Queensland Commission of Audit
Final Report - February 2013
Volume 3

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Volume 3

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PART D

FRONT-LINE SERVICE DELIVERY

PREFACE

> The Government must achieve better value for money in service delivery. 'Business as usual' is not a sustainable option.
>
> The primary responsibility of the Government is to ensure services are delivered, not necessarily to be the agency that actually does the delivery. It needs to be the 'enabler', not necessarily the 'doer'.

In Part A of this Report, the Commission set out the challenges for Queensland which can only be met by substantial change. The Commission also sets out principles to manage and deliver services.

The approach adopted in examining each of the service delivery sectors in Part D is as follows:

- outline of current funding and service delivery arrangements, and related background or contextual material

- assessment of current performance, including benchmarking, and scope for improvement in performance

- identification of issues impacting future service delivery needs (such as changing patterns of demand for services, for example, due to demographic or other factors)

- identification of potential improvements in productivity, service quality and value for money (for example, through different models of service delivery)

- development of specific recommendations relating to the above.

Note on Data Sources

The Commission has chosen to analyse service delivery issues by sector, based on functional definitions applied in the Report on Government Services (RoGS) which is published on an annual basis by the Productivity Commission on behalf of the Steering Committee for the Review of Government Service Provision. RoGS was originally commissioned in 1993 by Heads of Government (now COAG) to help inform improvements to the effectiveness and efficiency of government services.

The use of RoGS definitions of government services enables benchmarking comparisons of Queensland's performance with other states, including measures of efficiency, effectiveness and equity. There is no other comprehensive or reliable source of information to enable such benchmarking comparisons to be made on a rigorous and consistent basis over an extended period of time.

Much of the information presented in this Report is based on the January 2013 RoGS publication which in most cases incorporates information up to the 2011-12 financial year. In some cases, information is only available up to 2010-11, or for some states. Some RoGS information also is presented in real terms, rather than nominal terms. RoGS draws on a variety of sources, including unpublished government data. There are some limitations in data comparability across states.

The Commission also utilised a wide range of other local, national and international reports and documents in its analysis. In addition, the Commission sought submissions from departments in response to its Terms of Reference, and received a substantial amount of material and assistance from departmental officers.

The Commission has not analysed service delivery issues based on departmental structures. As these structures are subject to machinery of government changes from time to time (for example, for changes in government), and can differ between jurisdictions, it is difficult to obtain reliable and consistent time series data to show longer-term trends and to enable performance comparisons with other states.

As a result, information presented in Part D may differ from departmental information presented in annual reports, annual financial statements, service delivery statements and other budget documentation.

The sectors covered in Part D are health and education (including VET), as well as a range of other major social services such as disabilities, child safety, police, corrective services and emergency services, as these are the functions covered by RoGS data. Collectively, they represent approximately 75% of the total recurrent service delivery expenditure.

There are a range of other economic and/or regulatory functions undertaken by the Queensland Government which are not covered by the RoGS analysis. These include transport and services to industry. These functions are not addressed in Part D, but rather have been considered in Part C of this Report, largely because they primarily serve economic objectives.

Where possible, 2005-06 has been used as the base year for the Commission's analysis. In limited cases, other base years have had to be used, because of the unavailability of data, for example, due to changes in scope, definition and other factors which have resulted in a break in statistical time series.

D1   HEALTH OVERVIEW

KEY ISSUES

- Health policy, funding and service delivery are subject to complex and confusing arrangements within the Australian federal system. Responsibility for particular functions is often blurred, with a lack of transparency and accountability.

- This gives rise to widespread overlap and duplication between the Australian Government and state governments, resulting in significant waste and loss of productivity. Furthermore, the variety of funding sources and agreements has created incentives for cost-shifting between levels of government and providers.

- Queensland has improved its performance on a number of health outcomes, but still is higher than the Australian average for key risk factors for chronic disease, including smoking, short-term, high-risk alcohol consumption, obesity, sedentary/low physical activity levels and inadequate fruit and vegetable consumption.

- Between 2005-06 and 2011-12, Queensland Health recurrent expenses increased by 91%, with much of the increase attributable to increases in the size of the workforce, and increases in salaries, wages and other employee-related expenses. In particular, wage increases for health professionals outstripped increases in the Consumer Price Index.

- Between June 2006 and June 2012, Queensland Health's workforce increased from 47,521 to 68,864, or by 44.9%:

  – Clinical staff numbers increased from 28,748 to 43,245, or by 50.4%.
  – Non-clinical staff numbers increased from 18,773 to 25,619, or by 36.5%.

  The largest increase in employment was in the managerial and clerical group, where numbers increased from 9,439 to 14,312, or by 51.6%.

- Between 2007-08 and 2011-12, recurrent expenditure on public hospitals increased by 42.9%, while hospital activity measured in Weighted Activity Units (WAUs) increased by only 17.1% over the same period, indicating a decline in productivity. Episodes of care per medical FTE and nursing FTE have both declined.

- Population growth, ageing and chronic disease will continue to contribute to increased demand for health services – demand is expected to grow by 73.5% for public hospital inpatient services and 64% for emergency department presentations between 2010-11 and 2026-27.

- The way in which health services currently are delivered is unlikely to be sustainable into the future. Changes are necessary to ensure that health services are accessible and affordable for the community.

D1.1 SECTOR RESPONSIBILITIES

Health policy, funding and service delivery are subject to complex and confusing arrangements within the Australian federal system. Responsibility for particular functions is often blurred, with a lack of transparency and accountability. This gives rise to widespread overlap and duplication between the Australian Government and state governments, resulting in significant waste and loss of productivity. Furthermore, the variety of funding sources and agreements has created incentives for cost-shifting between levels of government and providers.

The key intergovernmental agreements governing the delivery of health services are as follows:

- the National Health Care Agreement (NHCA), which defines the objectives, outcomes, outputs and performance measures and clarifies the roles and responsibilities to guide the Australian Government and the states in delivery of services across the health sector

- the National Health Reform Agreement (NHRA), which outlines the shared intention of the Australian Government and state and territories to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the Australian health system.

There are also a number of National Partnership Agreements (NPA), which outline arrangements for specific health services such as immunisation and preventative health.

The scope of services provided by Queensland Health has expanded beyond its core responsibilities – mainly the public hospital system – to address health needs not being met in areas which are the primary responsibility of the Australian Government. This has placed additional pressure on the resources available in the health system in Queensland.

The complexity of the health sector is illustrated in Figure D1.1, which shows the various parties responsible for policy, funding and service delivery across the different elements of the health care continuum in Queensland, being the range of services available within the health sector to address the health and wellness needs of the population.

Figure D1.1
Providers, policy and funding within the Queensland health sector

	Hospitals	Primary & Community Health	Mental Health	Aged Care
Health Service Providers	Public Hospitals	GPs	Community Care Units	Non-Government Aged Care Providers
	Private Hospitals	Community Health Centres	Non-Government Organisations	State Government Aged Care Providers
	Multi-Purpose Health Services[1]	Multi-Purpose Health Services	Private psychiatrists	Multi-Purpose Health Services
		Allied Health and Community Care Providers	GPs	
		Non-Government Organisations	Public Hospitals	
		State & Local Governments	Psychiatric Hospitals (public and private)	
Policy Responsibility	Queensland Govt.	Australian Govt. Queensland Govt.	Australian Govt. Queensland Govt.	Australian Govt. (Over 65s) Queensland Govt. (Under 65s)[2]
Funding Responsibility	Australian Govt. Queensland Govt. Private Health Insurance Individuals	Australian Govt. Queensland Govt. Private Health Insurance Individuals	Australian Govt. Queensland Govt. Private Health Insurance Individuals	Australian Govt. (Over 65s) Queensland Govt. (Under 65s) Individuals[2]

Notes:
1 Multi-purpose health services are health services in rural and remote areas which are funded by both the State and Australian Governments. Services provided in multi-purpose services include a combination of aged care services, hospital services and community care. Further detail on multi-purpose health services is included in Section D5 Residential Aged Care.
2 Queensland is responsible for a number of disabled people under 65 who reside in Aged Care Facilities.

Source: Commission of Audit

Since 1 July 2012, Queensland Health has comprised 17 Hospital and Health Services (HHSs) and the Department of Health:

- The HHSs are statutory bodies and are the principal providers of public sector health services. Each HHS is independently and locally controlled by a Hospital and Health Board.

- The Department of Health is responsible for the overall management of the public health system and its responsibilities include: state-wide planning, managing state-wide industrial relations, monitoring HHS performance and managing major capital works.

The change to a decentralised structure was in response to national reforms led by the Council of Australian Governments (COAG) to change the governance, funding and delivery of health services in Australia to support a model of local control and decision making, in order to foster innovation and flexibility to pursue local efficiencies.

At the corporate level, the Department of Health has assumed the role of a System Manager responsible for strategic policy, state-wide planning and negotiation of performance based service level agreements with the HHSs.

Issues relating to the revised structural arrangements for Queensland Health are addressed in more detail in Section D6.

D1.2 FUNDING

The Australian Government is the predominant funder of health services in Australia, although the majority of this funding is for individual health services such as medical and pharmaceutical benefits. States are the main providers of hospital services, and deliver the bulk of hospital services from their own resources, with support from the Australian Government.

Chart D1.1 shows the contributions of the State, Australian Government and non-government sectors to the funding of health services in Queensland. In 2010-11, total recurrent health expenditure in Queensland was $24.6 billion, of which the Australian Government funded $10.8 billion (44%) and the Queensland Government funded $6.6 billion (27%).

Chart D1.1
Queensland recurrent health expenditure, by source of funding
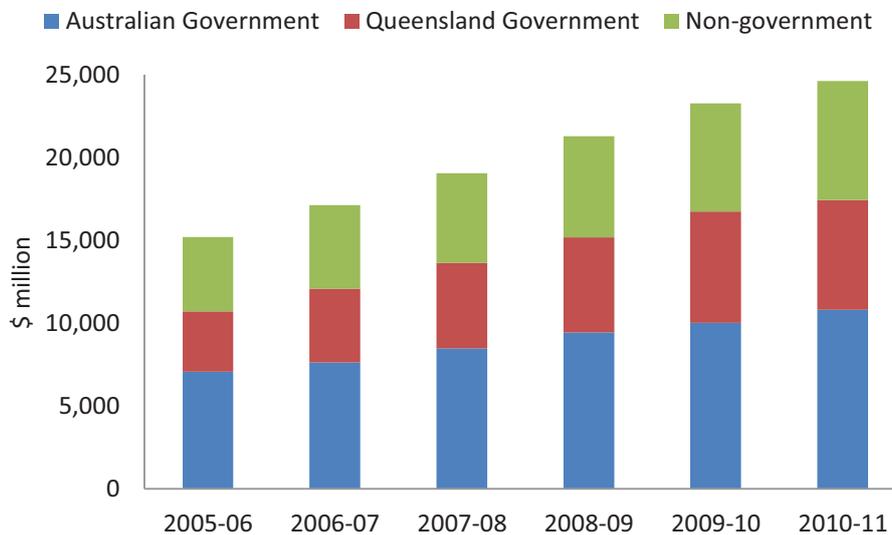
Note: State government may include some local authority expenditure.

Source: Australian Institute of Health and Welfare, Australian Health Expenditure 2010-11, and unpublished data cube

Chart D1.2 shows that state recurrent health funding increased by 67% in Queensland between 2005-06 and 2010-11, a greater increase than any other state, and ahead of the national average increase of 41%. In 2005-06, the Queensland Government had the second lowest level of per capita health funding, spending 92% of the national average. By 2010-11, Queensland per capita health funding was 9% higher than the national average.

Chart D1.2
State government health funding
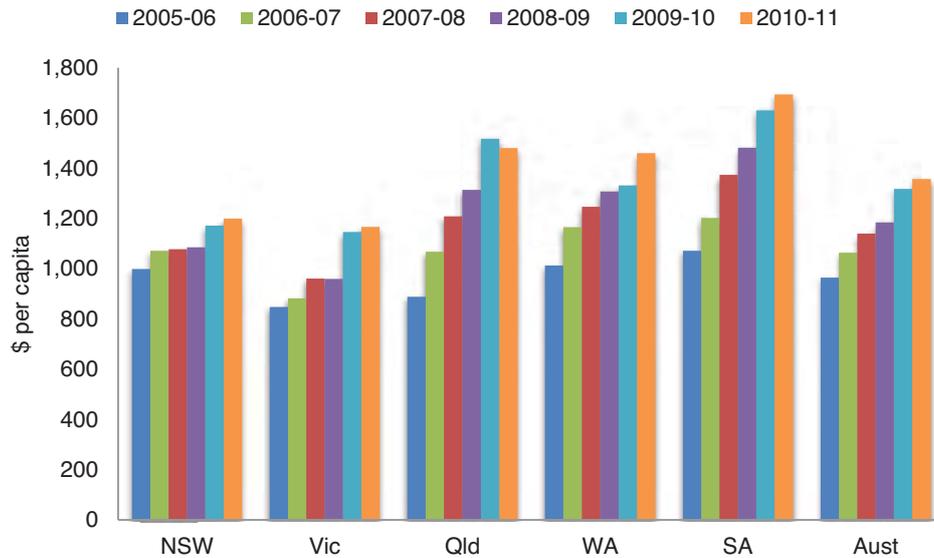
Source: Australian Institute of Health and Welfare, Australian Health Expenditure 2010-11, and unpublished data;
and Commission of Audit

Chart D1.3 provides a disaggregation of the budget according to Queensland Health service categories. In 2012-13, acute care is expected to account for just over half of the total Queensland Health budget, with ambulatory care accounting for a further 20%.

Chart D1.3
Queensland Health budget by service categories, 2012-13
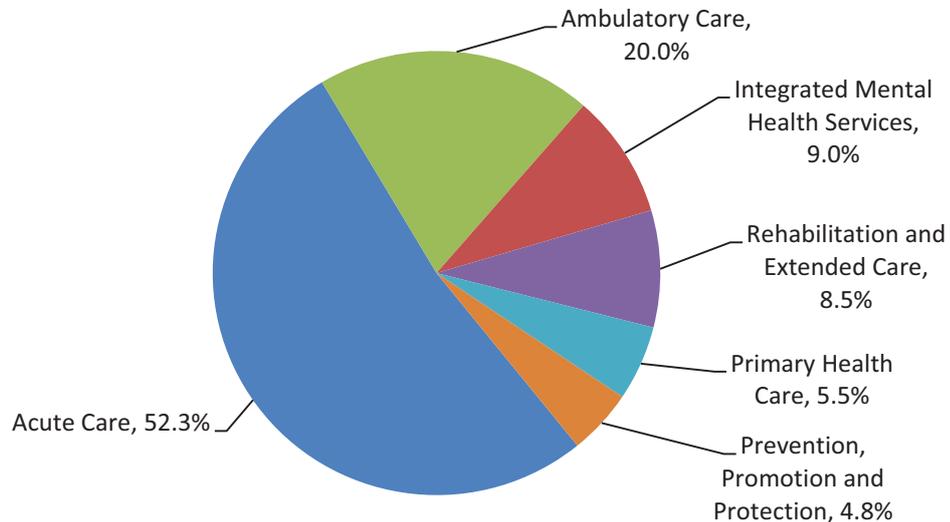
Source: Queensland Government, State Budget Papers 2012-13, Queensland Health Service Delivery Statement

The Queensland Health service categories translate to the Productivity Commission Report on Government Services (RoGS) health categories used in this Report broadly as follows:

Acute Care and Ambulatory Care	➡	Public Hospitals
Primary Health Care and Prevention, Promotion and Protection	➡	Primary and Community Care
Integrated Mental Health Services	➡	Mental Health
Rehabilitation and Extended Care (component)	➡	Residential Aged Care

D1.3   PERFORMANCE

D1.3.1   Health outcomes

The Queensland Chief Health Officer's report – *The Health of Queenslanders 2012: Advancing Good Health*[1] – provides a comprehensive analysis of the health status of Queenslanders. It shows improvements in health outcomes in a number of areas, as follows:

- Smoking, a major cause of lung cancer and cardiovascular disease, has declined 4% each year between 2001 and 2012.

- The number of Queenslanders engaging in the recommended amount of physical activity continues to increase, at 56.1% for adults and 44.0% for children in 2012.

- Life expectancy has increased by 2.7 years in a decade and is on par with the national average.

- The all-cause death rate decreased by 1.4% per year between 2000 and 2010.

- Queensland has one of the highest childhood immunisation rates at 90.3%, which is above the national average of 89.6%.[2]

The report also notes the relatively poor outcomes for Indigenous Queenslanders, observing that the greatest relative difference in health status among Queenslanders is between Indigenous and non-Indigenous Queenslanders. For instance:

- Life expectancy for Indigenous Queenslanders is 10.4 years lower for males and 8.9 years lower for females.

- The burden of disease and injury for Indigenous Queenslanders is 2.1 times that of others.

While improvements have been achieved, there are some areas in which health outcomes in Queensland are weaker than the national average. In particular, infant mortality rates have remained above the national rate for the last decade, as shown in Chart D1.4. Infant mortality is recognised internationally as one of the most important measures of the health of a nation and its children.

Chart D1.4
Infant mortality rate
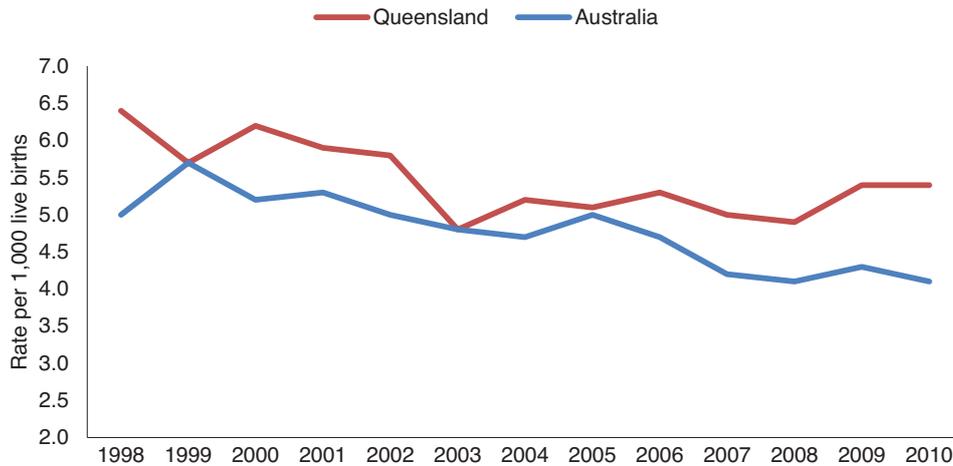
Source: ABS 4102.0

The Queensland Chief Health Officer's 2012 report highlighted that chronic disease causes 88% of the burden of disease and 91% of all deaths in Queensland.[3] Compared with Australia, Queenslanders have slightly higher rates for most of the health risk factors which contribute to chronic disease.

As shown in Chart D1.5, Queensland has a higher proportion of the population with key risk factors for chronic disease, including smoking and short-term high-risk alcohol consumption, obesity, sedentary/low physical activity levels, and inadequate fruit and vegetable consumption. While Queensland's indicators are slightly worse than the national average for these risk factors, there is some indication of improvement since the previous data collection.

Chart D1.5
Proportion of population with risk factors for chronic disease, 2011-12
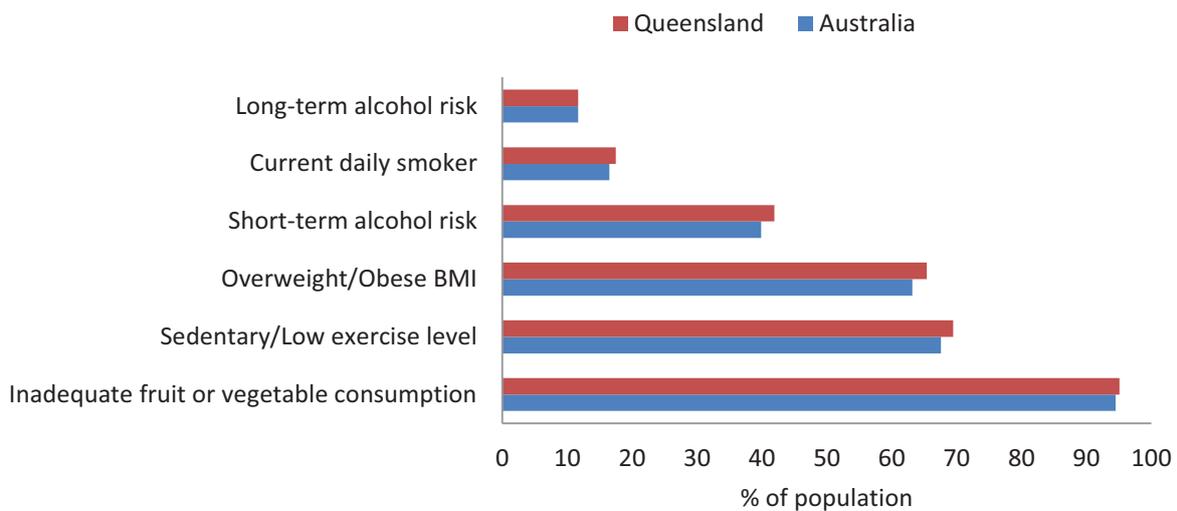
Source: ABS 4364.0.55.001

Medical research suggests the above health risk factors can develop into chronic diseases, such as diabetes, respiratory disease, cardiovascular disease, and cancer. Queensland's higher standardised death rate for these diseases (shown in Chart D1.6) is consistent with a higher proportion of the population in Queensland with chronic disease risk factors.

