April 2000. The new system recognised that previously, performance management of prisons had focused too narrowly on national KPIs and that targets and assessments of performance in prisons had to embrace quality as well as quantity. A central feature of the new business plan was the suite of Key Performance Targets (KPTs), a set of second-order targets, which focus on core prison activities.

Alongside KPTs, the Prison Service introduced a set of 61 Standards to replace a proliferation of guidance notes and instructions to Governors. The new Standards specified more clearly the mandatory actions and key controls required to assure effective delivery, providing a means of ensuring consistent application of policies and baselines against which compliance can be assessed. Compliance is assessed bi-annually by the HQ Standards Audit Unit and each prison has established a self-audit unit to give on-going assurance over the level of compliance and to provide early warning of any key weaknesses.

Together, these quality standards and volume performance targets provide a platform for a balanced and more sensitive view of performance.

### *Service Delivery Agreements*

Establishments agree an annual Service Delivery Agreement with the Area Manager. This confirms accountability for delivery and includes the resources available to the prison and the targets and standards of performance it must deliver. Bespoke targets are negotiated with each establishment, recognising local strengths and areas for improvement. Improved

benchmarking initiatives press prisons to set targets that drive them incrementally nearer the levels of the best.

The business planning documentation is designed so that Standards and prison-level KPTs are assigned to functional managers in the establishment. This provides a means of communicating the strategy and business priorities of the prison and links the business plan directly with the personal job plans and gives measurable objectives for staff.

The system of KPTs and Standards is designed to be flexible, with an annual review to ensure that the bundle is up to date and accurately reflects current policy and priorities.

#### *Using Performance information – the weighted scorecard*

Monthly performance reports for Managers and Governors show performance against business plan targets. These inform monthly performance bi-lateral meetings between the Deputy Director General, Area Managers and individual governors.

A Weighted Scorecard highlights the relative performance of prisons. The scorecard incorporates the range of KPTs included in the prison's SDA, with a weighting for each measure agreed by the Management Board to suit the particular category of prison. The weightings serve to signal priorities more clearly too operational managers. The scorecard uses data already provided by prisons to produce an overall aggregate performance score for each establishment. This is based on their performance against target, against that of comparator prisons and over time.

The model was introduced in April 2001 and is used by managers at all levels across the Service. The scorecard has successfully raised awareness of the issues associated with performance measurement and monitoring. There have been improvements in data quality, since local Managers now understand more clearly how the performance data are being used and want to ensure that their performance is accurately represented. Targets are more equitable because prisons are more aware of the benchmarks being set by comparator establishments. The weightings inherent in the model are helping managers prioritise local improvement plans.

### *Prison Service performance ratings: Prisons League table*

Whilst the weighted score card used a set of quantitative measures to assess the relative performance of each prison, the Prison Service identified that the system missed an number of important qualitative measures which contribute to a healthy prison. In response to this identified weakness the UK Prisons Board introduced the prisons performance rating system which graded prisons based on a four point rating scale. The Prison Service performance rating system takes account of a wide range of factors.

The performance rating allocated is a balanced judgement which takes account of the hard data on outputs and compliance with standards together with softer information, in particular about establishment performance towards delivering decency—both in the physical conditions within prisons and in the treatment of individual prisoners. The judgement is further informed by recent trends in improvements or regression in performance. Resistance to change is seen as a particularly adverse factor.

In the system prisons are placed into one of four categories:

- Performance rating 4: Exceptionally high performing, consistently meeting or achieving targets, no significant operating problems, achieving significantly more than similar establishments with similar resources.
- Performance rating 3: Meeting the majority of targets, experiencing no significant operational problems in doing so, delivering a full and decent regime
- Performance rating 2: Experiencing significant problems in meeting targets and /or experiencing major operational problems, although basically stable, secure and providing a limited, but decent, regime
- Performance rating 1: Failing to provide secure, ordered, or decent regimes, and/or has significant shortfalls against the majority of targets.

The rating is used to identify prisons for benchmarking, a determined and rigorous process for delivering performance improvement across the estate. High performing prisons can earn additional flexibility and autonomy. Consistently under-performing prisons face possible sanctions, including contracting out to the private sector.