Chart D1.6
Standardised death rates, 2010

■ Queensland ■ Australia
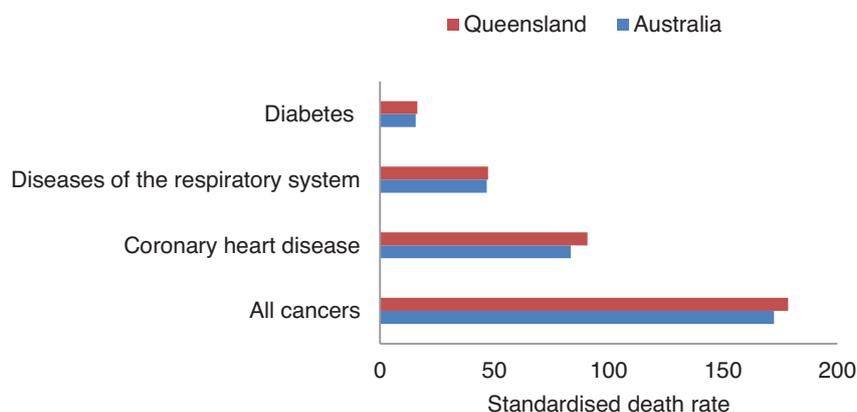
Source: ABS 3303.0

While Queensland is slightly below the Australian average for some health outcome indicators, there is no straightforward solution to improving health outcomes. For example, it is not clear that there is necessarily a close correlation between health expenditure and health outcomes. For example, the Commission's analysis shows that recent increases in health expenditure in Queensland have not resulted in commensurate increases in health outputs, and by extension, improvements to health outcomes.

Achieving improvements in health outcomes requires an approach which goes beyond health service delivery. There are a range of other factors, such as socioeconomic status and education levels, which contribute to achieving improved health outcomes.

Furthermore, chronic disease is projected to cause the greatest disease burden into the future, and there is a well-documented correlation between chronic disease and lifestyle factors. This suggests that there needs to be greater emphasis on individual responsibility for informed choices about lifestyle factors and their impact on health outcomes.

D1.3.2   Resourcing

Queensland has experienced significant growth in spending on health services in recent years. Between 2005-06 and 2011-12, Queensland Health's recurrent expenses increased by 91%, from $5.9 billion to $11.3 billion, representing an 11.4% per annum cumulative annual growth rate (CAGR). Queensland Health expenses are shown in Chart D1.7.

Chart D1.7
Queensland Health expenses
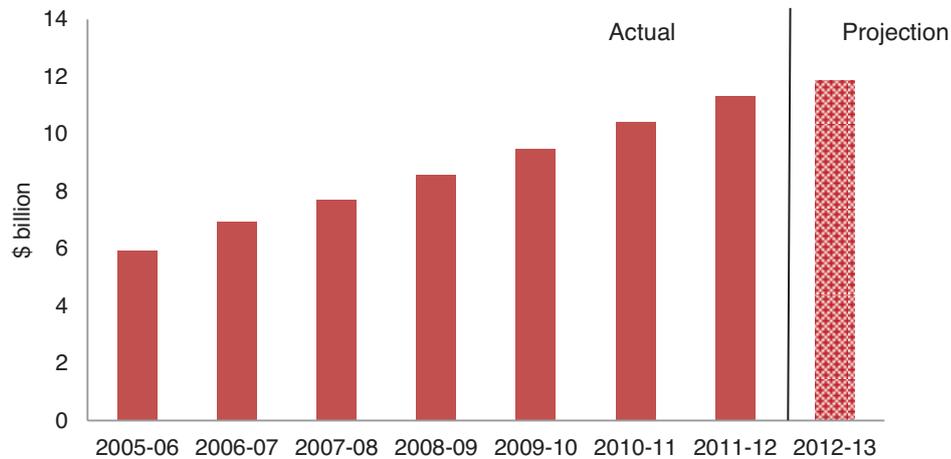
Source: Queensland Health, Annual Report, various years; and Queensland Government, State Budget Papers 2012-13

Of the $5.4 billion increase in expenditure by Queensland Health between 2005-06 and 2011-12:

- 29% ($1.6 billion) was related to an increase in full-time equivalent staff numbers
- 42% ($2.3 billion) was related to the increases in salaries, wages and other employee related expenses
- 29% ($1.6 billion) was related to other (non-employee related) expenses.

D1.3.3   Staffing

Table D1.1 shows the increase in staffing by category of employment. Between June 2006 and June 2012, Queensland Health's workforce increased from 47,521 to 68,864, or by 44.9%:

- Clinical staff numbers increased from 28,748 to 43,245, or by 50.4%.
- Non-clinical staff numbers increased from 18,773 to 25,619, or by 36.5%.

The largest increase in employment was in the managerial and clerical group. Between 2005-06 and 2011-12, managerial and clerical staff numbers increased by 51.6% from 9,439 to 14,312. This continues a long-term trend which has seen managerial and clerical staff increase from 13.3% of the Health workforce in 1995-96 to 21% of the Health workforce in 2011-12. Growth in recent years was intended in part to reduce the administrative workload for clinical staff, but this has not produced the expected improvements in productivity.

Table D1.1 Queensland Health staffing by category (Full-time equivalent)					
Category	**June 2006**	**June 2012**	**Increase (%)**	**December 2012**	**Decrease (%)**
Clinical staff					
Nursing	18,199	26,393	45.0	25,859	-2.0
Medical (incl. Visiting Medical Officers)	4,015	7,129	77.6	7,154	0.4
Health practitioner/Professional/Technical	6,534	9,723	48.8	9,379	-3.5
Total clinical	**28,748**	**43,245**	**50.4**	**42,393**	**-2.0**
Non-clinical staff					
Managerial and clerical	9,439	14,312	51.6	13,272	-7.3
Other non-clinical	9,334	11,307	21.1	11,039	-2.4
Total non-clinical	**18,773**	**25,619**	**36.5**	**24,311**	**-5.1**
Total staff	**47,521**	**68,864**	**44.9**	**66,704**	**-3.1**

Source: Queensland Health

Since June 2012, the number of full-time equivalent employees (FTEs) has fallen by 2,160 or 3.1%. The largest reductions have been in managerial and clerical staff, which have been reduced by 1,040 FTEs (7.3%).

Table D1.2 shows the staffing profile based on the new structure of Queensland Health. This shows that the reductions in staffing between June 2012 and December 2012 have occurred primarily in the Department of Health (that is, the System Manager), rather than in the HHSs.

Table D1.2 Queensland Health FTEs					
	June 2006	**June 2012**	**Increase (%)**	**December 2012**	**Decrease (%)**
Hospital and Health Services	41,439	59,995	44.8	59,014	-1.6
Department of Health	6,082	8,869	45.8	7,689	-13.3
TOTAL QUEENSLAND HEALTH	**47,521**	**68,864**	**44.9**	**66,704**	**-3.1**

Source: Queensland Health

D1.3.4   Productivity

Since 2007-08, the rate of growth in health expenditure, particularly on public hospitals, has outstripped hospital outputs, indicating a decline in productivity. Chart D1.8 shows the rate of growth in Queensland public hospital expenditure and outputs, as measured by weighted activity units (WAUs), which are a standard unit of public hospital activity. Between 2007-08 and 2011-12:

• Hospital expenditure increased by 42.9%, representing a compound annual growth rate (CAGR) of 9.3% per annum.

• Hospital activity (WAUs) increased by 17.1%, representing a CAGR of 4.0% per annum, or less than half the level of expenditure growth.

Chart D1.8
Public hospital expenditure and activity trends
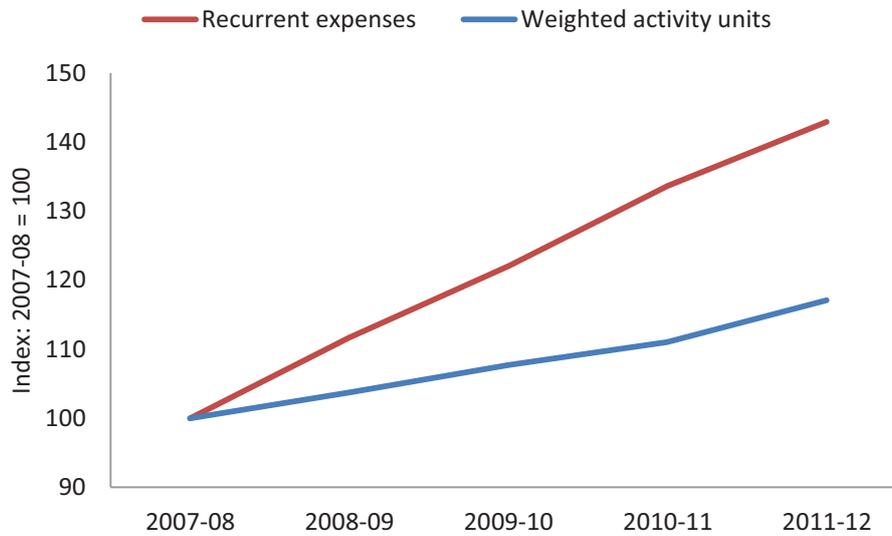
— Recurrent expenses   — Weighted activity units

Note: Consistent published expense data only available from 2007-08. WAUs include all hospital activity: inpatients, outpatients and emergency department presentations.

Source: Queensland Health

Wages for health workers have increased significantly in recent years. Chart D1.9 shows representative wage movements for three of the major employee groups within the Queensland health system. The sample shows that wages in the sector have increased by between 20.5% and 111% between 2006 and 2012. These increases compare with an increase in the consumer price index of 19.7% over the same period. The exceptionally large increase for the health practitioner stream reflects negotiated wage increases as well as a reclassification process which resulted in movements in pay levels.

Chart D1.9
Increase in wages for selected health employees, 2006 to 2012

— Consumer price index
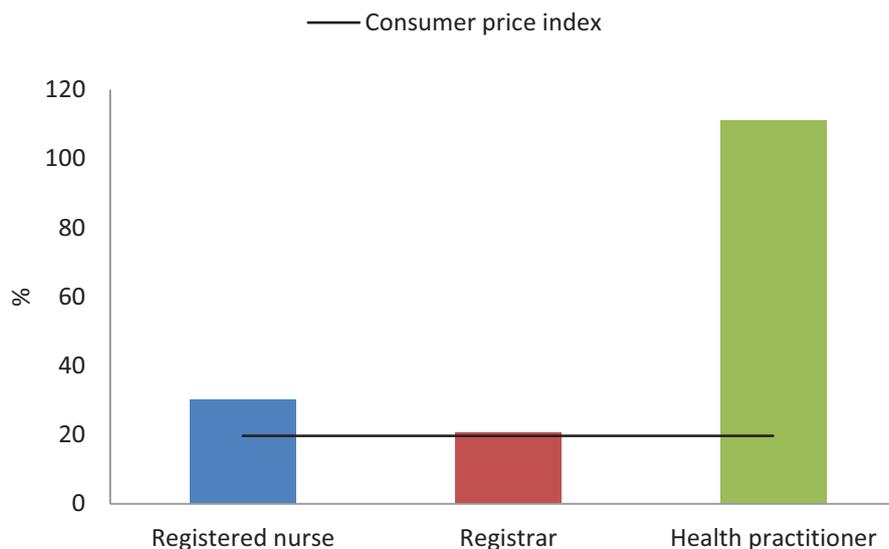
Note: The health professional stream covers a wide range of occupations including social workers, physiotherapists and occupational therapists. The calculation for this group reflects the largest increase obtainable from the classification restructure and review process. A number of employees in the health practitioner stream would not have received increases of this magnitude.

Source: Queensland Health

As a result of these increases, wages for health practitioners in Queensland are higher than in other states (Chart D1.10). Wages for registered nurses and registrars are broadly comparable with New South Wales and South Australia.

Chart D1.10
Comparison between Queensland Health wages and other states, 2012
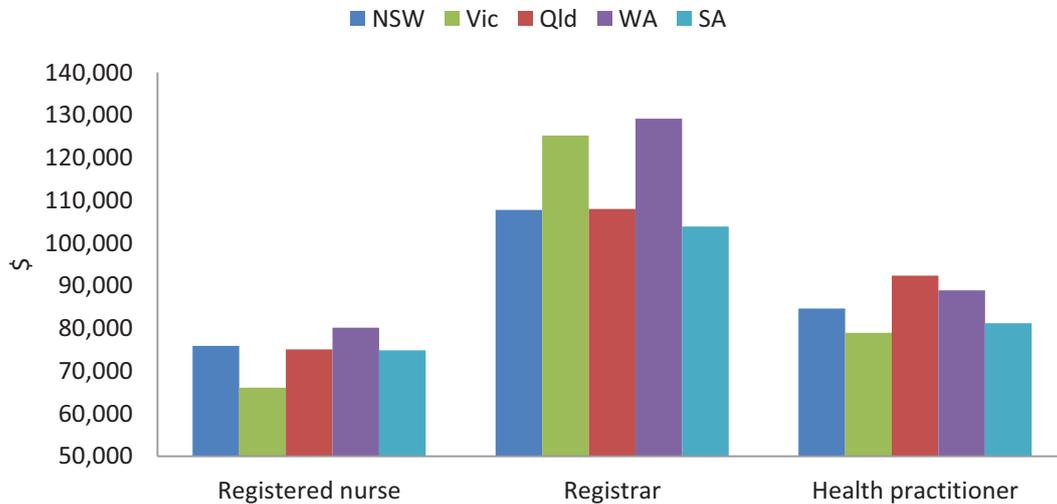
Note: Comparison data is base pay, excluding allowances.

Source: Queensland Health

Charts D1.11 and D1.12 reflect the latest data on episodes of care, and show that workforce productivity for medical and nursing staff has decreased since 2005-06 – measured in terms of admitted episodes of care per FTE. In interpreting these charts, consideration needs to be given to the clinical safety and quality issues that were raised in the reviews of the health system in 2005-06, and the resulting investment provided for additional clinical workforce to address those issues.[4]

Chart D1.11 illustrates that episodes of care per medical FTE have declined by 23% since 2005-06, from 187 to 144 episodes of care per medical FTE.

Chart D1.11
Episodes of care per medical (incl. VMO) FTE
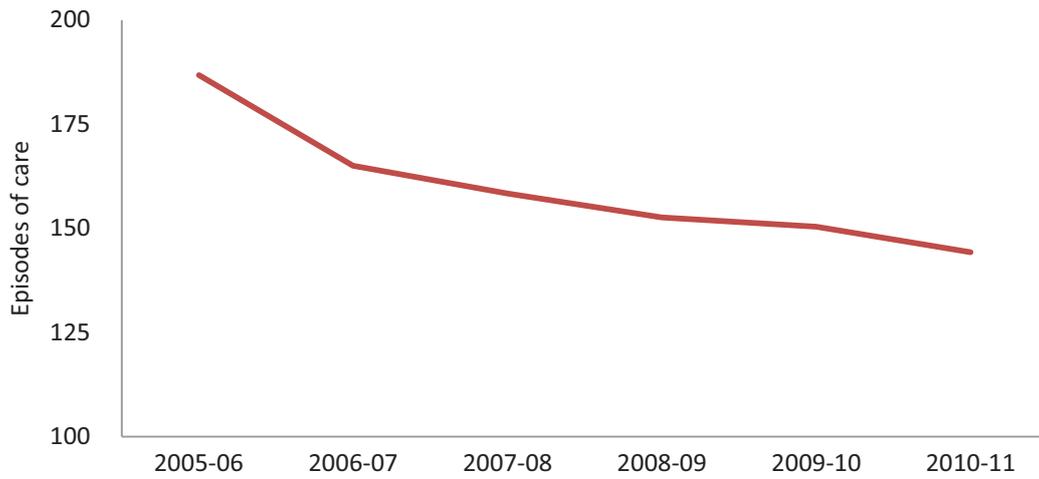
Note: Visiting Medical Officer (VMO)

Source: Queensland Health

Chart D1.12 shows that episodes of care per nursing FTE have declined by 9% since 2005-06, from 43 to 37 episodes of care per nursing FTE.

Chart D1.12
Episodes of care per nursing FTE
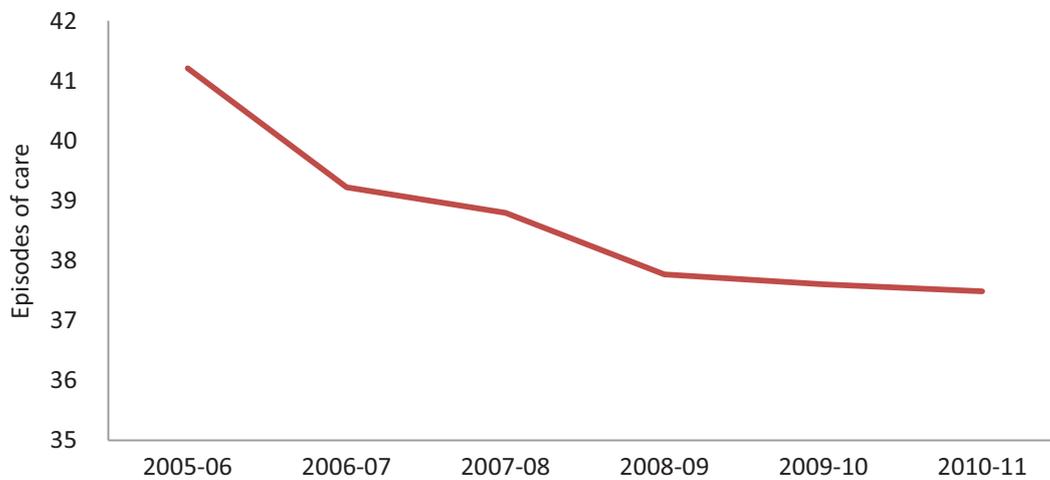
Source: Queensland Health

D1.4   FUTURE DIRECTION

Projections by the Commission (see Section A.1 of this Report) indicate that Queensland's population is likely to grow from around 4.5 million persons at June 2011 to between 7.4 and 7.8 million persons by 2050. Queensland's population is projected to age significantly over the next 40 years with the proportion of persons aged 65 and over increasing from 13% in 2010 to 21% in 2050. Over this period, this population cohort is expected to increase from 560,000 to 1.66 million, an increase of 198%. The ageing of the population, along with increasing life expectancy and ongoing advances in medical technology and treatments, are expected to lead to continuing increases in the demand for health services.

The 2010 Intergenerational Report shows that Australia's fiscal gap (the difference between spending and revenue) will gradually deteriorate from 2018-19 due to health and ageing pressures – and by 2049-50 spending will exceed revenue by 2.75% of GDP. While these are national projections, they nevertheless demonstrate the likely impact of an ageing population and its demand for health services in particular on government spending. Projected national health expenditure scenarios are shown in Chart D1.13.

Chart D1.13
Total Australian Government health expenditure, with and without non-demographic growth (in 2009-10 dollars)
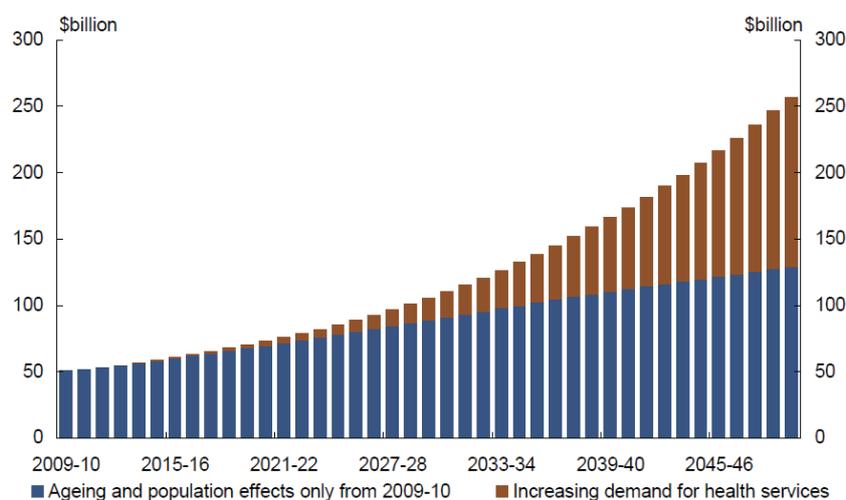
Source: Australian Government, 2010 Intergenerational Report

The demand for health services in Queensland is expected to be consistent with national projections. Projections by Queensland Health indicate that between 2010-11 and 2026-27, demand for public hospital services in Queensland is expected to grow by:

- 73.5% for inpatient services (measured in WAUs)
- 64% for emergency department presentations
- 28.5% for outpatient services (measured in occasions of service).[5]

The impact of chronic disease is likely to further increase demand for and expenditure on health services. The National Chronic Disease Strategy estimated that chronic disease accounted for approximately 80% of the burden of disease in Australia (measured in disability adjusted life years)[6]; while the Australian Institute of Health and Welfare estimated that it is likely to lead to an increase of 189% in health and residential aged-care expenditure between 2003 and 2033.[7]

Against a background of declining productivity and increasing demand, the way in which health services currently are delivered is unlikely to be sustainable into the future. Changes are necessary to ensure that health services are accessible and affordable for the community.

There is an urgent need for greater clarity in health sector arrangements within the Australian federation, so that funds are better used than they are at present. The Queensland Government and the Australian Government should carefully delineate the specific functions for which each level of government is responsible, with each government fully meeting its obligations and holding the other accountable. This should include transfer of functions to the Australian Government where this is practical.

There is a need for greater collaboration between the primary health sector and the acute sector, to enable the Queensland Government to refocus resources on its core responsibilities, especially in relation to the public hospital system.

Changes are also needed to develop more efficient and effective models of service delivery which provide improved value for money and better health outcomes. In the following Sections D2-D5 in this Report, the Commission has addressed the future challenges of health service delivery in relation to the following health sectors:

- public hospitals
- primary and community care
- mental health
- residential aged care.

In addition, Section D6 canvasses a range of issues relating to 'enablers' which provide essential support for the delivery of health services across these four sectors. These enablers include infrastructure, workforce, performance and accountability frameworks, and technology.

Recommendations

64 *The Queensland Government and the Australian Government delineate the specific health functions for which each level of government is responsible, with each government fully meeting its obligations.*

In relation to services such as primary health care, aged care and certain mental health services, the Queensland Government should:

- *vigorously resist any cost-shifting from the Australian Government to the State*

- *seek reimbursement for the cost of delivering services that are the responsibility of the Australian Government.*

ENDNOTES

1   Queensland Health, *The Health of Queenslanders 2012 Advancing Good Health*, accessed from
     www.health.qld.gov.au

2   Australian Bureau of Statistics. Australian Social Trends – Data Cube Health, cat. no. 4102.0;
     2012,accessed from www.abs.gov.au

3   State of Queensland, *The Health of Queenslanders 2012: Advancing Good Health*

4   See Queensland Public Hospitals Commission of Inquiry & G Davies, *Queensland Public Hospitals
     Commission of Inquiry Report,* 2005 accessed from www.parliament.qld.gov.au

5   Queensland Health, *Inpatient, Outpatient & Emergency Demand Projections*, 2012, unpublished

6   National Health Priority Action Council, *National Chronic Disease Strategy*, Australian Government
     Department of Health and Ageing, 2006, accessed from www.health.gov.au

7   Australian Chronic Disease Prevention Alliance, *Submission to the National Preventive Health
     Research Strategy 2012-2016*, 2012, accessed from www.anpha.gov.au

D2   PUBLIC HOSPITALS

KEY ISSUES

- The delivery of public hospital services is the core business of state health departments under the National Health Care Agreement (NHCA). Policy and funding responsibilities are shared with the Australian Government.

- In 2011-12, there were approximately 170 public hospitals in Queensland, with 10,804 available beds and bed alternatives.

- Public hospital expenditure increased by 42.9% between 2007-08 and 2011-12, but hospital activity increased by only 17.1%, indicating a decline in productivity.

- The cost per national weighted activity unit (NWAU) of public hospitals in Queensland was 11% higher than the national efficient price (NEP) in 2009-10. This is a key financial risk for the State under current national health reforms. Unless Queensland is able to improve its efficiency to the NEP, it will incur a greater cost burden than is necessary under the new health funding arrangements with the Australian Government.

- Between 2010-11 and 2026-27, demand for public hospital services is expected to grow by 73.5% for inpatient services, 64% for emergency departments and 28.5% for outpatient services.

- Against a background of declining productivity and increasing demand, the way in which public hospital services currently are delivered is unlikely to be sustainable into the future. Changes will be required in models of service delivery across the full spectrum of public hospital services, including inpatient, outpatient and emergency department services.

- Hospital services and primary care services need to be better integrated to avoid hospitals providing services which could be provided in GP clinics or in a home setting.

- There are opportunities for increased contestability in the provision of public hospital services, including clinical, clinical support and non-clinical support services.

- Queensland does not fully recover the costs incurred by public hospitals in treating patients from whom costs are recoverable.

D2.1 SERVICE PROFILE

The delivery of public hospital services is the core business of state and territory health departments under the National Health Care Agreement (NHCA). Policy and funding responsibilities are shared with the Australian Government.

Queensland Health provides the full range of ambulatory (emergency and outpatients) and acute inpatient services through public hospitals.

In 2011-12, Queensland's 170 public hospitals throughout the State provided:

- 954,420 admitted patient episodes of care, totalling 2.6 million patient days
- 1.7 million emergency department occasions of service
- 3.4 million specialist outpatient occasions of services
- 6.1 million diagnostic and outreach occasions of services
- 10,804 available beds and bed alternatives.[1]

D2.2 COMPARATIVE PERFORMANCE

D2.2.1 Expenditure

Since 2005-06, the Queensland Government has significantly increased health expenditure, following two key reviews into the performance of the health system: the Queensland Health Systems Review and the Queensland Public Hospitals Commission of Inquiry.

The funding disaggregation for Queensland public hospital services is shown in Chart D2.1. In 2010-11, the Queensland budget funded 52% of hospital expenditure, with the balance being funded by the Australian Government (40%) and non-government sources (8%).

Chart D2.1
Public hospital expenditure, by source of funding
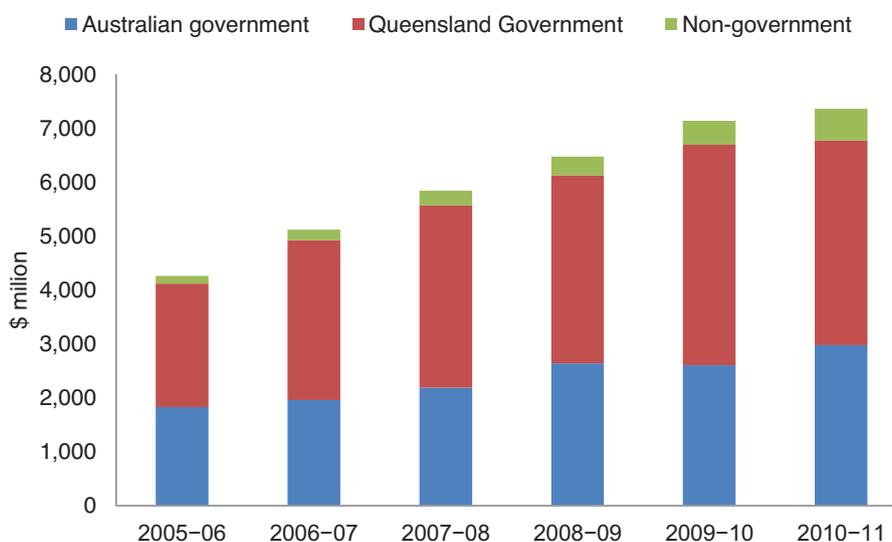
Note: State government may include some local authority expenditure.

Source: Australian Institute of Health and Welfare, Health Expenditure Australia, various years

Chart D2.2 shows a comparison of per capita expenditure on public hospitals, with the mainland states and the national average. Queensland's expenditure per capita on public hospitals has increased from 85.6% of the national average in 2005-06 to 94.3% in 2010-11.

Chart D2.2
Comparison of public hospital recurrent expenditure
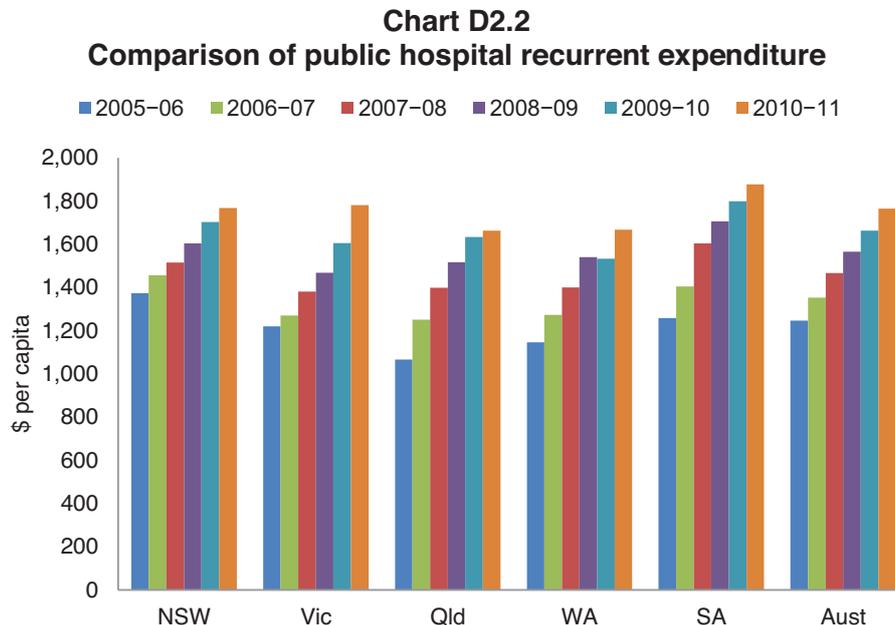
Note: Care should be taken when making jurisdictional comparisons of the above data due to differences in coverage of the data.

Source: Australian Institute of Health and Welfare, Health Expenditure Australia, various years; and Commission of Audit

D2.2.2   Efficiency

The significant increase in investment in the Queensland health system has not resulted in a commensurate increase in activity. As shown in Chart D2.3, Queensland public hospital expenditure increased 42.9% between 2007-08 and 2011-12, yet hospital activity, measured in weighted activity units (WAU), increased by only 17.1%, indicating a decline in productivity.

Chart D2.3
Public hospital expenditure and activity trends
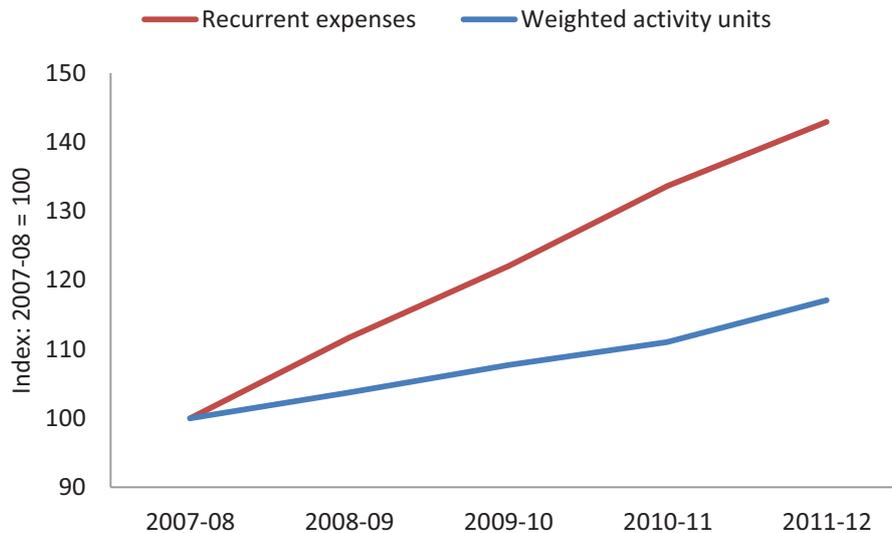
Note: Consistent published expense data only available from 2007-08. WAUs include all hospital activity: inpatients, outpatients and emergency department presentations.

Source: Queensland Health

It is recognised that some of the increased investment was directed to improve quality and patient safety.[2] Nevertheless, the decline in productivity of public hospital services adversely affects Queensland's comparative efficiency, which is of particular concern in the context of national health reforms currently under way.

As a part of these reforms, public hospitals will be funded through the new nationally consistent activity based funding (ABF) model (sometimes referred to as 'casemix' funding). Under this model, public hospital funding will be based on a national efficient price (NEP) applied to the level of activity or output. From 2014-15, the Australian Government will fund 45% of the NEP for growth above the prior year's activity level, with the State being required to meet the remainder of costs. From 2017-18, the Australian Government contribution will increase to 50% of the NEP for growth.[3]

The NEP is determined by the Independent Hospitals Pricing Authority (IHPA) and will underpin the allocation of Australian Government funding to the states for public hospitals. States whose costs are higher than the NEP will be required to fund a greater proportion of the cost of public hospitals, unless they are able to reduce costs and improve the efficiency of their public hospitals.

Information provided by Queensland Health shows that Queensland was 11% less efficient than the NEP for inpatient services in 2009-10. Comparisons with other states are not possible at this stage due to confidentiality considerations. Chart D2.4 shows Queensland's cost per national weighted activity unit (NWAU) – which is the standard measure of hospital activity to be used under the national ABF model – compared with the NEP in 2009-10.

Chart D2.4
**Comparison of cost per National Weighted Activity Unit of public hospital activity
2009-10**
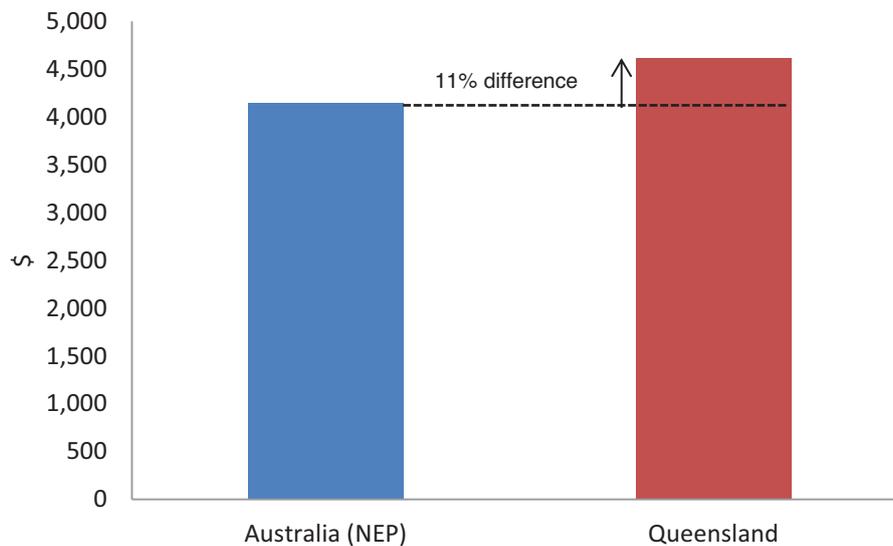
Source: Queensland Health

Within Queensland, there is also considerable variability in the relative efficiency of public hospitals in the Hospital and Health Services (HHSs). For 2009-10, the cost per NWAU in the HHSs ranged from 2.8% below the NEP to 24.3% above the NEP.

The latest year for which this information is currently available is 2009-10. It is likely that the preliminary assessment of cost differentials will be subject to progressive refinement as the national health reforms are implemented. The NEP will be updated for 2010-11 data, and will include an expanded scope of services, in addition to public hospitals. This update is expected to be available at the end of February 2013. Queensland's relative efficiency is likely to change, as it is a comparative measure, dependent in part on the performance of other states. The updated calculations are expected to confirm Queensland's inefficiency relative to the NEP, although the difference is expected to be smaller.

The introduction of a consistent ABF model enables better benchmarking of costs and comparative efficiency of public hospital services across the nation. ABF, or 'casemix' funding, has been in place in some jurisdictions for a significant period of time, particularly in Victoria. The available casemix data for hospitals confirms that Queensland is inefficient compared with other mainland states. Chart D2.5 shows that on a casemix-adjusted basis, Queensland's cost of service is 8.2% above the Australian average, and higher than all other mainland states.

Chart D2.5
Cost per casemix-adjusted separation, 2010-11
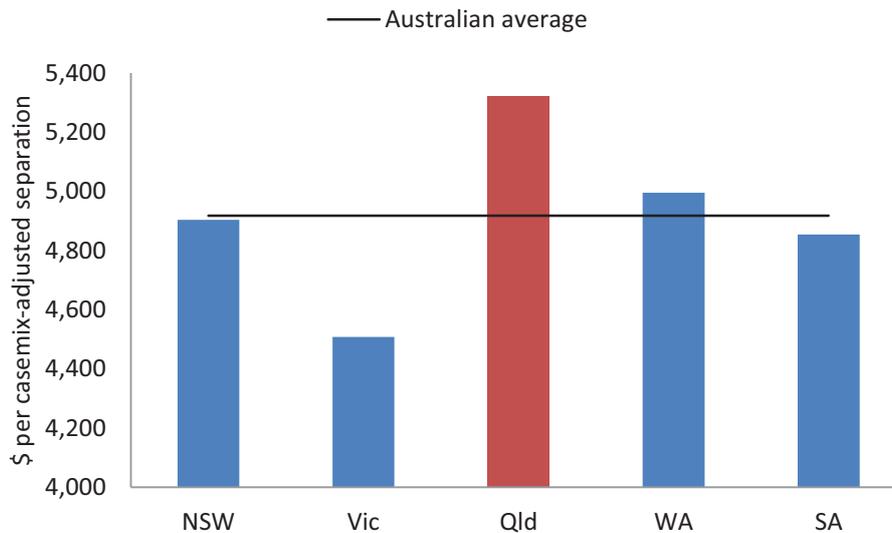
—— Australian average

Source: Australian Institute of Health and Welfare, Australian Hospital Statistics 2010-11

There are data and scope differences between the data included in Charts D2.4 and D2.5, which mean that the two are not directly comparable. In particular, the Australian Institute of Health and Welfare (AIHW) data in Chart D2.5 covers the cost of admitted patients, whereas the NEP data in Chart D2.4 includes a wider range of hospital services such as emergency departments.

From 2014-15, the efficiency of Queensland public hospitals relative to the NEP will affect the proportion of growth funding to be borne by the State, as the Australian Government will provide 45% of the NEP to fund growth in public hospital services, increasing to 50% from 2017-18. In other words, unless Queensland improves its efficiency relative to the NEP, it will incur a greater cost burden than is necessary under the new health funding arrangements with the Australian Government.

This can be managed to some extent through the role of the Department of Health in setting the volume and mix of services it will purchase from the HHSs at a particular price. HHSs then will be required to deliver services within budget at the agreed volume and price. Nevertheless, there will still be unavoidable cost and funding pressures where the NEP cannot be met.

As a result, Queensland needs to improve the efficiency of public hospital services towards the NEP, including by:

- active benchmarking of public hospitals to better understand cost drivers, and the variation in costs between providers

- improving the management of changes in patient episodes of care, for example, by ensuring patients are converted from an acute to sub-acute and non-acute status where appropriate (as this affects costs and activity levels under the ABF model)

- utilising non-admitted rather than admitted service delivery models[4] where it is more efficient and effective

- developing service delivery models that actively direct non-emergency patients towards non-hospital providers

- applying contestability to encourage greater cost competitiveness in the provision of public hospital services (see Section D2.4).

Recommendation

65   The Government set a target to improve the efficiency of public hospitals, to meet the National Efficient Price by 2014-15, through the expanded application of casemix (activity-based) funding and through improvements in productivity outlined in the Commission's further recommendations on public hospitals.

D2.3 SERVICE DEMAND

Demand for public hospital services has been increasing and is expected to increase substantially across all services including inpatients, outpatients and emergency departments in the future.

Public hospital activity in Queensland grew by 25.5%, measured in WAUs, between 2006-07 and 2011-12. This has occurred while average available public hospital beds have remained constant at 2.5 per 1,000 population over the same period. This compares with the national average of 2.6 per 1,000 population in 2010-11, 2.4 in Victoria and 2.8 in New South Wales.[5]

Based on historical trends and without any significant changes to service delivery models, demand for Queensland public hospital services between 2010-11 and 2026-27 is expected to grow by:

- 73.5% for inpatient services (measured in WAUs)
- 64.0% for emergency departments (measured in presentations)
- 28.5% for outpatient services (measured in occasions of service).

This is illustrated in Chart D2.6.

Chart D2.6
Projected growth in public hospital activity,
2010-11 to 2026-27

OOS: Occasions of service
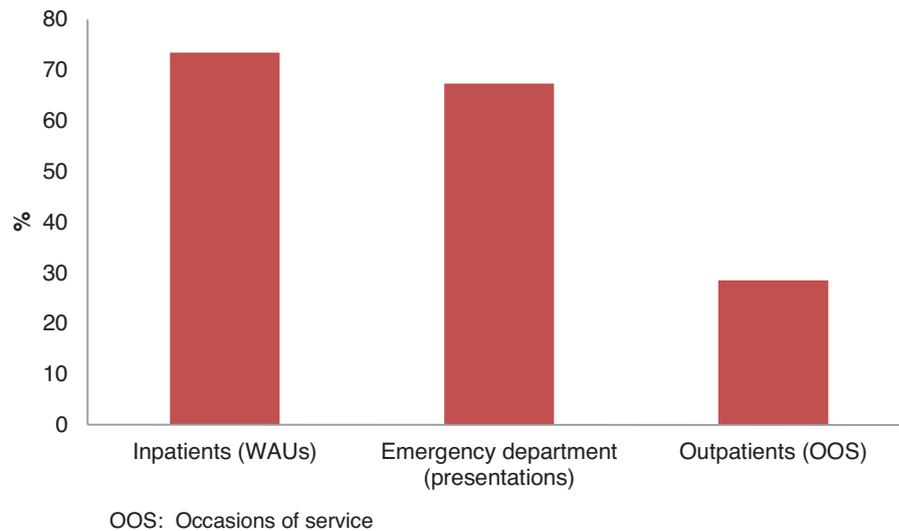
Source: Queensland Health

Against a background of declining productivity and increasing demand, the way in which public hospital services currently are delivered is unlikely to be sustainable into the future. The implementation of national health reforms is placing significant pressure on Queensland to improve the productivity and efficiency of public hospital services. This will require changes in models of service delivery.