## **Measuring performance in prisons using outcomes**

At the centre of any public service outsourcing project is an agreement between the service provider and the State, usually in the form of a contract. This contract specifies the services to be delivered by the contractor and the payments to be made by the customer in return for those services.

Most contracts include some form of performance regime which sets out the standard of service required and the criteria against which the performance of the contract is to be measured. In most cases the performance regime is linked to the payment mechanism that determines the final sum to be paid to the contractor, through a system of performance based penalties and rewards. The purpose of performance measures is to drive service delivery by incentivising the contractor to deliver the desired results. The success of the performance regime has a direct impact on the ultimate success of a service. Poorly designed measures can undermine delivery, stifle innovation, provoke conflict in the contractual relationship and drive inappropriate behaviour.

Care must be taken when designing performance measures to ensure that they drive service delivery in the way intended. Evidence from the UK highlights that when inappropriate measures are employed unforeseen consequences can arise. For example, when contracts were let to train operating companies in the UK, in the early contracts, the penalty for cancelling a train was so high that operators would go to great lengths to avoid it, neglecting other performance measures and disrupting passenger travel by running trains late system wide.

### *Designing Performance Measures*

Designing an effective performance regime requires an understanding of the service needs and the service model (i.e. the business processes linking inputs to outputs to desired outcomes) in order to set measures that motivate the contractor to deliver the desired results. More measures and increased complexity do not lead to better service delivery. It can often be more effective to focus measurement on a limited number of core deliverables that reflect the key success criteria for the contract, allowing the operator to decide the details of delivery as the service evolves. However when concentrating on a small number of powerful incentives, it is particularly important to get them right or ensure that they can be adjusted or changed if required to avoid driving the wrong behaviour.

The performance regime is the most important tool for driving service delivery. However commissioners of services must also understand that providers are motivated by incentives other than risk of financial failure against contractual targets. The power of the client contractor relationship should not be underestimated. Many of the most successful contracts are based on strong partnership principles. Performance is also motivated by a range of reputational, cultural and intrinsic incentives such as the commercial incentive to develop and maintain a good reputation in order to win future business.

The task of designing a contractual performance regime is complex. There has been a shift in recent years from contracting for inputs towards contracting for outputs and outcomes. Contracting for outputs or outcomes makes the contract more flexible, because it allows the service provider to decide the best way to deliver the service in order to meet the client's requirements, and therefore more scope for innovation. It also allows the commissioning agency to set higher goals for the contract rather than specifying contractual targets about tasks to complete or processes to follow, the commissioning authority can contract for results to ensure a higher standard of delivery.

In recent years performance management in UK prisons has evolved away from the use of input measures and process compliance towards output and outcome measures. The change represents an increasingly sophisticated approach with greater focus on delivery, rather than compliance and increased transfer of performance risk. Whilst contractors are not required to take direct responsibility for recidivism rates there is now a greater focus on measures that can help contribute to rehabilitation. For example in the area of training and education services, measures which focused on the number of hours spent in education related activities are supplemented in newer contracts by outcome based measures covering prisoners educational and vocational attainment.

In Australia, the Serco prison contracts in Queensland and Western Australia both have performance regimes that focus on outputs and outcomes rather than the application of penalty regimes. Essentially a portion of the service fee is withheld and only paid on the successful delivery of a mix of standard and best practice performance. In addition there are performance bonuses available for the introduction of innovation that can be transferred to the State prison systems.

In the UK there is a move to develop measures that have a clear social outcome and impact, such as reduced reoffending, improved life skills or health outcomes for prisoners. The

problem has been how to define the required outcomes in a manner that is clearly understood.

At Mount Eden Prison in New Zealand, operated by Serco, the NZ Government had three stated aims for the contract:

- To obtain, on an ongoing basis, increased efficiency and effectiveness in prison management that will deliver sustainable cost savings and service improvements;
- To create opportunities for Māori and New Zealand businesses to contribute intellectual, human or financial resources to the delivery of prison management services by the Contractor at the Contract Prison; and
- To improve public safety by ensuring sentence compliance and reducing re-offending.