D2.4 CONTESTABILITY

Contestability can improve cost efficiency by encouraging the non-government sector to compete with the public sector for the provision of public hospital services. Contestability can be applied across a range of services and in a range of locations, provided the scale of activity is sufficient to be viable.

Until recently, Queensland Health has undertaken only limited tendering of public hospital services to the non-government sector. In its most recent *Statewide Health Services Plan 2007-2012,* Queensland Health identified that outsourcing of clinical and support services should be pursued where patient outcomes could be improved. This has occurred in some instances, but has not been pursued on a widespread basis to drive improved efficiencies.

There are three service categories where contestability could be pursued: clinical services, clinical support services, and non-clinical support services.

D2.4.1   Clinical services

There are examples where public hospital services are provided by the non-government sector in Queensland. The Mater (a non-government hospital) and Noosa (operated by a private provider) hospitals provide a full range of clinical services, including medical, surgery, critical care and emergency services. There are also programs which target specific areas of public hospital services, such as Surgery Connect, which utilises spare capacity in hospitals in the non-government sector to treat long-wait elective surgery patients.

Box D2.1 outlines other examples of innovative provision of elective surgery services which could be applied more widely by the non-government sector in a contestable environment.

Box D2.1
Innovative models for the provision of elective surgery services

Planned Procedure Centres

Planned Procedure Centres provide elective surgery in a location physically separate from emergency surgery services. This avoids the problem that emergency surgery delays planned surgery.

The Alfred Centre at The Alfred Hospital in Melbourne is an example of a public facility which provides short-stay elective surgery (for patients with a length of stay less than three days), diagnostic procedures and other planned services for public hospital patients. A 2011 evaluation found the separation improved waiting times and length of stay.

Independent Sector Treatment Centres

Independent sector treatment centres (ISTCs) are privately owned and operated centres which provide services to patients of the British National Health Service (NHS). They were introduced in England in 2003, primarily to help the NHS reduce waiting times for planned operations and diagnostic tests.

The centres do not provide high-level intensive care, but focus on elective procedures such as orthopaedics, ophthalmology, and other forms of surgery.

The original motivation for establishing this type of centre was to avoid the problem that hospitals were not providing planned tests and operations efficiently because the competing demands of providing emergency care frequently led to appointments being delayed or cancelled.

While the ISTCs only provide around 2% of elective activity overall, in some specialties they perform up to 9% of procedures, and in some areas, they may be responsible for all elective care within particular specialties.

Sources:

- *Alfred Health, The Alfred Centre, accessed from www.alfredhealth.org.au*
- *JA Lowthian, AJ Curtis, BL Comitti, PA Cameron, MJ Keogh, WR Johnson et al, 'Streamlining elective surgery care in a public hospital: the Alfred experience', The Medical Journal of Australia, vol. 194, no. 9, 2011, pp. 448-51*
- *The King's Fund, Independent sector treatment centres, 2009, accessed from www.kingsfund.org.uk*

In a contestable service model, consideration needs to be given to ensuring sufficient throughput in public facilities to maintain the quality and skills of clinicians. As such, one strategy would be to make contestable a component of elective surgery growth that is high volume, low to medium risk and can be provided at marginal cost.

D2.4.2   Clinical support services

Clinical support services include pathology, radiology and pharmacy. Queensland Health provides the majority of these services internally to support public hospitals, with very few examples of procuring services from the non-government sector. Utilising the non-government sector occurs primarily where the public sector has been unable to provide services for a variety of reasons (for example, workforce shortages). Until recently, Queensland Health was constrained by government policy from procuring services externally when it was possible to provide them internally.

With demand for health care services rising, and public hospitals providing an increasing volume of services, the demand for clinical support services is also growing. For example, the number of pathology tests in Queensland Health rose from 7.1 million in 2002 to 13.9 million in 2009, an average annual increase of 11.9%. This is predicted to almost double to 18 million tests by 2015-16.[6]

The Department of Health has issued a health service directive to the HHSs that mandates the use of Queensland Health's internal pathology provider by all public hospitals. However, private pathology providers are utilised by the public hospital systems in other states, particularly in Victoria. The Commission is advised that the department intends to rescind its directive once the necessary ground work has been done to enable the services to be provided on a contestable basis.

Studies have identified that the potential benefits of outsourcing pathology and radiology include:

- improved service efficiency and cost
- improved turn-around time of test results
- upgraded capital equipment
- improved workforce flexibility
- ability to address workforce shortages.[7, 8]

The private pathology sector has achieved substantial increases in productivity and efficiency due to consolidation of practices, major private investment in automation and purpose built facilities, investment in sophisticated information communication and technology (ICT) systems, and introduction of central 'hub laboratories'.[9]

There are opportunities for public hospitals to leverage off these productivity gains achieved in the private sector over the last decade, including through public–private partnerships. More broadly, contestability would encourage greater cost competitiveness in the provision of clinical support services, including by Queensland Health's internal pathology provider.

D2.4.3   Non-clinical support services

Non-clinical support services cover the range of services required to operate a public hospital that are not clinical in nature, such as catering, laundry, cleaning and ward support. They are not the core business of public hospitals. However, they are essential support services without which hospitals could not operate.

Moreover, there are substantial costs involved in the delivery of these services. For example, Queensland Health spent $142 million on catering and domestic supplies in 2011-12. [10]

Based on information supplied by Queensland Health, there are currently no service agreements with non-government providers for the provision of non-clinical support services in Queensland. However, there is involvement of the private sector in the delivery of these services elsewhere. For example, Spotless, a private services provider, estimates that over 30% of public health care providers in Australia and New Zealand outsource one or more non-clinical support services.[11]

There is scope for improved efficiency in the provision of non-clinical support services in Queensland. Table D2.1 presents a comparison of expenditure and levels of domestic staff in public hospitals for the major Australian states. It shows that Queensland has:

- double the number of domestic and other staff per public hospital bed as New South Wales, and almost double the number in Victoria

- almost double the salary expenditure per bed on domestic and other staff as New South Wales, and higher expenditure than Victoria

- lower per bed expenditure on food and domestic supplies (non-wage expenditure).

Table D2.1 Comparison of expenditure per bed on public hospital domestic services, 2010-11					
Category per bed	**NSW**	**Vic**	**Qld**	**WA**	**SA**
FTE per bed	0.41	0.54	0.83	0.80	0.54
Salaries and wages ($) per bed	26,071	41,924	47,252	46,160	27,783
Non-wage expenditure ($) per bed	23,944	23,060	19,304	23,443	15,704
Total expenditure ($) per bed	**50,016**	**64,983**	**66,556**	**69,603**	**43,487**

Note: The figures presented are for public hospitals and public psychiatric hospitals. Full-time equivalent (FTE) employees and salaries and wages are for staff employed under the Domestic and Other Staff category – this includes other personal care staff to allow accurate comparison across jurisdictions. Queensland figures are likely to be skewed due to the higher proportion of rural and remote hospitals.

Source: Australian Institute of Health and Welfare, Australian Hospital Statistics, 2010-11, Table 4.4 & S4.3

In these circumstances, contestability of non-clinical support services should be pursued where it offers better value for money, through cost savings and efficiencies. In this regard, the model or scope of contestability for a particular service can affect efficiency and productivity gains. For example, there may be limited gains where staff continue to be employed by the public sector, with private operators appointed as 'managers'. More substantive gains are likely to be achieved where staff are employed by private operators.

Also, greater efficiency gains are more likely to be achieved with arrangements which specify outcomes or outputs to be delivered, rather than input-based models (for example, where an external contractor provides a certain number of staff to perform a function).

Other factors to be considered in pursuing contestability of such services include:

- Quality and safety of patient care is paramount, and should not be compromised in the contracting of non-government providers.

- Maintaining continuity of care between sectors of the health system, within the public hospital system and between providers, is important.

- The capacity of the non-government sector to deliver the services will need to be assessed and monitored on an ongoing basis.

- There will be a need for strong contract management expertise to ensure that contracted services are delivered in accordance with agreed requirements, while maintaining clinical quality and safety. This includes clearly defined scope and outcomes at commencement of the contract.

The Department of Health has commenced action on contestability. It has established a Contestability Unit to enhance the level of competitively provided services in a range of areas, including pathology, linen services, radiology and facilities maintenance.

Contestability in the sector could also be extended to services provided within HHSs or between HHSs, for example, by the Department of Health seeking to use lowest cost hospitals for the provision of certain procedures.

Recommendation

66 *To achieve improved efficiency of public hospital services, the Government should progressively expand contestable markets, initially in metropolitan areas, for the private provision of:*

- *clinical services – which happens already with some elective surgery, but in greenfield hospital developments could go far wider*

- *clinical support services such as pathology, radiology and pharmacy*

- *non-clinical support services such as catering, cleaning, laundry and ward support.*

D2.5 EMERGENCY DEPARTMENTS

Emergency departments are one of two primary entry points into public hospitals, and form part of the core health obligations of states, as outlined in the National Health Care Agreement (NHCA).[12]

Nationally comparable emergency department activity is available from the AIHW from 2007-08. This data indicates that Queensland increased emergency department activity on average by 6.9% annually between 2007-08 and 2011-12.[13] This was the highest rate of growth nationally, and increased Queensland's rate of presentations per 1,000 population to 94% of the national average in 2011-12. This growth also outstripped Queensland's population growth, due to increased utilisation of emergency departments by the population.

Despite this growth, the percentage of patients seen within recommended timeframes by triage category has improved from 63% to 69%, consistent with the trend nationally.[14]

The primary response to this growth in demand has been the expansion and redevelopment of the State's emergency departments to provide increased capacity, including work at the following major public hospitals:

- Bundaberg Hospital
- Caboolture Hospital
- Cairns Base Hospital
- Logan Hospital
- Mackay Base Hospital
- Princess Alexandra Hospital
- Queen Elizabeth II Hospital
- Redcliffe Hospital
- Redlands Hospital
- The Prince Charles Hospital
- Townsville Hospital.

Queensland cannot continue to rely primarily on a supply-side response, as this tends to have a short-term focus. A sustainable long-term response needs to address underlying health service demands, in order to deliver timely specialist emergency care.

It is recognised that Queensland Health has some demand management strategies in place, particularly through the clinical redesign program designed to improve patient flow. In addition, the Government has recently committed to the recommendations in the Metropolitan Emergency Department Access Initiative. Despite these initiatives, demand pressure continues to exist in Queensland Health emergency departments.

Part of the growth in activity can be attributed to the treatment of primary care type patients in emergency departments. This extends beyond the obligation of emergency care. Under the NHCA, one of the responsibilities of the Australian Government is to ensure primary care services are provided to reduce demand on emergency departments.[15]

The AIHW reports that, in 2011-12, resuscitation and emergency presentations comprised 12% of emergency department presentations in Queensland.[16] Chart D2.7 illustrates the proportion of presentations treated in Queensland public hospital emergency departments. The proportion of resuscitation and emergency presentations in Queensland is significantly higher than in New South Wales (9.9%) and Victoria (9.4%), similar to Western Australia (11.9%), and lower than South Australia (13.3%).

Chart D2.7
Emergency presentations by triage category, 2011-12
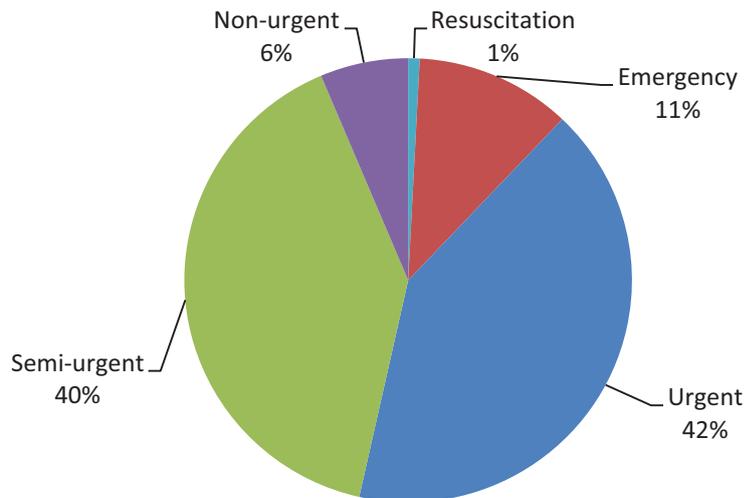
Source: Australian Institute of Health and Welfare, Australian hospital statistics 2011-12 –
emergency department care, Table 2.8

The AIHW has undertaken an analysis based on a broader interpretation of avoidable
General Practitioner (GP)-type presentations to emergency departments in principal referral
and specialist women's and children's hospitals and large hospitals. For this group of
hospitals, the AIHW reported that one-third (33%) of the activity in Queensland emergency
departments was avoidable primary care activity.[17] On this measure, Queensland is equal
lowest state with South Australia, and significantly lower than New South Wales (40%),
Victoria (39%) and Western Australia (43%).

Based on the volume of services and the reported average cost per presentation, it is
estimated that expenditure of over $100 million[18] was incurred in 2011-12 treating potentially
avoidable primary care patients in Queensland's public hospital emergency departments.
This is a significant cost burden being borne by the State which should be borne by the
Australian Government, given its responsibility for primary health care.

Apart from the cost, emergency departments by their nature are designed for, and prioritise,
emergency care. As a result, less urgent patients often experience longer waiting times than
otherwise may have been experienced in a primary care setting, and receive care that may
be disconnected from the patient's primary care.

There are several reasons for primary care type presentations to emergency departments,
including:

- patient's perceptions and expectations – patients are increasingly informed about their
  health and thus are making their own judgements about the acuity and urgency of the
  conditions and available treatments

- accessibility of GPs – despite growth in the number of GPs relative to the population,
  GPs are increasingly difficult to access, as many have reduced hours available for
  consultation and are providing longer consultations

- financial barriers – patients in lower socio-economic groups are less able to afford up-front costs or co-payments of non-bulk billing GPs. Thus, patients in areas with low rates of bulk billing and patients whose conditions are likely to require repeat visits are more likely to present to an emergency department.

On the final point, a jurisdictional comparison of GP bulk-billing rates is not available. However, other data shows that Medical Benefits Schedule (MBS) benefits paid to Queenslanders in 2011-12 for GP type services (including after hours) were less than the national average – $196 per capita compared with $201 per capita (see Chart D2.8). This difference in draw down ratios of the MBS is equivalent to approximately $20 million in 2011-12. The Queensland rate was also lower than New South Wales ($216 per capita), Victoria ($205 per capita) and South Australia ($214 per capita).

Chart D2.8
Comparison of MBS benefits paid to GP services, 2011-12
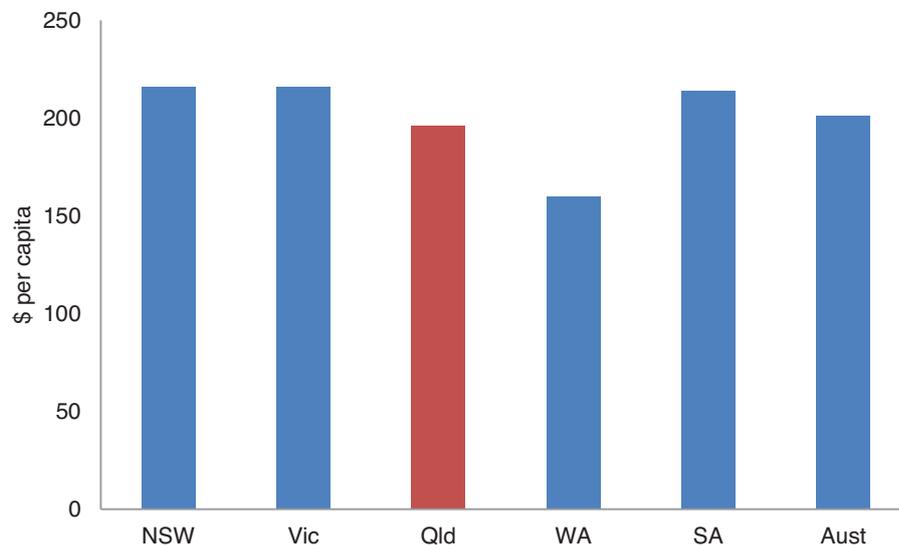
Source: Medicare Australia

The percentage of Queenslanders who report deferring access to a GP due to cost is around the national average, and higher than New South Wales and South Australia (see Chart D2.9).

Chart D2.9
Proportion of people deferring access to GPs due to cost, 2011-12
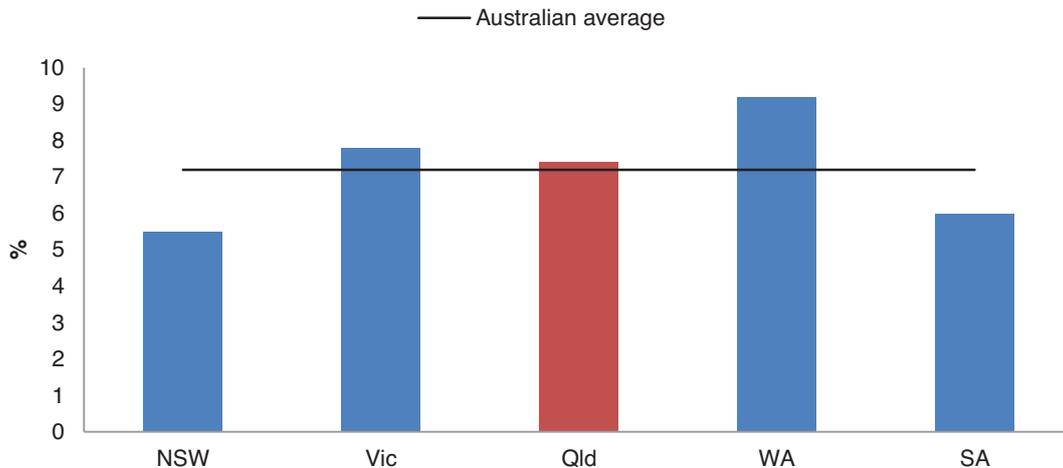
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 11A.28

In response to this situation, alternative models of service delivery are available to encourage treatment of these patients in the most appropriate settings. This includes co-located primary health care clinics and expansion of the scope of practice for paramedics.

D2.5.1   Co-located primary health care clinics

Co-located primary care clinics are located on public hospital sites and are operated by GPs to provide care for less urgent patients to be treated in a more appropriate setting than an emergency department. This reduces demand pressures on emergency departments, thereby enabling them to provide more timely treatment to urgent, acute patients.

Queensland Health has an existing policy supporting the implementation of Acute Primary Care Clinics, with the aim to:

•   improve patient flow for primary care type patients

•   reduce demand for primary care services in emergency departments, therefore improving the safety and efficiency of emergency departments

•   improve the coordination with local primary care providers to minimise the number of primary care type patients presenting at emergency departments.[19]

Public hospitals cannot refuse treatment or directly stream patients out of emergency departments to co-located primary care clinics. Therefore, patients can only be given a choice to attend a co-located primary care clinic. It is recognised that not all non-urgent (categories 4 and 5) patients are primary care type – many have health concerns that legitimately require treatment in an emergency department.

Box D2.2 provides examples of co-located primary care clinics in New South Wales and the United Kingdom designed to reduce after hours primary care type presentations to emergency departments.

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Box D2.2
Co-located primary care clinics

A number of co-located primary health care clinics are operating in New South Wales. Similar clinics also operate in the United Kingdom, where 93 walk-in centres have been developed to deal with minor illnesses and injuries.

An evaluation of the impact of an after-hours primary clinic opening at Wagga Wagga Base Hospital in New South Wales concluded the clinic was associated with an 8.2% reduction in total daily non-urgent emergency department presentations. This clinic did not bulk bill, yet still had a positive impact on emergency department presentations.

Sources:
- *NHS, Models of Care Managing Emergency Department Attendances, 2011, accessed from www.eac.cpft.nhs.uk*
- *D Buckley, P Curtis, and J McGirr, 'The effect of a general practice after-hours clinic on emergency department presentations: a regression time series analysis', Medical Journal of Australia, vol. 192, no. 8, 2010, pp. 448-451*

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Under certain operating models, co-located primary care clinics can bill the MBS. In considering suitable operating models, Queensland Health should work in conjunction with Medicare Locals to identify incentives to encourage the private sector to operate these clinics where services cannot be delivered in the existing GP sector. These incentives could include favourable arrangements for leasing of infrastructure (for example, 'peppercorn' lease) to ensure patients have no out-of-pocket costs, as is generally the case in many GP practices.

D2.5.2   Extended care paramedic model

There is recognition that emergency department demand is increased by non-urgent cases which have been transferred by ambulances.[20] Currently, the ambulance service responds to requests for urgent care to review, stabilise and transport the patient to an emergency department. This occurs regardless of the patient's condition or the potential ability of paramedics to provide on-the-spot treatment.