The outcome of this was that the contract has a clearly defined performance framework which includes:

Thirty percent of the annual contract fee is linked to KPI performance. Twenty percent of the performance fee is related to reducing offending targets. Of the 14 KPIs, seven are linked specifically to reducing reoffending.

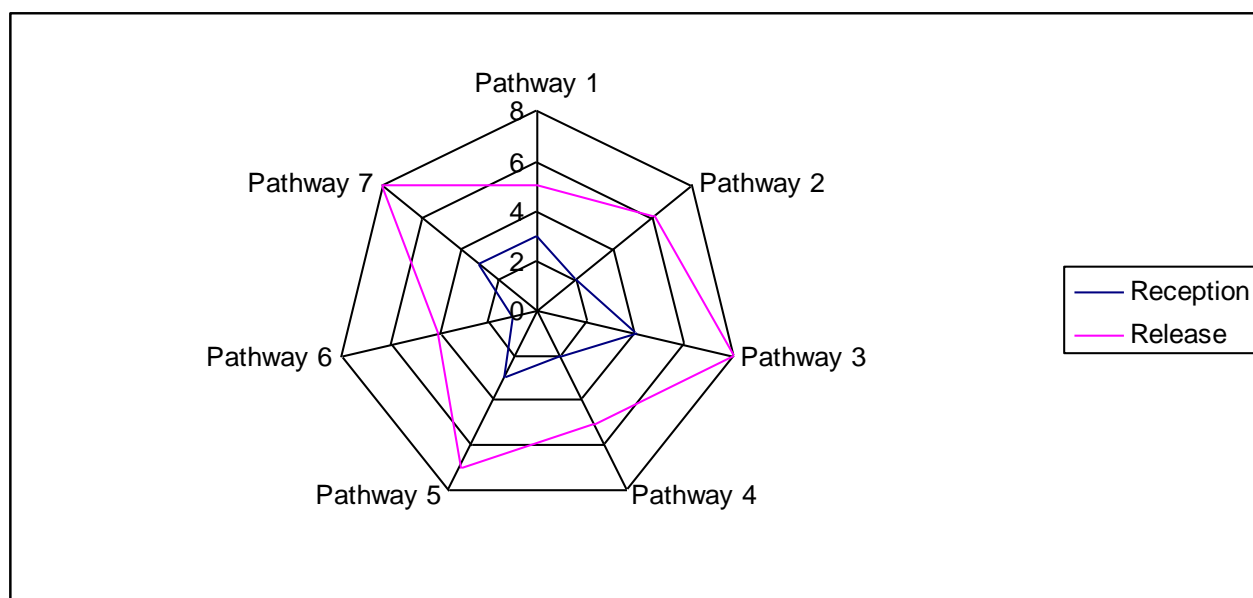
The reducing reoffending key performance measures focus on the seven areas that were linked to reoffending in a report by the UK Social exclusion Unit, 'Reducing re-offending by ex prisoners.'

The evidence shows that these factors can have a huge impact on the likelihood of a prisoner re-offending. For example, being in employment reduces the risk of re-offending by between a third and a half; having stable accommodation reduces the risk by a fifth. The focus for contract prison performance measures should, in the future, focus on the delivery of outcomes in these key areas.

#### *An outcome based payments by results approach*

At Auckland South Correctional Centre, also operated by Serco (1000 bed Public Private Partnership prison that is due to open in April 2015), a slightly different approach has been adopted. In respect to reducing reoffending the approach has been to develop assessment tools that measure where a prisoner is in regard to these seven pathways on reception to the prison with a reassessment being completed prior to release. Payment of fees is linked

to progress made whilst in custody along these pathways to address the key issues and reduced risk to the public.



**Image1: Comparison of reception and release pathway achievements**

This approach encourages the prison provider to look beyond the prison gate for a period after release. Serco are engaging local service providers who work in the field of the seven pathways to ensure that the work begun in prison is followed through on release. This approach drives innovation with the service provider being measured on its ability to reduce reoffending in a much broader context than is now possible.

This work has been developed further at Mount Eden Correctional Facility in New Zealand where Serco has worked with the Department of Corrections to develop a true outcome measure for reducing reoffending. This measure is called the Out of Custody Index (OCI).

The OCI is the average number of cohort days spent out of custody in the [24] months following release from prison.

Any increase in the OCI score is representative of a reduction in time in custody and a resultant drop in the seriousness or levels of offending. The strength of OCI is that it uses a more sophisticated methodology than a standard recidivism index. Standard recidivism indices typically apply a binary test in order to determine recidivism rates for prison releases. If someone is re-imprisoned or reoffends on the last day of the measurement period then this is still counted as a failure. Contemporary desistance theories of recidivism advocate

that desistance cannot be measured by a singular event, serious offenders don't just stop offending. Desistance from offending occurs over time and interventions should be targeted at increasing the length of time between offending events and the seriousness of offending. It is not a question of whether or not someone was reimprisoned, but for how long and how often. Prison duration is a very strong proxy measure for the seriousness of reoffending and conversely as this outcome diminishes reintegration occurs inversely.

The OCI measure is intended to quantify progressive changes to rates of offending, seriousness of offending and impact on victimisation and communities. The measure assumes that successful reintegration will lead to longer periods spent in the community post release and less frequent returns to custody. All successful episodes completed during the reference period will count positively towards the measure, and conversely any return to prison will count negatively against the measure. Because custody duration is a strong "proxy" measure of the propensity to offend as well as the seriousness of offending the measure will detect subtle changes in both factors concurrently.

### *Prison Comparative Performance Tables in NZ*

In New Zealand, in addition to introducing a range of performance measures the Department have developed a model for the monitoring and evaluation of prisons that is similar to the UK approach.

The Prison Performance Table provides accurate monitoring and evaluation of prisons' performance. It:

- Provides a quarterly snapshot on the relative performance of each prison;
- Provides benchmarking between prisons;
- Provides management information for measuring and monitoring prison performance; and
- Contributes to the development of improvement activities.

Each prison is given a performance grade of Exceptional, Exceeding, Effective, or Needs Improvement based on a range of custodial and rehabilitation performance indicators.

Measures where a prison's performance can be adversely affected are:

- The number of assaults on staff and prisoners in both the serious and non-serious categories.

- The percentage of prisoners progressing in literacy and education.
- The number of self harm threat-to-life incidents.

There are three steps to determine a prison's overall rating.

1. At the first level key security measures like escapes and unnatural deaths will be checked. If any of these occur the prison will be classified as needing improvement, no matter how well it's doing in the next two measures.
2. At the next level internal prison issues like the number of complaints, drug testing results, assaults etc are measured. If these are not up to standard the prison will be classified as needing improvement.
3. The third level measures some aspects of our ultimate goal of reducing re-offending, by increasing participation in programmes allowing prisoners to gain job skills and real jobs.

To ensure that the comparison between prisons is fair, variations (for example prisoner population and throughput, security classifications and programmes offered) are taken into account. Prisons assessed in the Needs Improvement category will be supported to lift their measures<sup>xii</sup>.

## **The challenge of comparing prison performance**

In 2007, the Serco Institute undertook a literature survey of 43 studies of prison contracting from four countries covering a period of 25 years. The vast majority of these were case studies, benchmarking one or two privately-managed facilities with several public sector comparators, actual or hypothetical.

One of the greatest difficulties in comparing competed and non-competed prisons (or private and public ones) lies in the difficulty of finding a suitable comparator. Even if two prisons with the same security classification were constructed at around the same time, using a similar design, it is probable that their roles and their populations would differ. The same difficulties arise with before and after comparisons – where the management of the same prison passes from one provider to another. Moreover, studies that take a snapshot of comparative performance in a single year may be unrepresentative of the situation overall.

Another great challenge lies in the quality of financial data. It is unusual for public sector prisons to have a comprehensive chart of accounts for each facility that represents the full cost of operation. And in many cases, the methodology is flawed, with major cost elements, such as public sector pension liabilities or private sector tax payments, simply overlooked.