The National Health Service (NHS) in the United Kingdom (UK) has expanded the role of paramedics under the *Right Skills, Right Time, Right Place* program to facilitate a more clinical and cost effective treatment of unscheduled episodes.[21] The role of the Extended Care Paramedic (ECP) was created, broadening the range of expertise possessed by paramedics to encompass the acute setting – emergency department within the hospital as well as the primary care setting, including out-of-hours GP home visits.

The broad skill set gained by the ECP:

- enables transfer of labour across all three areas of treatment settings, depending on demand

- encourages on-the-spot treatment of appropriate paramedic separations

- encourages efficient referrals of patients to specialist areas of treatment, without first needing to access the emergency department.

The development of ECPs has produced a number of positive outcomes in the UK. As a result of on-the-spot treatment and more appropriate diagnoses, only 45% of patients are transferred to emergency department (compared with 70-77% traditionally). Furthermore, 10% of patients who are transferred to hospital are allocated directly to the most appropriate care pathway, effectively speeding up the patient's time to treatment.

As a further measure of their value, ECPs have been integrated effectively into the primary care sector in the UK. Despite emergency calls remaining a priority, ECPs have been able to take over many out-of-hours GP visits, as it was found that only 15% of these visits required a GP. Additionally, the average response time of ECPs was a third of the average response time of GPs (1 hour and 10 minutes, compared with 3 hours and 7 minutes).

The Commission considers that the ECP model has merit as a way of reducing demand pressure on emergency departments and providing emergency treatment at a lower cost.

Recommendation

67   *The Government concentrate emergency departments on delivering appropriate emergency care by:*

- ***developing strategies in consultation with Medicare Locals to reduce GP-type presentations to emergency departments – including improvements in after-hours GP services and expansion of privately operated, co-located primary care clinics***

- ***adopting the Extended Care Paramedic model to allow paramedics a greater scope of practice, reducing unnecessary transfers to emergency departments.***

D2.6 SPECIALIST OUTPATIENT SERVICES

The other primary entry point to public hospitals is through outpatient departments. Patients must have a referral from a GP or from a hospital specialist to obtain an outpatient appointment. Again, the provision of public specialist outpatient services is the responsibility of the State, as part of the obligation to deliver public hospital services in the NHCA.

Information provided by Queensland Health shows that outpatient occasions of services (OOS) have increased by 31.8% between 2005-06 and 2011-12. However, the rate of growth of activity has been higher in private outpatient clinics than for public outpatients, as shown in Chart D2.10. This reflects a trend towards privately billed, non-admitted service delivery. Over this period, private OOS increased by 296%, compared with growth of 16% in public OOS. Private OOS increased from 9% of total OOS in 2005-06 to 19% in 2011-12.

Chart D2.10
Public and private outpatient occasions of service
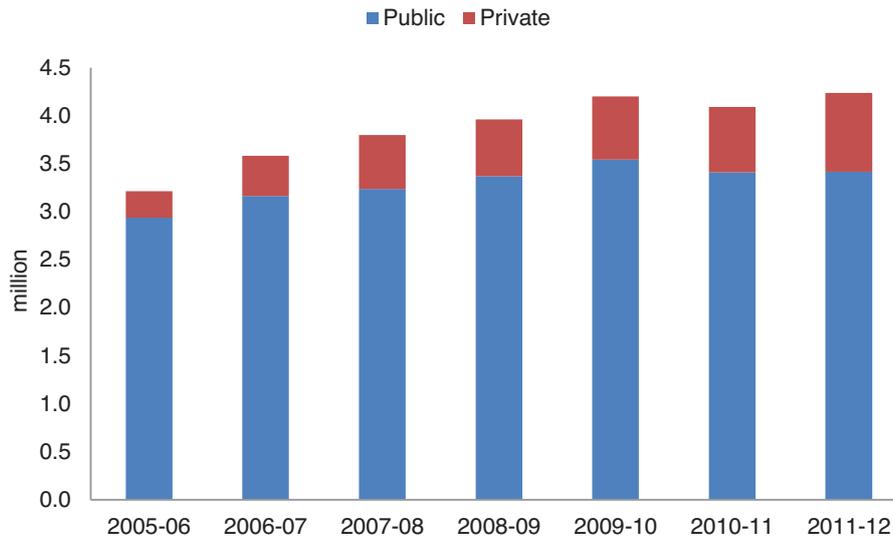
Note: Dental clinics have been excluded due to a change in reporting of Dental OOS in 2008

Source: Queensland Health

A 2007 report on specialist outpatients in Queensland by a Specialist Outpatient Review Committee identified a number of key issues, as follows:

- There is no formal Queensland Health corporate policy that defines the scope of practice and governs the provision of specialist outpatient services in Queensland public hospitals.

- Queensland Health does not evaluate the performance of specialist outpatient services at a level required to support effective strategic and service delivery planning.

- Innovative models of care have not been widely adopted as an approach to improving the clinical management of patients and reducing demand on specialist appointments.

- Current information systems do not comprehensively support the business needs of specialist outpatient services.

- There is an opportunity to establish a clearer relationship between outpatient and inpatient services.[22]

The Commission notes that Queensland Health has a published policy and implementation standard for outpatient services. However, this does not fully address the issues identified by the Specialist Outpatients Review Committee. Accordingly, further action is necessary, as outlined below:

- **Clear direction and scope of outpatient services** – the Department of Health should set a clear direction for the delivery of public outpatient services, particularly identifying the minimum scope that the public hospital system is obligated to provide in the context of the NHCA and other associated agreements.

- **Investigate and incentivise innovative management and delivery models** – the Department of Health should ensure that the necessary framework and incentives are in place to allow providers (the HHSs) to adopt innovative management and delivery models where appropriate. While there is limited published evidence regarding the use of such strategies elsewhere, anecdotal evidence suggests the following strategies could be investigated:

    – use of non-government providers to deliver public outpatient services

    – use of non-government providers of management services to improve the business processes of outpatient departments (such as scheduling, billing, managing referrals).

- **Improving the interface with general practice** – there is considerable variability in the acuity and needs of patients referred from general practice for specialist medical, surgical and allied health review, and the appropriateness of these referrals is unknown. This variability is a result of variable clinical referral standards for the provision of specific guidance on the severity of patients' conditions that justify referral.

Other jurisdictions have established protocols that provide greater certainty for patients and primary care providers that, based on evidence, improves access for patients in greatest need.

Using a list of procedures created by the Croydon Primary Care Trust in the UK, the NHS has developed referral criteria for procedures of limited clinical value, utilising cost effectiveness evidence from the UK National Institute for Health and Clinical Excellence.

Victoria has also identified the importance of collaboration with general practice in improving the referral process for outpatients. The General Practice Liaison Program plays a role in engaging with primary care providers about specialist outpatient referrals. The Commission notes that the Queensland Government announced a similar program to be funded in the 2012-13 State Budget.

Furthermore, the Western Australian Health Department has introduced Clinical Priority Access Criteria and Guidelines for First Specialist Assessment, both of which ensure appropriate referral and prioritisation of patients attending outpatient clinics.

Recommendation

68 To realign the scope of Queensland's public outpatient services to accord with best practice interstate, the Government:

- *adopt new delivery models, including increased non-government sector delivery of outpatient services*

- *implement improved management models for outpatient departments that leverage best practice administrative and business processes*

- *develop and implement referral criteria with general practitioners, to improve the appropriateness and consistency of referrals to outpatient services*

- *reduce pressure on inpatient services by implementing clinical and cost effective models of care in outpatient services.*

D2.7 NURSING HOME TYPE PATIENTS

Nursing Home Type Patients (NHTPs) are patients in public hospitals who no longer require acute treatment but are unable to be discharged due to a shortage of residential or community aged-care services, or delays in receiving an aged-care assessment (required for admission to a residential aged care facility).

While the states are responsible for the provision of public hospital services, aged care is the responsibility of the Australian Government. As NHTPs no longer require acute public hospital treatment, the responsibility for these patients appropriately should rest with the Australian Government.

In 2011-12, the average number of public hospital beds occupied by NHTPs each day in Queensland was 372.[23] Chart D2.11 shows that the number of patient days accrued by NHTPs in Queensland public acute hospitals between 2005-06 and 2011-12 has gradually decreased.

Chart D2.11
Patient days accrued by NHTPs, public acute hospitals
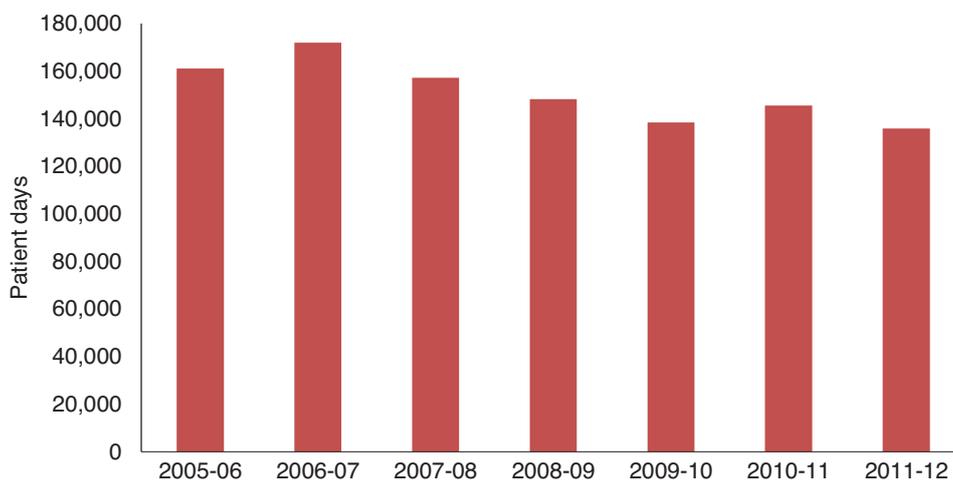
Note: 2011-12 is preliminary data, subject to change.

Source: Queensland Health

Despite this decreasing trend, a comparison of patient days accrued by NHTPs in other states shows that Queensland is significantly above the national average (see Chart D2.12).

Chart D2.12
Hospital patient days accrued by NHTPs, 2010-11
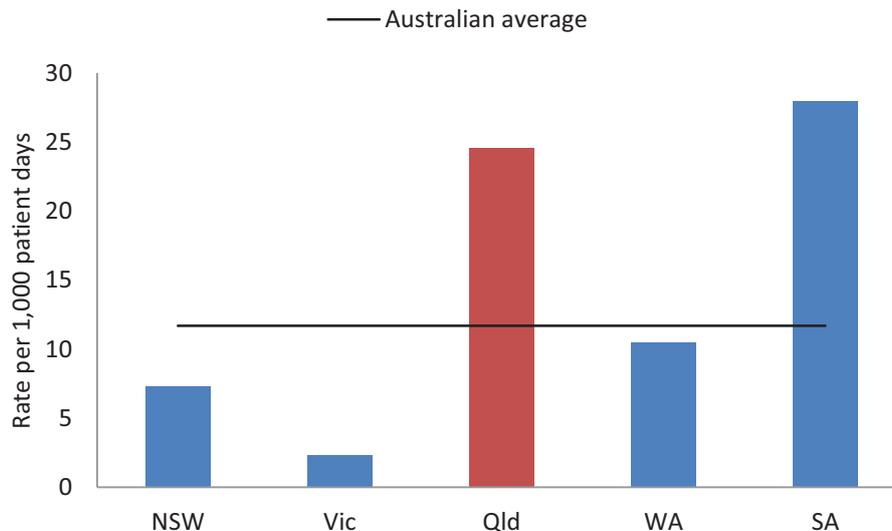
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table13A.90

Some Australian Government funding is available, such as through the National Partnership Agreement on Long Stay Older Patients. However, the number of places available decreases each year and this program ends in 2013-14.

Section D5 in this Report addresses the need for an adequate supply of aged care places in Queensland to reduce the need for patients to remain in an acute public hospital bed while waiting for aged care services.

D2.8 COST RECOVERY

Under the NHRA, states are permitted to charge private patients, compensable patients and ineligible persons an amount for public hospital services. In some instances, public hospitals can claim some costs for treatment from third party funders such as health insurance companies; however, this does not always represent full cost recovery (particularly in the case of Private Health Insurance).

The group of patients from whom costs are recoverable includes:

- cross border – patients with permanent interstate residential address and postcode

- Department of Veterans' Affairs (DVA) – patients who are entitled to treatment funded by the DVA

- ineligible – patients who are ineligible for Medicare (such as overseas tourists from countries without a Reciprocal Health Agreement with Australia)

- Motor Accident Insurance Commission (MAIC) – patients who receive treatment as a result of a motor accident for which costs can be reimbursed from MAIC

- private patients – those patients who elect to be treated as a private patient in a public hospital (which provides some benefits, such as choice of doctor), for which doctors' fees can be charged to the MBS and other costs reimbursed from the patient's private health insurer

- Third Party – patients who are compensable by a third party, for example, personal injury claims

- WorkCover – patients who require treatment to be covered by a WorkCover claim.

The cost of treatment is higher than the revenue compensation received for these patients, as shown in Chart D2.13. It is important to note that for many chargeable patients, fees and charges are restricted by legislation. For example, private patients revenue compensation is based on default per diem benefits set by the federal government and MAIC patients' revenue compensation is based on the fixed hospital services levy set by State Government.

Chart D2.13
Cost recovery for own source revenue patients
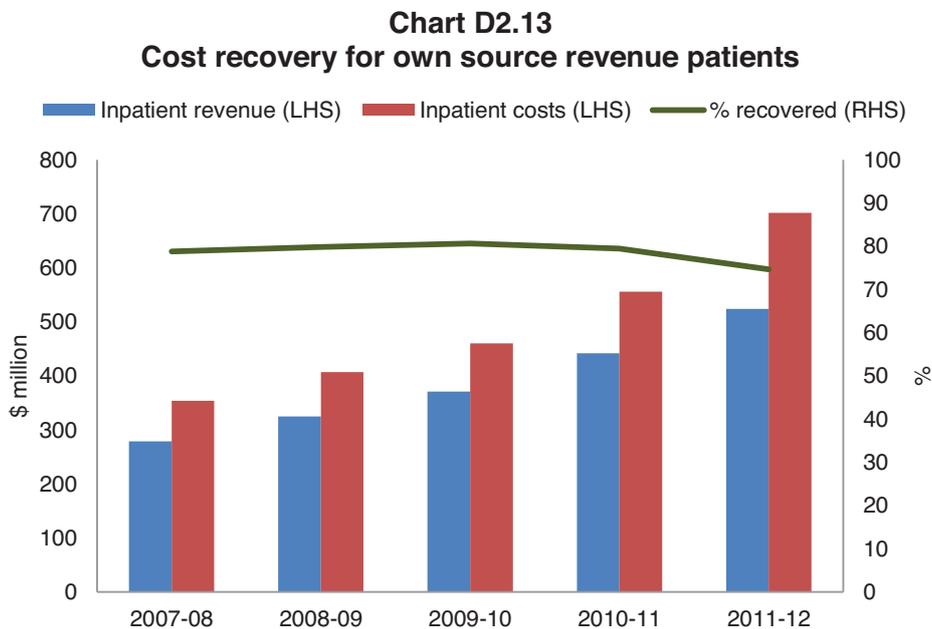
Source: Queensland Health

It is not necessarily feasible for the public system to redirect these patients to the private sector, as public hospitals provide a much wider scope of services than the private sector, and in many parts of Queensland are the only available providers. It is therefore inevitable that these patients will seek treatment in public hospitals, in which case these public hospitals should be compensated for their costs as per the ABF model.

Queensland Health currently has programs in place to improve private patient identification (for example, Patient Election Liaison Officers). Through the budget process, it is now also setting 'stretch' targets for own source revenue collections by the HHSs to improve cost recovery.

There are other opportunities for Queensland Health to improve the rate of cost recovery on own source revenue collections. Options include:

- more effective fee negotiations with third party funders

- better processes for identifying and collecting patient co-payments and reducing unrecoverable debt

- ongoing education of hospital staff about the benefits of revenue generation, especially in the context of managing hospital budgets at a local level.

Recommendation

69   The Government continue to improve incentives for cost recovery and revenue generation through devolution of revenue to the local Hospital and Health Services, and ongoing improvements to third-party or non-public patient identification.

ENDNOTES

1   Queensland Government, *State Budget Papers 2012-13: Queensland Health Service Delivery Statement*, accessed from www.budget.qld.gov.au

2   Queensland Public Hospitals Commission of Inquiry & G Davies, *Queensland Public Hospitals Commission of Inquiry Report,* 2005 accessed from www.parliament.qld.gov.au

3   Independent Hospital Pricing Authority, *Activity Based Funding for Australian Public Hospitals: Towards a Pricing Framework*, 2012, accessed from www.ihpa.gov.au

4   Non-admitted service delivery models are where patients are booked and treated in the ambulatory administration system.

5   Australian Institute of Health and Welfare, *Australian Hospital Statistics 2010-11*, 2012, Canberra, Table 4.1, accessed from www.aihw.gov.au

6   Queensland Health Clinical and Statewide Services, *Pathology Queensland Health Service Plan 2010-2015,* unpublished

7   Paxton Partners, *NSW Health Pathology Structure and Governance Arrangements*, 2012, accessed from www.aapp.asn.au

8   SH Young, 'Outsourcing and benchmarking in a rural public hospital: does economic theory provide the complete answer?', *Rural and Remote Health 3*, no. 124, 2003, accessed from www.rrh.org.au

9   Australian Association of Pathology Practices, *Review of Funding Arrangements of Pathology Services*, 2010, accessed from www.aapp.asn.au

10   Queensland Health, *Annual Report 2011-12*, accessed from www.health.qld.gov.au

11   Spotless Australia, *Health Services*, 2013, accessed from www.spotless.com.au

12   Council of Australian Governments, *National Healthcare Agreement 2012*, accessed from www.federalfinancialrelations.gov.au

13   Australian Institute of Health and Welfare, *Australian Hospital Statistics 2011-12 – Emergency Department Care*, Table 2.2, accessed from www.aihw.gov.au

14   Australian Institute of Health and Welfare, *Australian Hospital Statistics 2011-12 – Emergency Department Care*, Table 3.2

15   Council of Australian Governments, *National Healthcare Agreement 2012,* accessed from www.federalfinancialrelations.gov.au

16   Australian Institute of Health and Welfare, *Australian Hospital Statistics 2011-12 – Emergency Department Care*, Table 2.7

17   Australian Institute of Health and Welfare, *Australian Hospital Statistics 2011-12 – Emergency Department Care, Table 2.7*

18   Estimate only – based on AIHW potentially avoidable GP-type presentations for Queensland, 2011-12, and using an average price for Category 4 and 5 patients derived from the Queensland Health ABF model

19   Queensland Health, *Acute Primary Care Clinic (APCC) Service Delivery Model, 2011*, unpublished

20   S Raven, V Tippett, J Ferguson and S Smith, *An exploration of expanded paramedic healthcare roles for Queensland*, 2006, accessed from www.espace.library.uq.edu.au

21   National Health Service Modernisation Agency, *The Emergency Care Practitioner Report – Right Skill, Right Time, Right Place*, 2004, accessed from www.dh.gov.uk

22   Queensland Health, *Specialist Outpatient Review Committee: A report on access to specialist outpatient services in Queensland public hospitals*, 2007, accessed from www.health.qld.gov.au

23   Queensland Government, *State Budget Papers 2012-13: Queensland Health Service Delivery Statement*

D3   PRIMARY AND COMMUNITY CARE

KEY ISSUES

- The Australian Government has lead responsibility for policy and funding of primary health care services, while the states are responsible for community health care services.

- There is no clear distinction between primary and community care services. As a result, there are blurred responsibilities and accountabilities in the delivery of these services.

- Queensland expenditure on primary and community care services has increased 97% (or $1.2 billion) between 2005-06 and 2011-12.

- There is a lack of clarity regarding the scope, type and effectiveness of Queensland Health's primary and community care services, and how they interface with other parts of the health system.

- There are a range of community services provided by Queensland Health, such as oral health and subsidy schemes, where eligibility criteria and other provisions differ from other states.

- Implications for Queensland of the Australian Government's new Dental Reform Package are uncertain at this stage.

- Queensland Health's 13HEALTH telephone service duplicates a service established by the Council of Australian Governments and provided nationally.

- Health service delivery in rural and remote areas involves inherent complexities which are manifested in poorer health outcomes for people living in these areas. Innovative service delivery models are required to improve these outcomes.

D3.1   SERVICE PROFILE

Primary and community health care form a vital part of the broader health system, particularly in terms of their ability to reduce the need for more costly forms of treatment (such as treatment through public hospitals) and improve patient health outcomes. The importance of primary health care was highlighted by the National Health and Hospitals Reform Commission in identifying primary health care services as the 'axis or pivot' around which a person-centred health system should be developed.

The need for integration and collaboration between primary health care and the acute public hospital sector is critical to ensuring patients receive the right treatment at the right time. Within the structure of Australia's health system, primary health care is the responsibility of the Australian Government, with the states and territories having responsibility for the delivery of public hospitals.