In several studies, there is evidence that public-managed prisons improved their performance once they were benchmarked against contract facilities.<sup>xiii</sup> And a group of sceptics at the Federal Bureau of Prisons who have challenged the alleged evidence that private prisons are more efficient, have acknowledged ‘the disciplinary power of the market in the long-run’ and that ‘actual or threatened privatization and the corresponding competition it generates. . . provide public managers with additional leverage over public workers and unions’.<sup>xiv</sup>

### *United Kingdom*

One of the most robust comparative studies of prison management was conducted in the United Kingdom in the late 1990s, contrasting four privately-managed prisons, each with its own public sector comparators (which were changed as the roles of the prisons changed). These comparisons were made over four years, using a consistent methodology.

Cost per prisoner and cost per place were both tracked, however because of changes in overcrowding levels, cost per prisoner was the most reliable. On this measure, the contract prisons were, on average 11-15% less costly than their public sector benchmarks. However,

this underestimates the cost differential since it failed to take into account taxes paid by the private providers and the full cost of public sector pensions.<sup>xv</sup>

In 1995, when the Home Office decided to contract for a generation of prisons under the Private Finance Initiative (or PFI, similar to PPPs in the Australian context), the public sector comparators assumed that any new public prisons would be managed by the private sector under contract. In this way, the 11-15% in savings already secured through competition were banked prior to the new competition.

The quality of the public sector comparators used in assessing the PFI prisons was high, since the Prison Service had only recently completed a major programme of prison construction, which had been closely studied by the National Audit Office.

On this basis, the present value of the first of the PFI prisons was a further 17% below its public sector comparator (although this included construction costs as well as operating costs). By the time the contract for the fifth PFI prison had been negotiated three years later, the cost per place for a prison of comparable scale had fallen by 38% from the public sector comparator for the first PFI prison.

Not all of this cost differential can be attributed to operating efficiencies, although since 60-70% of the present value of a PFI prison is attributable to operating costs, we might conclude that they made a significant contribution. While it is difficult to estimate what the total financial benefits might have been, it seems reasonable to conclude that, over a succession of procurements under two different models, competition reduced operating costs by more than 20% and perhaps by as much as 30%.<sup>xvi</sup>

#### *Performance management: quantitative vs qualitative measures*

Performance targets are essential when government contracts for the management of a prison since it is no longer possible for policymakers and senior managers of the system to direct the facility through command and control. Typically, performance targets focus on a relatively small number of key inputs, processes or outputs, using a system to calculate success or failure, with financial rewards or penalties based on performance. The consequences for failure to report (in terms of financial penalties) are so severe, that companies have a powerful incentive to report even minor incidents.

The success of prison contracting in Australia and the UK over a period of almost two decades confirms that in spite of the difficulties that academics had predicted might arise with the contracting of complex services, performance management can be a powerful means of delivering greater transparency and better outcomes.

### *Prison Inspection*

However, prison contracting in the UK has not depended exclusively on quantitative performance measures. When the contract prisons were first established, the UK government had only recently established a Prisons Inspectorate for England and Wales, and it was decided that privately managed facilities would also be subject to this form of scrutiny.

Inspections are qualitative rather than quantitative in nature (albeit based on a formal methodology), which permits the Chief Inspector to scrutinise aspects of prison management that are not (and could never be meaningfully) covered by quantitative targets. There are no financial penalties associated with a critical inspection, although reports of announced and unannounced inspections are released to the public, and the management companies pay close attention to their findings because of the reputational impacts.

Over the twenty years since the first contract prison was opened in the UK, the reports of the Chief Inspector of Prisons have been critical in providing politicians, public servants and the public at large with confidence that these organisations were delivering safe and decent public services. Indeed, it was largely through these reports, that the private sector's contribution to the so-called 'decency agenda' was first brought to light.

## **Operating and design synergies through contracting**

In the UK in the early days of prison contracting the Government designed and built new prisons that were then tendered for operating contracts. Two major downsides of this approach was that the winning provider could not incorporate into their solutions the synergies of design, maximised sight lines/elimination of blind spots, technology and optimised staffing solutions. In addition, many of the state prison builds of the early 1990's ran over budget and failed to be built to time. Therefore, in the mid 1990s in HMPS and in the late 1990s in the Scottish Prison Service (SPS) a new generation of prisons was developed using the Private Finance Initiative. The key advantage of this model was that the contractor designed, built, financed and ran (normally for a 25 year term) the prison. This ensured the synergies of design, build and operating were fully achieved. About 65-85% of prison operating costs relate to staffing (depending on security classification of the prison) so the efficiencies over 25 years had the potential to significantly reduce costs compared to traditional prison development. Due to the identified synergies in development staffing could be managed with reduced head count but an increase in efficiency. In addition, the prisons were built on time and to budget, with heavy damages payable for late availability of prison spaces caused by late build and cost overruns were at the risk of the consortia.

Another advantage of the PPP model was that the State didn't fund the builds up front. This meant the money required to build each prison was acquired from lending consortia as part of the contractor tender, and not from State budgets. The State paid for operating spaces provided and incrementally over 25 years the build costs

### *Staffing gains*

By bringing forward their own designs the contractors were also able to integrate design and layout, and in term staff numbers, deployment and culture. Since PPP prisons were built on green or grey field sites, the majority of the staff were recruited new to the corrections sector. Contracted prisons almost always have lower ratios of staff to prisoners, enabled by greater use of technology, design of units needing less staff, as well as a greater use of non operational staff to deliver services.

Other attributes of the private sector related to cost and performance is the greater cultural unacceptability of poor behaviour or misconduct. The private sector moves quicker with its investigations and hearing processes and will, if the evidence dictates, dismiss people. This

is a necessary protection for the vast majority of excellent staff, ensuring issues are dealt with within appropriate time scales and with appropriate outcomes.

### *Continued Innovation*

Contracted providers bring with them innovations in design that allow improved efficiency in other areas.

Examples include:

- In-cell showers to reduce movement and increase decency;
- Layout, such as class rooms on wings of buildings that allow clear sight lines for security;
- New technology such as remote CCTV coverage leading to much lower levels of violence;
- Innovations as to how services are provided to prisoners (eg in cell learning, self service CMS kiosks);
- Innovation of staffing models and employee skills.

An example of staffing innovation was the introduction of two types of officer. One skilled in prison officer duties, but also undertaking prisoner case management duties and paid more for this skill, and one carrying out “security related” duties only. The pay difference may be 10-15 per cent a year. If half the officers are “security officers” then over a 25 year PPP contract the efficiencies are delivered with an increase in value due to utilisation of specific skill sets better linked to overall performance.

This also allows individuals to specialise. For example, some staff are comfortable working in prison Control Rooms but may not wish to be case manage prisoners. Staffing innovation is a practice that has been adopted in other similar organisations such as the Police, where Community Support Officers (CSOs) were created in the UK with slightly less powers than a police officer.

### *Delivery to an output contract*

One of the key areas of difference in the public and contracted prisons is that the contracted sector delivers to an agreed contract with outcome based measures in the form of KPIs. The contract and KPIs provide clarity as to what has to be achieved and how it will be measured.

Motivation comes from the incentives and penalties. However, the method of achieving the outcomes is left to the contractor. Clearly the operator has to follow appropriate legislation, corrections rules etc but they have the freedom to bring their own systems, methods, culture and technology. They are free and should be expected /encouraged to innovate, both at start up and throughout the contract life.

Most public prisons do not have a clear “contract” or Service Level Agreement (SLA) defining what’s expected from them and how it will be measured across a comprehensive suite of areas. Nor do they have the freedom and particularly the budgetary freedom to decide how they will achieve outcomes and innovate. In contracted prisons, the prison director has to deliver within set budgets to achieve outcomes but can move money from one budget area to another if a more effective or efficient solution (or both) can be achieved. The speed with which this can be done is also vital if delivering against an annual set of KPIs.

### *The next phase in contracting*

Serco’s contract at Wandoo is an excellent example of how the contractor can innovate and taking that innovation cross sector. At Wandoo, Serco are required to provide each prisoner with three months post release support. To do this Serco chose not to provide that community service themselves, but had the freedom to decide how it would achieve the outcome better by partnering or subcontracting to Mission Australia, who had the presence and links within the community. This allowed Serco to find the best means to achieve the outcome, whilst still allowing the customer to hold Serco responsible for the outcome to be achieved. Another major area of innovation introduced for the first time in WA was tracking of reduced recidivism and incorporating this as part of the contract. Although not a measured KPI with linked incentives or payments, Wandoo is demonstrating remarkable early success with recidivism rates of 10-20% compared with the average for that age range of 45-65%.