In terms of primary and community care, the National Health Care Agreement (NHCA) and the National Health Reform Agreement (NHRA) provide for the following responsibilities:

- The Australian Government has lead responsibility for policy and funding of primary health care, including ensuring equitable and timely access to primary health care services predominantly through general practice.

- The states are responsible for community health care.

However, as is characteristic of the Australian health system, there is no clear distinction between primary health care and community health care. As a result, there are blurred responsibilities and accountabilities in the delivery of these services.

Despite primary health care being the responsibility of the Australian Government, the Queensland Government provides a range of services in this area to address needs not otherwise being met, such as early detection and intervention and risk factor management programs through community health facilities and child health centres.

Chart D3.1 shows the contributions of the State, Australian Government and non-government sectors to the funding of primary and community health care services in Queensland. In 2010-11, total recurrent expenditure for the sector in Queensland was $4 billion, of which the Australian Government funded $0.7 billion (18%) and the Queensland Government funded $2.4 billion (61%).

Chart D3.1
Recurrent primary and community health care expenditure, by funding source
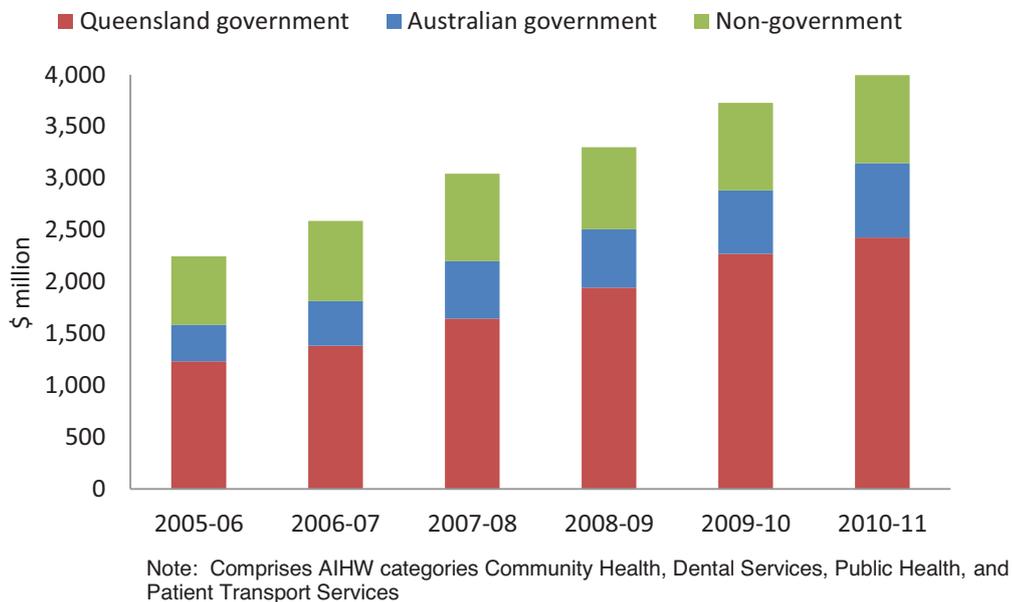
Note: Comprises AIHW categories Community Health, Dental Services, Public Health, and Patient Transport Services

Source: Australian Institute of Health and Welfare, Health Expenditure Australia, various years

Recent health expenditure data released by the Australian Institute of Health and Welfare (AIHW) for 2010-11, shows that state and local government expenditure on primary and community health care type services is higher per capita in Queensland than other states. This is due primarily to Queensland's higher per capita expenditure on community health and patient transport services.

Chart D3.2 compares per capita expenditure on primary and community health care services for each state and for Australia.

Chart D3.2
Government expenditure on primary and community health care services
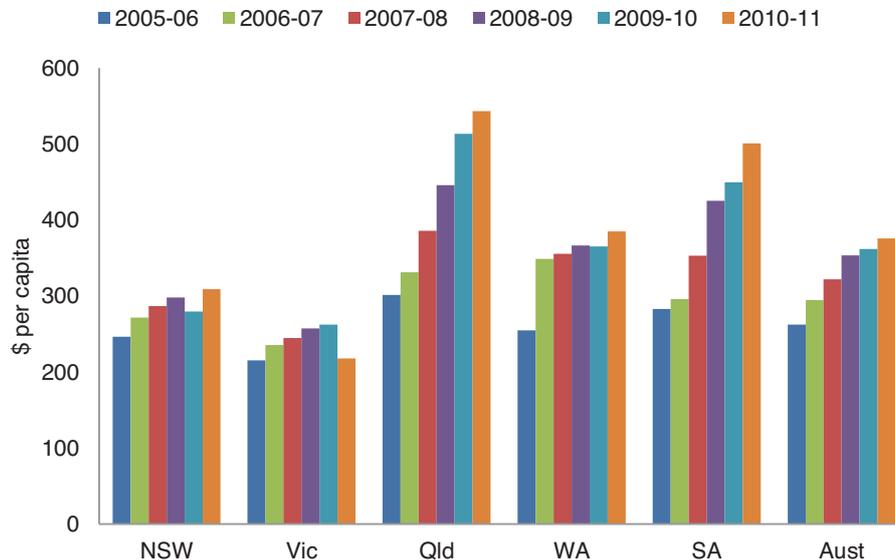
Note: Figures illustrated in graph are state and local government expenditure on patient transport services, dental services, community health and other, and public health (as defined and reported by the AIHW).

Source: Australian Institute of Health and Welfare, Health Expenditure Australia, various years

Despite the level of expenditure and the growth which has occurred since 2005-06, Queensland Health has no recent published policy, strategy or plan guiding the delivery of these services or how they interface with existing GP-based primary care services or indeed public hospitals. Furthermore, the availability of information and data relating to the scope, outputs and outcomes achieved is extremely limited.

D3.2   PRIMARY HEALTH CARE

There is a lack of clarity regarding the exact scope, type and effectiveness of Queensland Health's primary and community care services, and how they interface with other parts of the health system. However, it would appear that the State is funding and delivering services beyond its core responsibilities. This is particularly the case with respect to primary health care services.

There are two key processes which form part of the national health reform agenda regarding primary health care:

- Commencing 1 July 2011, the Australian Government established Medicare Locals, whose role it is to coordinate primary health care services, identify local primary health care needs and service gaps, and work closely with Hospital and Health Services (HHSs) to ensure the primary and acute sectors work well together.

- Additionally, the Australian Government and states and territories are also cooperating in the development of a National Primary Health Care Strategic Framework which is to focus on ways to improve the integration of services between the acute and primary care sectors, prevention and ongoing management, particularly of chronic disease.

The National Primary Health Care Strategic Framework is to be implemented through state-based Primary Care Plans which are to be completed by July 2013.

In this context, the Queensland Government should seek to define more clearly its future role in the delivery of primary health care services, by:

- actively engaging with the Australian Government in the development of a bilateral Primary Care Plan, emphasising the roles and responsibilities of each party as agreed in the NHCA and NHRA

- working with the Australian Government to ensure Queensland Health's role is adequately recognised and reimbursed where it is required to remain as a provider of primary health care services (particularly in rural and remote areas)

- limiting the role of the State as a provider of primary health care services in negotiations with the Australian Government on the development of the National Primary Health Care Strategic Framework, and bilateral Primary Health Care Plan.

An exhaustive list of primary health care services delivered by Queensland Health is not available. However, examples of non-complex services that can be delivered more appropriately by other primary care providers (such as Medicare Locals and other non-government providers) include:

- non-complex chronic disease services (such as diabetes, asthma)
- non-complex palliative care services
- sleep services
- sexual health services, such as sexually transmitted disease clinics
- school-based youth health nurses
- dental checks.

In pursuing changes to the delivery of primary health care services, the State will need to fulfil obligations under existing arrangements with the Australian Government, such as immunisations (through the National Partnership Agreement on Essential Vaccines) and Indigenous health care (through the National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes).

Recommendation

70 In relation to primary health care services, the Queensland Government:

- **work in partnership with the Australian Government to ensure Queensland Health is appropriately reimbursed where it must remain a provider of last resort for primary health care services**

- **limit the role of the State as a provider of primary health care services in negotiations with the Australian Government on the development of the National Primary Health Care Strategic Framework and bilateral Primary Health Care Plan.**

D3.3   COMMUNITY HEALTH CARE

The NHCA and NHRA note that the states have an obligation to provide community health services. However, the agreements provide little definition as to the scope of community health services.

Furthermore, Queensland Health has no current, overarching strategy or plan for community health services. The Community Health Services Reform Project commenced in March 2007 to develop strategic directions for community health services. However, this was deferred due to the commencement of national health reform negotiations between the Australian Government and the states.

In the Commission's view, the Queensland Government should concentrate its community health services in those areas which alleviate pressure on public hospitals. These services should involve care models that directly reduce pressure on acute facility-based treatments through avoiding or substituting for a public hospital occasion of service.

Services that directly avoid or substitute for a public hospital service are in-scope for an Australian Government contribution to growth funding from 2014-15, under activity based funding (ABF).[1]

Examples of hospital avoidance and substitution programs include:

- **Hospital in the Home (HITH) –** involves the provision of acute, sub-acute and post-acute treatments by health care professionals at a patient's usual place of residence as a substitute for inpatient care received at a hospital (see Box D3.1 below).

- **Hospital Admission Risk Program (HARP), Victoria –** the primary objective of this program is to reduce demand on the acute hospital system from clients with chronic disease and complex needs.[2] Core components include care coordination, self-management support and specialist medical care.

- **New South Wales Chronic Care Program –** a clinical improvement program organised and led by the Clinical Excellence Commission and New South Wales Department of Health, to enhance implementation of their Clinical Service Frameworks developed as part of their Chronic Care Program.[3]

Box D3.1
Hospital in the Home (HITH)

Hospital substitution such as HITH involves the provision of acute, sub-acute and post-acute treatments by health care professionals at a patient's usual place of residence as a substitute for inpatient care received at a hospital. HITH can replace both overnight admissions to hospital, as well as care provided on a same-day basis.

Research has shown the benefits of HITH to public health services, particularly as a more cost effective delivery model for acute services. An economic analysis of HITH for the Hospital in the Home Society of Australasia showed that on average HITH care would cost 22% less than hospital care per separation across six common HITH diagnosis related groups (DRGs).

A more recent meta-analysis of hospital in the home (Caplan et al 2012) identified that of the 34 studies in which any costing data was presented, 32 concluded that HITH care was cheaper. The other two studies concluded that hospital care was cheaper. Overall, the cost of HITH care was 73.5% of the average for the control groups. The study concluded that HITH is associated with reductions in mortality, readmission rates and cost, and increases in patient and carer satisfaction, but no change in carer burden.

Source:
- *Deloitte Access Economics, Economic analysis of Hospital in the Home, Hospital in the Home Society of Australasia, 2012, accessed from hithsociety.org.au*
- *G Caplan, N Sulaiman, D Mangin, N Ricauda, A Wilson & L Barclay, 'A Meta-analysis of "hospital in the home", Medical Journal of Australia, Vol. 197, No. 9, 2012, pp.512-519*

Most states in Australia have HITH programs. Apart from New South Wales and Tasmania (where data was not available), there were a reported 47,097 public hospital separations with a HITH care component in Australia in 2010-11.

Chart D3.3 shows that an estimated 3,353 of these separations occurred in Queensland with 2,893 involving overnight care and 460 involving same-day care. However, Chart D3.3 indicates that HITH has not been utilised as extensively in Queensland as in other states, with Queensland accounting for only 7.1% of the total HITH separations nationally in 2010-11.

Chart D3.3
Public hospital separations with HITH care, 2010-11
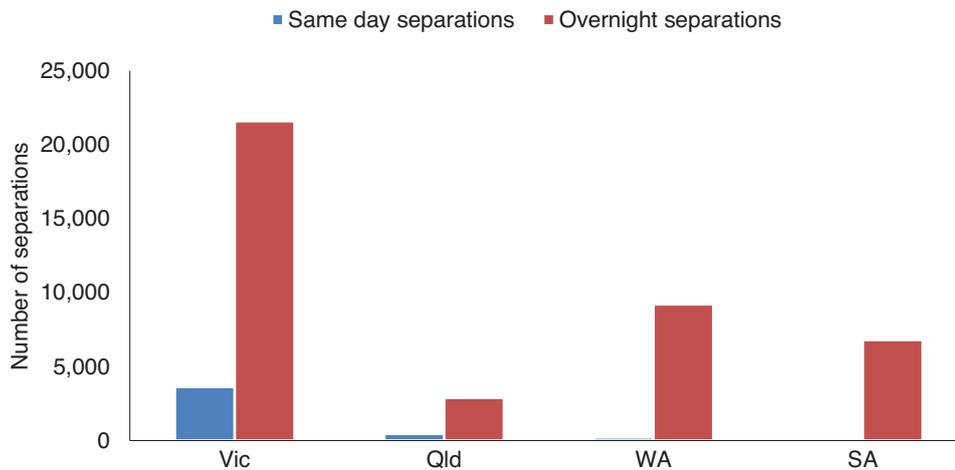
Note: AIHW data for HITH activity in New South Wales were not available as it did not provide information to the National Hospital Morbidity Database

Source: Australian Institute of Health and Welfare, Australian hospital statistics 2010-11, Table S7.17

Chart D3.3 suggests that there is scope for more extensive utilisation of HITH in Queensland, as a clinical and cost effective alternative to treatment within a public hospital setting. More broadly, the Queensland Government should investigate the value for money that can be achieved by partnering with non-government organisations for the delivery of community health services.

For example, a range of these services, such as palliative care and HITH services, already are provided through organisations such as Blue Care and Anglicare. This illustrates that there is an active market for the provision of these types of services, which potentially could be developed further through greater contestability in the delivery of these services to achieve greater cost efficiency.

Recommendation

71 The Government:

- *refocus community health services to reducing demand on public hospitals and expanding hospital substitution programs (such as Hospital in the Home)*

- *introduce contestability to the provision of community health services.*

D3.4 SUBSIDY SCHEMES

Under the NHCA, the State has responsibility to provide subsidy schemes to improve access to services for disadvantaged groups. Queensland Health administers two main subsidy schemes: the Patient Transport Subsidy Scheme (PTSS) and the Medical Aids Subsidy Scheme (MASS) (which includes the Spectacle Supply Scheme).

The eligibility for MASS and comparable schemes interstate are largely similar, with common aids and equipment provided under each state's scheme. However, there are some differences in the eligibility criteria applying to patient transport schemes.

Queensland Health figures show that $50.2 million was spent on patient transport services in 2011-12. This is a relatively high figure in per capita terms, reflecting in part the dispersion of the Queensland population.

In the 2012-13 State Budget, the Queensland Government announced a doubling of the subsidy rates. This means that Queensland now has subsidy rates substantially higher than New South Wales and Victoria. Queensland's eligibility criteria for the PTSS also are less prescriptive than New South Wales and Victoria (see Box D3.2).

Key points of difference include:

- Distance required for travel – Queensland requires a patient to be at least 50 kilometres from the nearest public hospital, while New South Wales and Victoria require a patient to travel at least 100 kilometres each way. Victoria also requires the patient to live in a designated rural region.

- Treatment covered – Victoria specifies a range of specialty treatments for which patient travel is covered. Queensland's scheme is limited to 'essential' treatment as determined by a medical practitioner, a meaning the treatment for which travel is covered is not pre-determined and is at the discretion of the medical practitioner.

Furthermore, in Queensland, patients using their private health insurance to access private health services are still able to access travel subsidies under the public PTSS. While the proportion of expenditure on these patients is unknown, it is not clear that eligibility for the PTSS should apply to such patients.

In the light of the high and increasing cost of subsidy schemes such as the PTSS, priority should be given to those patients with the greatest need. This could involve aligning eligibility criteria with interstate practices, increasing co-payments and/or capping the amount of funding available for these schemes.

Recommendation

72   ***The Government review eligibility criteria for subsidy schemes, such as the patient transport subsidy scheme, to align with practice interstate and with the need to focus limited government resources on areas of greatest need.***

BOX D3.2
Patient Transport Subsidy Schemes (PTSS)

The PTSS provides subsidised transport and accommodation for patients to travel to their nearest hospital for specialist treatment. The table below compares Queensland's eligibility criteria and subsidy rates with New South Wales and Victoria.

	Queensland	New South Wales	Victoria
Eligibility criteria	To be eligible for Queensland PTSS a patient must: • be a resident of Queensland • hold or be eligible to hold a Medicare Card • be referred by a medical practitioner to a specialist medical service classified as 'essential' under the scheme. Travel and accommodation covered through other avenues (such as workers' compensation or Department of Veterans' Affairs) must be claimed first. The service to which a patient is referred must also: • be at least 50 km from their nearest public hospital • be the nearest available specialist. Patients requiring medical attention while interstate for work or holidays are not eligible for assistance.	To be eligible for the Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS), a patient must: • be a resident of New South Wales who is eligible for Medicare benefits • be required to travel at least 100 km each way, or a cumulative distance of at least 200 km a week, from usual place of residence to access the nearest available medical specialist • be referred by a medical practitioner to the nearest treating specialist for specialist treatment • claim the maximum available benefits from a private health fund first • not be eligible for any assistance under any other government assistance scheme.	To be eligible for the Victorian Patient Transport Assistance Scheme (VPTAS), patients must meet all of the following criteria: • be a Victorian resident • live in a Department of Health designated rural region • be receiving specialist medical treatment under specialty treatment codes 001-099, 102 or 115 from an approved medical specialist service registered with Medicare Australia (refer to the guidelines for eligible specialist treatments) • need to travel more than 100 km one way, or an average of 500 km per week for a minimum of five consecutive weeks.

	Queensland	New South Wales	Victoria
Transport subsidy	• Subsidies for private car travel at 30 cents/km • The cost of the cheapest form of public transport available.	• Subsidies for private car travel at 15 cents/km.	• Subsidies for private car travel – at 17 cents/km where a private vehicle is used • Full concession fare reimbursements for public transport • Air travel only if the journey exceeds 350 km one way and a commercial flight is used • Taxi travel only to the nearest public transport and only when a patient has no other means of transport available.
Accommodation subsidy	• Assistance is provided to patients and their approved escort of up to $60 per person per night for commercial accommodation, for concession card holders • Non-concession card holders must meet the costs of the first four nights of accommodation in a financial year, then up to $60 per person per night for commercial accommodation is available for patients and their approved escort • If patients choose to stay with friends or relatives, their hospital will contribute $10 per person per night.	• Commercial accommodation subsidy, $43 per night single room and $60 per night double room • Private accommodation subsidy from $140 per week • The $40 co-contribution is to be levied on the total weekly IPTAAS subsidy payable to patients who are non-pensioners/health care card holders and are claiming under the 200 km per week cumulative distance criterion. This co-contribution is capped once a patient's IPTAAS subsidies reach $1,000 within a one year period.	• Accommodation assistance is paid at a maximum of $35 per night plus GST for a patient and an approved escort staying in commercial accommodation • Commercial accommodation is accommodation that is registered as a business and has an Australian Business Number (ABN) • Accommodation allowance is only available if the patient and an approved escort (if applicable) are eligible for travel assistance.

Source: Queensland, New South Wales and Victoria Health Departments.

D3.5   ORAL HEALTH SERVICES

Limited available data suggests that Queensland has relatively poor oral health outcomes compared to the rest of Australia. The 2007 Child Dental Health Survey shows the mean values for the number of decayed, missing, or filled teeth (Chart D3.4). For children aged 5-6, Queensland had a mean rate of 2.47, higher than any other state. Similarly, for children aged 12 years, Queensland had a mean of 1.32, also higher than any other state.

Chart D3.4
Mean number of decayed, missing or filled teeth
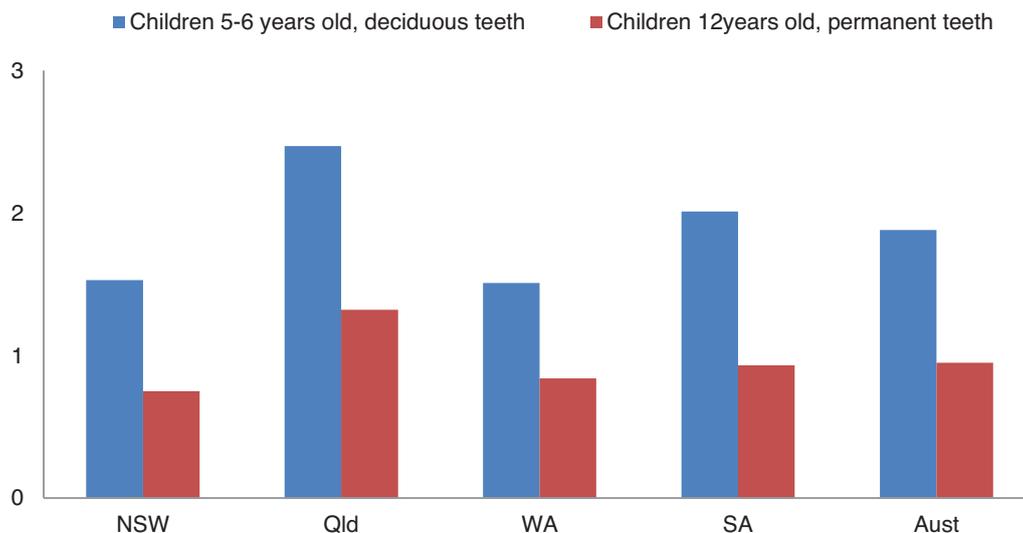
Note: Results from Victoria are excluded due to lack of access to the data.

Source: Australian Institute of Health and Welfare, Child Dental Health Survey Australia 2007, Table 2.4 & 2.5

Under the NHCA, states have responsibility for the delivery and funding of public oral health services. While there is little definition provided for public oral health services, they are focussed primarily on children and disadvantaged adults. Each state determines its own eligibility requirements for accessing public dental services, usually requiring a person to hold a concession card issued by Centrelink.

For adults to be eligible for publicly funded oral health care in Queensland, they must be a Queensland resident and, where applicable, hold one of the following:

- Pensioner Concession Card issued by the Department of Veterans' Affairs
- Pensioner Concession Card issued by Centrelink
- Health Care Card
- Commonwealth Seniors Health Card
- Queensland Seniors Card.

For residents issued with these cards and currently receiving benefits, eligibility is extended to their dependants named on the card. Also eligible is any child who is under the guardianship of the State (through the Department of Communities, Child Safety and Disability Services).

Additionally, Queensland Health provides oral health services to all resident children four years of age or older who have not completed Year 10 secondary school through the Child and Adolescent Oral Health Service (previously the School Dental Program). It has been estimated that nearly 50% of Queensland's population are eligible for treatment in Queensland Health Clinics.[4]

Queensland's public dental service provision and expenditure is above the national average, and considerably higher than New South Wales and Victoria. Chart D3.5 shows that in 2010, Queensland's utilisation of public dental services was 98 occasions of service per 1,000 people, while the national average was 74 per 1,000 people.

Chart D3.5
Utilisation of public dental services, 2010
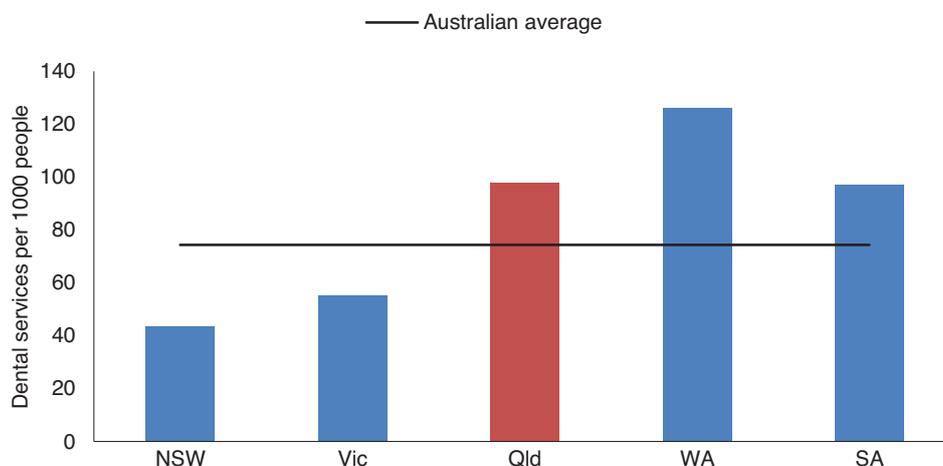
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 11A.9

Unlike other states, Queensland does not charge a co-payment for public oral health services. For example, Victoria charges eligible adults and children aged 0-12 who are not health care or pensioner card holders or not dependants of concession card holders:

- $25.50 per visit, up to a maximum of $102 for general dental treatment
- flat fee of $25.50 for emergency dental treatment
- up to $123 for dentures
- $30.50 per child for general treatment, up to a maximum of $122 per family
- up to a maximum of $306 for a course of specialist services at the Royal Dental Hospital Melbourne.[5]

Also, Queensland does not actively involve the private sector in the provision of public oral health services. As the majority of overall dental services for the community are provided by the private sector, there is an opportunity to introduce contestability to the provision of public oral health services, as is the case in New South Wales.

Box D3.3 outlines the New South Wales 'Oral Health Fee for Service Scheme' (OHFSS).

Box D3.3
New South Wales Oral Health Fee for Service Scheme (OHFSS)

The OHFSS provides "*episodic and general treatment, and allocation of dentures to eligible New South Wales residents through a procurement scheme with private oral health practitioners*".

It is open to eligible New South Wales residents who hold a Centrelink concession card.

The scheme provides an alternative to direct service delivery by public oral health services, by providing vouchers for use at selected private dentists. The public dental service will prioritise treatment based on urgency and may provide a patient with an OHFSS voucher to use at selected private dentists, provide an appointment at the public service or place the patient on a waiting list.

Patients provided with an OHFSS voucher are able to contact a private provider that is listed as part of the scheme to arrange an appointment.

The scheme provides vouchers based on a range of services. However, there are ceiling limits for certain types of services, as follows:

- $363.80 for episodic care
- $700.00 for general care
- $1,532.05 for full dentures (upper and lower).

These ceilings can be reduced by individual Local Health Districts according to local policy.

Source: New South Wales Health, Oral Health Fee for Service Scheme, 2009, accessed from www.health.nsw.gov.au

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The Australian Government recently announced a Dental Reform package, which replaces the previous Medicare Chronic Disease Dental Scheme from 1 December 2012 and the Medicare Teen Dental Plan from 31 December 2013.

The Child Dental Benefits Schedule (CDBS) will replace the Medicare Teen Dental Plan. The program will provide all children whose families receive Family Tax Benefit Part A (or certain government payments) with a capped benefit of $1,000 per child over a two year period. This amount can be used at either a public or private dental service. While the specific detail of this new funding arrangement is not yet available, there may be an opportunity for Queensland HHSs to access this funding source as part of their existing child dental services (for example, through school dental vans).

Additionally, the Australian Government will also provide $1.3 billion to the states from July 2014 to expand services for low income adults in the public dental system. This program is focussed on treating the 400,000 adults currently on public dental waiting lists.[6]

This will allow the states to shift focus from emergency care to prevention and oral health promotion. The specific details of this program are to be determined through a National Partnership Agreement for adult public dental services. Also, funding will be dependent on the states and territories demonstrated progress against the 2012-13 Dental Waiting List National Partnership Agreement. Therefore, the impact on the Queensland Government is difficult to assess at this stage.

Despite the availability of additional Australian Government funding, there is a risk to the Queensland Government that ongoing care for people with chronic and complex dental care needs (who could previously access up to $4,250 in Medicare benefits for dental services over two years under the Medicare Chronic Disease Dental Scheme) will fall to the states where patients are unable to meet the gap payment.

Recommendation

73   In relation to public oral health services, the Government:

- *align service delivery with best practice interstate, through the introduction of co-payments and contestability in service provision*

- *leverage reform opportunities presented by the Australian Government's Dental Reform package, while resisting any cost-shifting to the State.*

D3.6   HEALTH CALL CENTRE – 13HEALTH

In 2006, Queensland Health commenced operation of a Health Contact Centre – 13HEALTH – to provide easy access to health advice, information, referral and triage services.

At the same time, the Council of Australian Governments (COAG) announced the establishment of a National Health Call Centre Network (*healthdirect* Australia) to provide a similar service as 13HEALTH.

The national network delivers services to New South Wales, South Australia, Western Australia, the Northern Territory and the Australian Capital Territory. Queensland has not joined due to its investment in 13HEALTH.

Recurrent expenditure by Queensland Health on 13HEALTH in 2011-12 was $18.5 million (including funding for Quitline, Chronic Disease & Child Health). This is a direct duplication of a service established by COAG and provided nationally.

It makes no sense for Queensland to continue to provide a separate service. Queensland Health has acknowledged that joining healthdirect Australia would result in the Australian Government funding 40% of the operational costs for the core telephone triage and information service, with Queensland Health funding the remaining 60%. It is estimated that a financial benefit of $2.7 million to Queensland would result if such transfer were to occur.[7]

Accordingly, the Queensland Government should transition telephone services from 13HEALTH to *healthdirect* to avoid duplication of services and reduce the cost to Queensland. The transition process will need to take into account the potential transfer of staff and assets.

Recommendation

74 *The Government transition telephone support services from 13HEALTH to the National Health Call Centre Network, healthdirect.*

D3.7 RURAL AND REMOTE HEALTH SERVICES

Health service delivery in rural and remote areas involves additional considerations due to the inherent complexities created by:

- geographical and social isolation
- dispersed populations
- workforce shortages
- increasing community expectations.[8]

These complexities are evidenced by poorer health outcomes, including oral health outcomes, for populations living in rural and remote areas.[9] Reduced utilisation of health services in rural and remote areas has been well documented. Chart D3.6 illustrates this reduced access to General Practitioner (GP) services, specialist services and allied health services in outer regional, remote and very remote areas of Australia. In particular, it shows that the more remote an area in which a patient lives, the less services they access across all categories – GPs, specialists, and allied health services funded through Medicare under the Medical Benefits Schedule (MBS). Patients living in remote and very remote areas of Australia access less than half the allied health services that are provided in major cities.

Chart D3.6
Services received in rural and remote areas as a proportion of services received in major cities, 2006-07

■ MBS GP services   ■ MBS specialist services   ■ MBS allied health services
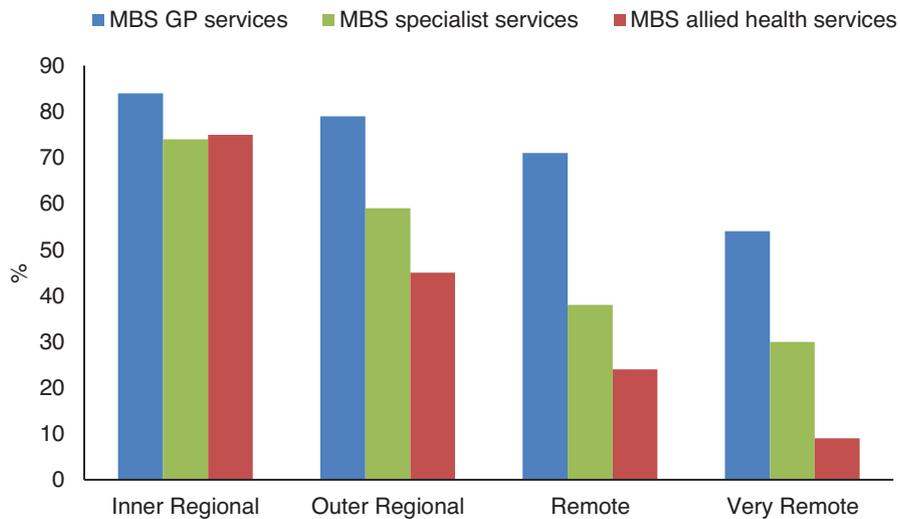
Source: Department of Health and Ageing, National Strategic Framework for Rural and Remote Health 2011

The attraction and retention of health professionals in rural and regional areas has been an ongoing problem. This has led to various policy responses by the Australian Government, in the form of programs and incentives to attract medical staff, in particular, to rural and remote areas.

A recent report on the health workforce by Deloitte Access Economics suggests there has been an overall encouraging trend in clinician to population ratios in regional Australia, suggesting that these rural workforce programs are having an impact. For example, the total number of clinicians in rural and regional areas (GP, non-GP specialists and other clinicians) has increased 58% between 2001 and 2008 in Queensland.[10]

In the light of the challenges documented above, innovative models of care have been developed for the delivery of rural and remote health services, including the 'hub and spoke' model and Multi-Purpose Service Program.

The 'hub and spoke' model is widely used in Queensland and has been recognised by Queensland Health as one of the primary service delivery models in rural and remote areas.[11] In particular, the 2011-2021 Health Service Plan for the Bowen, Galilee and Surat Basins identifies Gladstone Hospital as a regional hub; and Emerald, Roma and Dalby Hospitals as rural hubs that provide a range of visiting and telehealth outreach services to the smaller 'spoke' facilities in the region. The hub sites will provide the four core health services, surgical and procedural, maternity, emergency and general medical services.[12]

The Multi-Purpose Service program is a joint initiative between the Australian Government and state governments to deliver integrated health and aged care services in rural and remote communities. It operates in communities where the local population is not large enough to support separate services such as a hospital or residential aged care service.[13]

Multipurpose Health Services are currently operated in more than 20 rural and remote communities in Queensland, including Clermont, Dirranbandi, Inglewood, Springsure and Texas.

However, there are significant systemic impediments which hinder successful and sustained implementation of these models. These impediments are as follows:

- Poor coordination and fragmentation of health program funding limits scope for an integrated approach to healthcare.

- Divided responsibilities for funding and service delivery, often between different levels of government and between public and private sectors, has led to limited accountability for service delivery.

- Inflexibility of existing funding streams limits the allocation of resources to meet the unique and varied community needs of rural populations. There is a need for flexible funding arrangements that refocus on multidisciplinary practice and prevention targets.

- Perverse incentives created by the funding model have led to limited private participation in rural health service delivery. More specifically, the Right of Private Practice model through its fee-for-service mechanism has caused public sector employees to crowd out private sector participation.[14]

Effective models for the delivery of health services in rural and remote areas will vary, depending on the local health needs of the community. Specific models aligned to the needs of individual communities are likely to be more effective and appropriate than standardised or overarching solutions.

The non-government sector has previously demonstrated this ability to target the specific needs of rural and remote communities. For example, under contracts with Queensland Health, the Royal Flying Doctor Service, a not-for-profit organisation, provides flight transfers for patients in rural and remote areas requiring medical treatment in major cities.

There is an opportunity for the Queensland Government to involve the non-government sector more extensively in the development of new, effective and efficient models of care and service delivery to address the unique health needs of rural and remote communities.

Future health service delivery models for rural populations should also prioritise and leverage the benefits of technology. Telehealth and telemedicine present an important opportunity to provide access to health services which are unable to be delivered on the ground in remote areas. Furthermore, appropriate information technology systems can facilitate the re-educating or empowering of individuals to take greater control over their health and disease. Despite these benefits, the uptake of telemedicine to date has been relatively slow and inconsistent.

Recommendation

**75 To achieve improved efficiency of public hospital services, the
    Government develop opportunities for the non-government sector to
    provide rural and remote health services for which the State is responsible.**

ENDNOTES

[1]   Independent Hospital Pricing Authority, *Activity based funding for Australian public hospitals: Towards a Pricing Framework*, 2012, accessed from www.ihpa.gov.au

[2]   Department of Health Victoria, *About HARP*, 2012, accessed from www.health.vic.gov.au

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[4]   Australian Dental Association, *Dental services in Queensland: Future directions position paper*, 2012, accessed from www.adaq.com.au

[5]   Department of Health Victoria, *Victoria's public dental system*, 2012, accessed from www.health.vic.gov.au

[6]   Department of Health and Ageing, *Dental Reform*, 2012, accessed from www.health.gov.au

[7]   Information provided by Queensland Health

[8]   M Leveratt, 'Rural and Remote Australia – Equity of Access to Health Care Services', *The Australian Consumer,* Vol. 2, 2007, p. 16, accessed from www.chf.org.au

[9]   National Rural Health Alliance, *Fact Sheet 9: The State of Rural Health*, 2009, accessed from www.ruralhealth.org.au

[10] Deloitte Access Economics, *Review of the Rural Medical Workforce Distribution Program and Policies*, 2011, Table 3.1, accessed from www.health.gov.au

[11] Queensland Health, *A definition of a rural model of health service delivery: A 'hub and spoke' (service partner) model*, 2010, accessed from www.health.qld.gov.au

[12] Queensland Health, *Bowen, Galilee and Surat Basins, Health Services Plan, 2011-2021 Summary*, 2012, accessed from www.health.qld.gov.au

[13] Department of Health and Ageing, *Multi-Purpose Service Program*, 2013, accessed from www.health.gov.au

[14] J Humphreys and J Wakerman, *Primary health care in rural and remote Australia: Achieving equity of access and outcomes through national reform*, 2009, accessed from www.health.gov.au

D4 MENTAL HEALTH

KEY ISSUES

- There is not a clear delineation of the roles and responsibilities of the Australian Government and the states in relation to mental health services.

- The states are responsible for providing specialised public mental health services (including admitted patient care in public hospitals), community-based ambulatory care, community-based residential care, and funding for non-government organisations to provide a range of support services. The Australian Government also provides a range of other mental health services.

- The Queensland Government has invested $632 million since 2007-08 to implement the *Queensland Plan for Mental Health 2007-2017*. Queensland's direct expenditure on mental health increased from $389 million to $679 million between 2005-06 and 2010-11, an increase of 74.6%, or a compound annual growth rate of 11.8%.

- While there has been a significant increase in investment in mental health in Queensland, data indicates a deterioration in efficiency and productivity.

- In terms of both inpatient services (acute and non-acute) and ambulatory care services, expenditure has increased at a greater rate than staffing levels, which in turn have increased at a greater rate than output.

- There is a need to ensure that the significant investment in mental health in Queensland is directed more effectively towards increased outputs and better outcomes, through improved productivity and better value for money for the expenditure undertaken.

D4.1 SERVICE PROFILE

Queensland Health reports that in 2007:

- One-quarter of the total disability burden in Queensland was due to mental disorders, the largest specific causes being anxiety and depression.

- In the 15-24 age group, almost half (48.9%) of the disability burden was due to mental disorders.

- The Indigenous burden rate for mental disorders in Queensland was 50% higher than the non-Indigenous rate.

Queensland Health also reports that in 2011, 14% of adult Queenslanders were at high or very high risk of psychological distress.[1]

There is a lack of clarity about the responsibility for mental health issues. The roles and responsibilities of the Australian Government and the states in relation to mental health are not clearly described through national agreements such as the National Health Care Agreement (NHCA) or the National Partnership Agreement on Mental Health Reform.

The Productivity Commission describes the roles and responsibilities in acute mental health as:

- The states are responsible for providing specialised public mental health services (including admitted patient care in public hospitals), community-based ambulatory care, community-based residential care, and also funding non-government organisations to provide a range of support services.

- The Australian Government funds Medical Benefits Schedule (MBS) subsidised services provided through general practitioners (GPs), private psychiatrists and allied mental health professions; Pharmaceutical Benefits Scheme (PBS); other specific programs designed to increase the level of social support; and community-based care for people with mental illness and to prevent suicide.[2]

This broadly aligns with the responsibilities outlined in the NHCA, with the states responsible for public hospitals and community care, and the Australian Government responsible for primary care. However, there remains a lack of clarity about how these roles are delineated in practice.

Queensland Health provides mental health services across the continuum of care, from community-based care through to acute inpatient care. The contemporary service delivery model for mental health has shifted away from inpatient focussed treatment to community-based treatment.

Mental health services in Queensland have undergone significant reform in the past decade and particularly since 2007, with the release of the *Queensland Plan for Mental Health 2007-2017* (the Plan)*,* which aims to develop a coordinated system providing a full range of services that:

- promote mental health and wellbeing
- where possible prevent mental health problems and mental illness
- reduce the impact of mental illness on individuals, their families and the community
- promote recovery and build resilience
- enable people who live with a mental illness to participate meaningfully in society.[3]

The response to mental health extends across several government departments and focuses on addressing both the health and social determinants of mental health.

The Queensland Government has invested $632 million (capital and operational costs) to implement the Plan since 2007-08. This included funding for Queensland Health and the Department of Communities.[4]

Queensland's direct expenditure on mental health services grew 74.6% between 2005-06 and 2010-11, from $389 million to $679 million. This represents a compound annual growth rate (CAGR) of 11.8%.

Chart D4.1 shows the breakdown of direct expenditure on mental health services in Queensland. Approximately half of the clinical public mental health expenditure is directed at community ambulatory services which are designed to support those with mental illness to live in the community. Queensland Health also provides acute inpatient units and extended treatment services that provide longer term care.[5]

Chart D4.1
Queensland Health direct expenditure on mental health
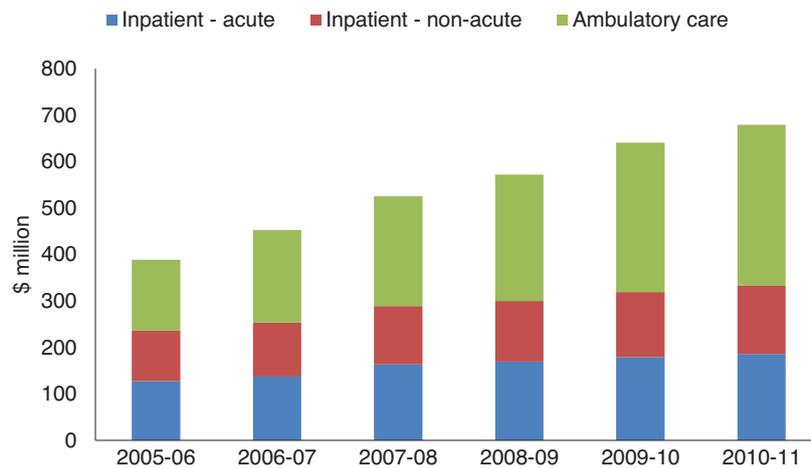
Source: Queensland Health

D4.2 COMPARATIVE PERFORMANCE

Performance of the mental health system is difficult to assess because of its complexity, the multiple providers and funders (including Queensland Health), and the difficulty of identifying and measuring outcomes.