In the UK the state has commenced pilots with contractors to tie payments or incentives into achieving post release reductions in recidivism- so called Payment by Results (PBR). The role of the prison contractor has expanded. It is not only how to stabilise, look after safely, provide opportunities until release, but the provider has to look at what causes recidivism and importantly, what they can put in place for and with the offender to prevent them reoffending after release. Providers then start looking at post release employment and training, accommodation, health and addictions support, family and community networks,

mentoring and guidance provision. This area is in its infancy, but for providers like Serco, makes the next logical step in the contracting journey. The costs alone of preventing reoffending are substantial in terms of imprisonment costs saved, police costs for each crime, prosecution, court and legal costs, as well as wider societal costs such as housing, welfare and health. In addition inter generational offending is reduced or ceases.

### *The long term relationship*

There is often a misunderstanding about the profit margin levels of the private sector. Serco operates to levels across all its contracts of about 8% which is disclosed in reports by the Office of the Inspector of Custodial Services, unlike sectors such as resources or technology, with much higher double digit profit margins. Prison Contracts are based on long term relationships with the state. From this come two aspects. Firstly reputation is “king” for a contractor. Failure in one contract washes across states and indeed countries, and will affect the future ability of the contractor to win contracts. This long term view is healthy, in that it drives decisions that benefit the long term performance of a contract and avoids short term views that may aim at maximising profit. It also ensures, with relatively low margins, that the parent company puts in place its own assurance measures to ensure a contract both delivers long term success to the customer, but can also each year can deliver within its budget. Excellent sustained service delivery to the customer is sound business sense.

### *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 arrears. Firstly, the state contracting team has full time contract managers with unhindered 24/7 access to all areas of the prison operation and information. 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 often greater than the penalty for the incident reported, if a penalty applies. In most jurisdictions there is also independent scrutiny from legal bodies such as the Office of Custodial Services (OICS), who may conduct pre- arranged inspections, surprise inspections or visits at any time. Their access is unlimited and enshrined in law and independent from DCS as the contracting authority. An Independent Visitors Scheme (IVS) and Aboriginal Visitors Scheme (ABS) also operates in WA, who 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*

Having this independent scrutiny of prison providers (whether state delivered or contracted is vital). It also greatly assists, with the often over simplified statement, that imprisonment is the role of the state. It is, but who runs prisons doesn't need to be. It must be provided decently, safely and in a cost effective manner (cost and outcomes), with scrutiny and accountability. There is now more than sufficient evidence that the contracted sector does this well, to the benefit of offenders and to the wider society. Serco does not in any way advocate for a wholly contracted system, just as it doesn't support a monopoly of public provision. A mixed provider system promotes competition, the raising of standards with comparison of performance, stimulates innovation, ensures things do not become moribund and ultimately through removal of the lowest performers (state or contracted) leads to a system with performance that is always improving.

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<sup>i</sup> Patrick Carter, 'Review of PFI and Market Testing in the Prison Service', Home Office, January 2001, p.3.

<sup>ii</sup> Mike Newell, 'Privatisation – the morale-sapping sledgehammer', The Howard League Magazine, (May 2002) Vol.20 No.2, p.13.

<sup>iii</sup> Public Accounts Committee, 'Value for Money from NSW Correctional Centres', Report No.13/53 (No.156), Sydney: Legislative Assembly of New South Wales, September 2005, p.9.

<sup>iv</sup> This is alluded to in Adrian L. James, A. Keith Bottomley, Alison Liebling and Emma Clare, *Privatizing Prisons: Rhetoric and Reality*, London: Sage Publications, 1997, p.172.

<sup>v</sup> National Audit Office, 'The Operational Performance of PFI Prisons', 2003, p.24. It is possible that public sector ratios remain lower because they manage all of the high security facilities, where a high proportion of female officers may not be so appropriate.

<sup>vi</sup> Alison Liebling and Helen Arnold, 'Measuring the Quality of Prison Life', Research, Development and Statistics Directorate, Findings 174, London: Home Office, 2002. The same study was discussed in much greater depth in Alison Liebling, *Prisons and their Moral Performance*, Oxford University Press, 2004.

<sup>vii</sup> Alison Liebling, 'A Report on the Outcomes of the Acacia Prison Annual Performance Review', March 2007.

<sup>viii</sup> National Audit Office, 'The Operational Performance of PFI Prisons', 2003, p.7; HM Inspectorate of Prisons, 'Report on a Full Announced Inspection of HM Prison/Young Offender Institution Ashfield, 22-26 September 2003', London, 2003, p.3

<sup>ix</sup> See Gary L. Sturgess, 'Competition: A Catalyst for Change in the Prison Service', London: Confederation of British Industry, July 2003, p.20; and National Audit Office, 'The Operational Performance of PFI Prisons', 2003, p.6.

<sup>x</sup> Office of the Inspector of Custodial Services, 'Report of an Announced Inspection of Acacia Prison', Report No.53, 2008, p.iv.

<sup>xi</sup> <http://www.serco-ap.com.au/our-insights/good-people,-good-systems/>

<sup>xii</sup> [http://www.corrections.govt.nz/resources/facts\\_and\\_statistics/prison\\_performance\\_tables.html](http://www.corrections.govt.nz/resources/facts_and_statistics/prison_performance_tables.html)

<sup>xiii</sup> On prisons constructed by the Federal Bureau of Prisons to benchmark a contract facility, see Douglas C. McDonald and Kenneth Carlson, 'Contracting for Imprisonment in the Federal Prison System: Cost and Performance of the Privately Operated Taft Correctional Institution', Cambridge, MA: Abt Associates Inc., 1 October 2005.

On prototype prisons in Texas, see - Criminal Justice Policy Council, 'Texas Correctional Costs, 1987-1988', Austin, Texas: October 1988; 'Texas Correctional Costs, 1989-1990', Austin, Texas: January 1991; 'Texas Correctional Costs Per Day, 1991-1992, Austin, Texas: n.d.; 'Texas Correctional Costs Per Day, 1993-1994', Austin, Texas: February 1995; 'Apples to Apples: Comparing the Operational Costs of Juvenile and Adult Correctional Programs in Texas', Austin, Texas: January 1997; 'Oranges to Oranges: Comparing the Operational Costs of Juvenile and Adult Correctional Programs in Texas', Austin, Texas: n.d. January 1999; 'Limes to Limes: Comparing the Operational Costs of Juvenile and Adult Correctional Programs in Texas', Austin, Texas: n.d. 2001; 'Mangos to Mangos: Comparing the Operational Costs of Juvenile and Adult Correctional Programs in Texas', Austin, Texas: n.d. 2003.

<sup>xiv</sup> Scott D. Camp and Gerald G. Gaes, 'Private Adult prisons: What Do We Really Know and Why Don't We Know More?', in David Shichor and Michael J. Gilbert (eds.), *Privatization in Criminal Justice*, Cincinnati, OH: Anderson Publishing Co., 2001, pp.283-298, at pp.290, 294. See also Julianne Nelson, 'Competition in Corrections: Comparing Public and Private Sector Operations', Revised Version, Alexandria, VA: The CNA Corporation, December 2005, pp.8 & 63.

<sup>xv</sup> Using cost per place – where the cost differential narrowed over time – public officials and some academics later concluded that competition had caused the public sector to improve the efficiency of the benchmark prisons. However, the impact of overcrowding over this same period was so great, that cost per place is not a reliable measure. Moreover, two of the four original contract prisons were won on re-competition by the Prison Service, and this too has been claimed as evidence that the public sector responded to competitive pressure. However, the performance of these two prisons has never been reported publicly, and it is unknown whether they delivered the cost efficiencies that they promised.

<sup>xvi</sup> Gary L. Sturgess et al, 'Competitive Edge: Does Contestability Work?', pp.40-41; Gary L. Sturgess et al, 'Competitive Edge: The Evidence', pp.83-87.