The National Mental Health Commission (NMHC) has been tasked with developing a *National Report Card on Mental Health and Suicide Prevention* to monitor the performance of the mental health system. The NMHC notes that while significant investment in mental health has occurred across the nation, there has been little or no accountability for improvements in health outcomes as a result of this investment.[6]

Queensland's relative expenditure on mental health services (recurrent expenditure at the discretion of the State) has increased compared with other states and the national average since 2005-06, as shown in Chart D4.2. In 2005-06, Queensland's per capita expenditure was $111, compared with $132 nationally. This increased to $187 per person in Queensland compared with $189 nationally in 2010-11. Between 2005-06 and 2010-11, Queensland expenditure has increased from 84% of the national average to 99% of the national average.

Chart D4.2
Recurrent state expenditure on mental health services
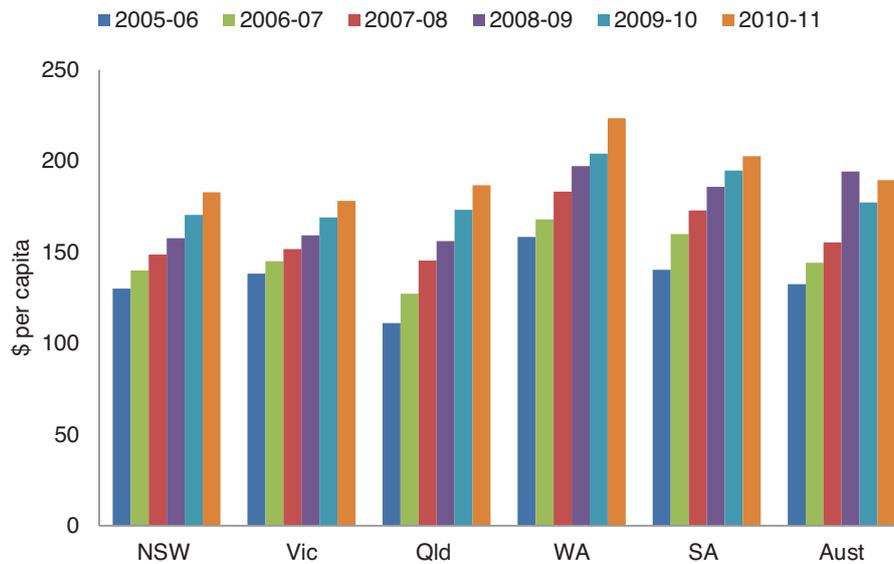
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services, 2013 Table 12A.6; Commission of Audit

Queensland's average recurrent cost per inpatient bed day increased from $658 to $773 between 2005-06 and 2010-11, an increase of 17.5%. Over the same period, average national costs per inpatient bed day increased by 19.9%, from $723 to $867.[7]

There has clearly been a significant investment in mental health in Queensland in recent years, as evidenced by the increase in expenditure in both absolute and relative terms. However, data indicates a deterioration in efficiency and productivity, especially for acute inpatient services and ambulatory care.

The significant investment in mental health services has resulted in an increase in the mental health workforce, which was a specific target of the Plan. However, there has not been a commensurate increase in output.

As shown in Chart D4.3, in terms of inpatient services (acute and non-acute), between 2005-06 and 2010-11:

- direct expenditure increased by 41.5%
- full-time equivalent (FTE) staff increased by 9.1%
- output (accrued patient days) increased by 1.8%.

Chart D4.3
Growth in expenditure, staffing and output –
mental health inpatient services
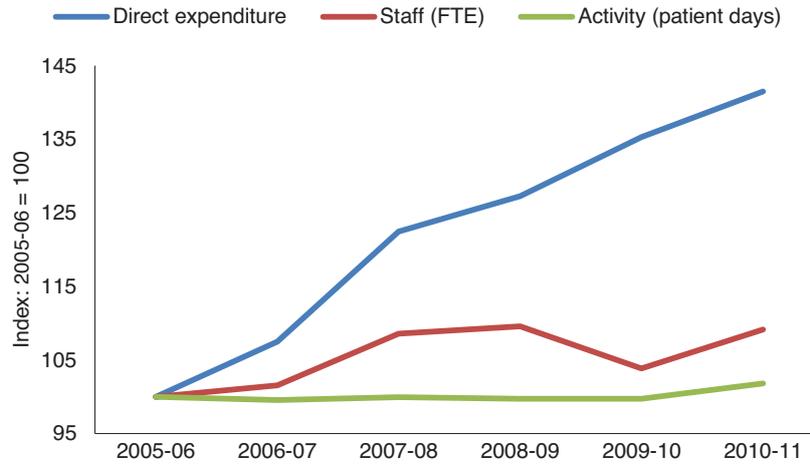
Source: Queensland Health

As shown in Chart D4.4, over the same period of time, for ambulatory mental health services:

- direct expenditure increased by 125.7%
- FTE staff increased 60.8%
- activity increased by 36.4%.

Chart D4.4
Growth in expenditure, staffing and output –
mental health ambulatory care
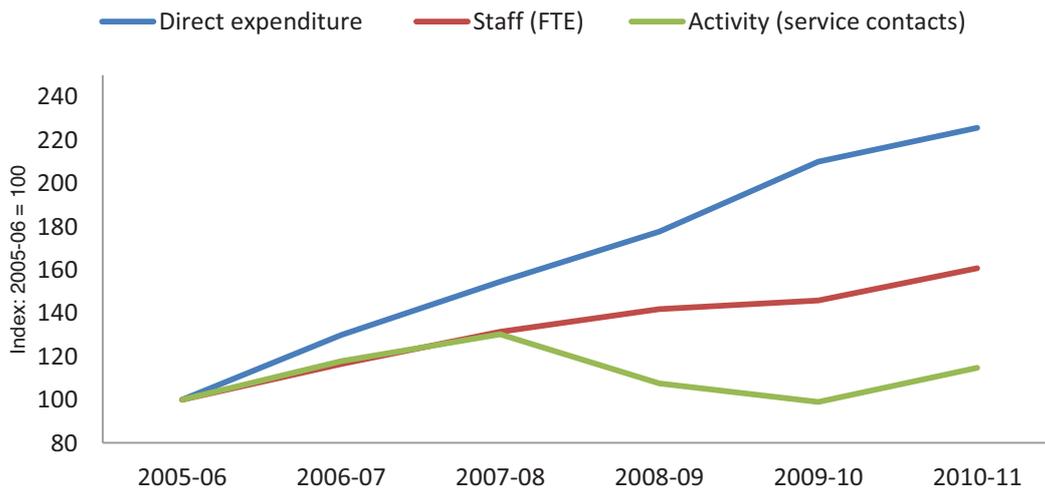
Note: FTEs and activity produced by non-government organisations using grants provided by Queensland Health are not included in the above data.

Source: Queensland Health

In interpreting this information, it is important to note that data collection was affected by a transition to a new activity reporting system, the Consumer Integrated Mental Health Application, in 2008. Changes to data collection and measurement in both activity and staffing in 2008-09 had an impact on the figures. Queensland Health has also advised that performance issues with the new reporting system resulted in poor compliance, especially for the reporting of community contacts. This assists in explaining the sharp decline in 2008-09.

Given the limitations of mental health activity data, activity collected via the *Mental Health Act 2000* is also presented, in Chart D4.5.

Chart D4.5
Growth in orders under the Mental Health Act
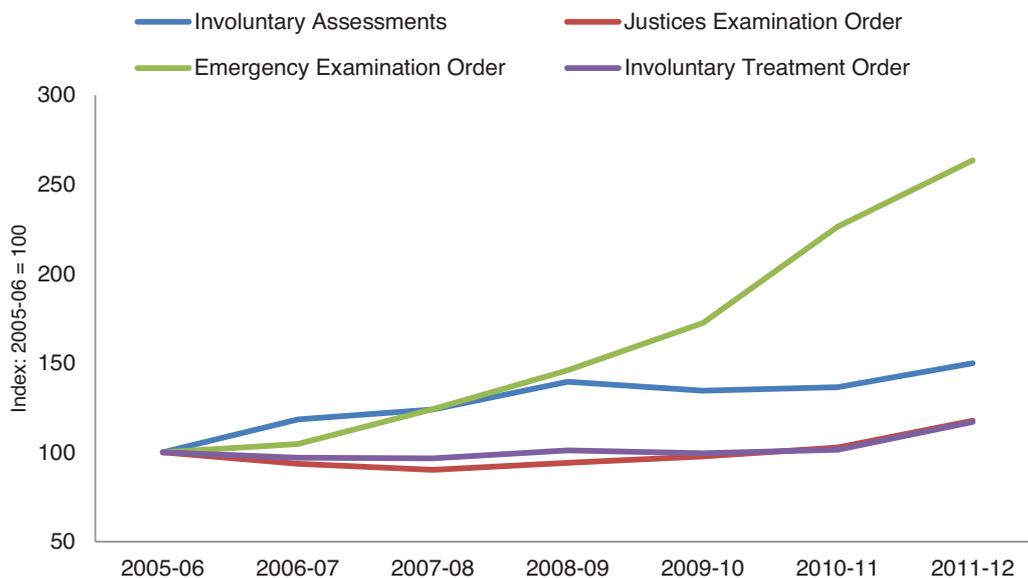
Source: Queensland Health

While this data does provide evidence that activity has increased, Queensland remains below the national average for inpatient and community activity, as follows:

- 50.2 acute mental health patient days recorded per 1,000 population in 2010-11, under the national average of 65.4 days per 1,000 population

- 47.6 non-acute patient days recorded per 1,000 population in 2010-11, which includes 24-hour community residential care. (Comparison of non-acute patient days with other states is difficult as Queensland includes 24-hour community residential care as non-acute services. Other states report this category separately.)

- 197.5 community contacts recorded per 1,000 population in 2009-10, well below the national average of 297.7.[8]

While there is a disparity between the expenditure allocated and outputs generated, there is evidence that performance against some clinical outcome measures has improved.

Chart D4.6 shows that Queensland's performance in terms of the proportion of mental health separations that were followed by an admission within 28 days of discharge has improved in comparison with the national average since 2005-06. In 2005-06, Queensland was 3.7 percentage points above the national average. By 2010-11, this had decreased to 1.6 percentage points above the national average.

A low or decreasing rate of re-admissions to hospital within 28 days of discharge from hospitals is desirable. Re-admissions following a recent discharge can indicate that inpatient treatment was either incomplete or ineffective, or that follow-up care was inadequate to maintain people out of hospital.

Re-admission rates are affected by factors other than deficiencies in specialised mental health services, such as the cyclic and episodic nature of some illnesses or other issues that are beyond the control of the mental health system.

Chart D4.6
Proportion of separations from a psychiatric inpatient service followed by re-admission within 28 days
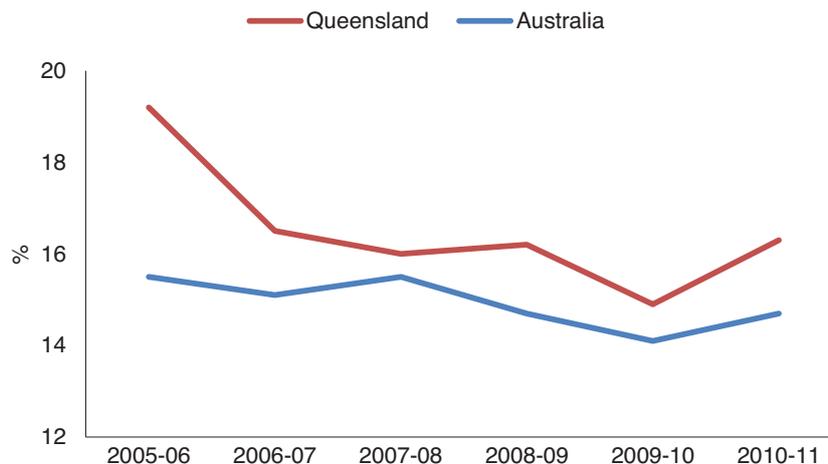
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 12A.39

In addition to improving re-admission rates, an improvement in the number of mental health consumers with identified community support, such as carers, other non-clinical services and GPs has also been achieved.[9] This indicates an improvement in service coordination and ensuring consumers have access to a full range of mental health services.

Overall, Queensland's investment in mental health is now comparable with other Australian jurisdictions. However, on the available evidence, Queensland has a lower relative level of service utilisation.

As a result, there is a need to ensure that the significant investment in mental health in Queensland is directed more effectively towards increased outputs and better outcomes, through improved productivity and better value for money for the expenditure undertaken.

D4.3   CONTESTABILITY

As in other areas of health services, productivity could be improved by encouraging greater contestability through the delivery of mental health services by the non-government sector. In this regard, a range of non-government organisations (NGOs) already are involved in the delivery of mental health services.

In 2011-12, the Queensland Government allocated more than $70 million to approximately 100 organisations for the delivery of a variety of community-based services.[10] Furthermore, it is estimated that there are 233 mental health NGOs in Queensland. This represents 29% of the total mental health NGOs in Australia.[11]

There is a shortage of available published evaluations on the quality and cost effectiveness of the NGO mental health sector.[12] However, anecdotal evidence suggests that the NGO sector provides valuable community-based support options that can be cost effective and essential to prevention and recovery.[13]

Evidence suggests that there are particular opportunities for Queensland to expand the utilisation of non-government providers to deliver ambulatory mental health care services funded by the Australian Government through the Medical Benefits Schedule (MBS) and Department of Veterans' Affairs (DVA). Table D4.1 shows that Queensland is below the national average for most mental health ambulatory services eligible for funding through MBS and DVA.

Table D4.1 **Rate of mental health ambulatory services per 1,000 population,** **by MBS/DVA service stream, 2010-11**						
Service	**NSW**	**Vic**	**Qld**	**WA**	**SA**	**Aust**
Psychiatrist	88.9	113.9	91.1	62.5	102.6	92.7
Clinical psychologist	56.1	60.8	41.5	76.5	73.1	57.7
GP	97.4	107.3	91.4	77.1	94.0	94.8
Other allied health	109.3	143.1	107.8	56.1	58.3	106.3
Total	**351.8**	**425.1**	**331.9**	**272.2**	**328.0**	**351.4**

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2012, Table 12A.25

A number of factors may contribute to this lower utilisation rate, including the higher proportion of Queensland's population living in rural and remote areas, referral practices to private mental health providers, workforce availability, and socioeconomic status. Nonetheless, Queensland Health should work in partnership with the Australian Government through Medicare Locals, to encourage greater participation by the non-government sector in the delivery of ambulatory mental health services in the State, including in regional, rural and remote areas, where this is feasible.

Mental health services are complex, and close collaboration is required, between the public and non-government sectors, and between NGOs. Contestable funding arrangements should be designed to include comprehensive reporting and monitoring of clinical outcomes and incentives for quality of care, integration, innovative service delivery and equity in service provision.

Recommendation

76 *To achieve improved efficiency and productivity of mental health services, the Government:*

- *introduce outcome and output-based funding models for mental health services, through the agreed Independent Hospital Pricing Authority process*

- *develop contestable market arrangements for the provision of mental health services, in particular for sub-acute services and community care units.*

D4.4   FUNDING MODEL

The planned introduction of a national activity based funding (ABF) model for mental health services by the Independent Hospital Pricing Authority (IHPA) will assist in reorienting the focus of funding models towards outputs and outcomes. While the exact design of the funding model is yet to be determined, it is expected to include incentives for states to be efficient and service focussed in their delivery.

Elements of ABF funding models which promote improvements in efficiency and productivity include:

- Consistent data collection and costing methodologies which enable greater transparency in performance data and enable accurate comparisons to be made between states (cost benchmarking).

- The outcome based focus of ABF provides an opportunity to include appropriate incentives to reward best practice.

- ABF provides the necessary framework to link clinical needs, activity, quality and outcomes in the resource allocation processes.[14]

The Independent Hospital Pricing Authority (IHPA) is in the process of developing a new classification system for mental health for implementation from July 2014. For 2013-14, the national ABF model is likely to use an interim cost model for mental health. This applies only to acute admitted patients that are in Major Diagnostic Categories (MDCs) 19 and 20 (Mental diseases and disorders and Alcohol/drug induced organic mental disorders respectively) and those patients in other MDCs that have recorded psychiatric care days.

Recommendation

77 The Queensland Government strongly influence the development of the mental health activity based funding model being developed by the Independent Hospital Pricing Authority, which will contribute to a clearer delineation of responsibilities between the State and the Australian Government.

ENDNOTES

1   Queensland Health, *The Health of Queenslanders 2012 Advancing Good Health*, accessed from www.health.qld.gov.au

2   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Chapter 12 Mental health management, Productivity Commission, 2013, accessed from www.pc.gov.au

3   Queensland Health, *The Queensland Plan for Mental Health 2007-2017*, 2008, accessed from www.health.qld.gov.au

4   Queensland Health, *Queensland Plan for Mental Health 2007-2017: Four Year Report*, 2011, accessed from www.health.qld.gov.au

5   Information provided by Queensland Health

6   National Mental Health Commission, *A Contributing Life, The 2012 National Report Card on Mental Health and Suicide Prevention*, 2012, accessed from www.mentalhealthcommission.gov.au

7   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 12A.43

8   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Tables 12A.18, 12A.20

9   Queensland Health, *Queensland Plan for Mental Health 2007-2017: Four Year Report*, 2011

10 Department of Communities, *Supporting Recovery Mental Health Community Services Plan 2011-2017*, 2011, accessed from www.communities.qld.gov.au

11 National Health Workforce Planning & Research Collaboration, *Mental Health Non-Government Organisation Workforce Project Final Report*, 2011, accessed from www.ahwo.gov.au

12 J Penrose-Wall and J Bateman, *Working on strengths … the evidence so far models of assistance by mental health community organisations and evidence of their effectiveness*, 2007, accessed from www.mhcc.org.au

13 National Health Workforce Planning & Research Collaboration, *Mental Health Non-Government Organisation Workforce Project Final Report*, 2011

14 Mental Health Council of Australia, *Activity Based Funding and Mental Health Issues Paper*, 2012, accessed from www.mhca.org.au

D5   RESIDENTIAL AGED CARE

KEY ISSUES

- The funding and regulation of aged care services are predominantly the role of the Australian Government, although all three levels of government are involved.

- The Queensland Government plays a limited role in the provision of residential aged care facilities, which extends beyond its core responsibilities. In 2011-12, Queensland Health operated and maintained 20 residential aged care facilities (RACFs) with 1,501 operational places, representing just 4.2% of facilities and 4.5% of places.

- A majority of the residential aged care facilities in Queensland are owned by not-for-profit organisations (69.2%), reflecting an active market of non-government providers for these services.

- Limited information available on expenditure suggests that Queensland Health is a high cost provider of residential aged care.

- Queensland is relatively poorly provided for in the number of residential aged care places. Queensland has 81.2 residential aged care places per 1,000 people aged 70 years and over, compared with the Australian average of 84.4 per 1,000 and the Australian Government target of 86 places per 1,000.

- Queensland Health incurs additional costs due to nursing home type patients occupying public hospital beds which are more costly and clinically inappropriate. Failure of the Australian Government to provide an adequate supply of residential aged care places results in cost shifting to the Queensland Government.

- There is a strong case for the Queensland Government to phase out its residual role in residential aged care where this is feasible. However, there needs to be suitable safeguards to ensure continuity of care for residents.

D5.1   SERVICE PROFILE

D5.1.1   Service responsibility

The aged care system comprises all services specifically designed to meet the care and support needs of older people, with particular emphasis on government funded residential and community care.

The funding and regulation of aged care services are predominantly the role of the Australian Government, although all three levels of government are involved. The National Health Reform Agreement (NHRA) outlines funding responsibilities as follows:

- The Australian Government is responsible for:

– funding basic community care, and packaged community and residential aged care for people aged 65 years and over (50 years for Indigenous populations)

– regulating packaged community and residential aged care.

- State governments are responsible for:

– funding basic community care services, packaged community care services and residential aged care for people aged under 65 years (50 years for Indigenous populations)

– regulating basic community care services for people aged under 65 years (50 years for Indigenous populations).[1]

D5.1.2   Aged care places and facilities

The majority of aged care places and facilities across Australia are owned and operated by the non-government sector, comprising both the private 'for profit' and 'not-for-profit' sectors. Table D5.1 shows the percentage of places operated by each sector in each mainland state and the Australian average. In Queensland, 95% of places are operated by the non-government sector, marginally above the Australian average, but below states such as New South Wales and Western Australia.

Table D5.1 Ownership of operational aged care residential places, 2012 (%)						
	NSW	Vic	Qld	WA	SA	Aust
Not-for-profit	65.7	36.2	63.8	60.8	67.7	58.2
Private	32.8	50.5	31.2	36.6	24.4	35.9
State government	0.8	12.2	4.5	0.4	5.3	4.8
Local government	0.7	1.0	0.5	2.2	2.5	1.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 13A.16

Chart D5.1 shows the percentage of aged care places operated by state governments. In Queensland, 1,501 (or 4.5%) of the total of 33,537 places were operated by the State Government. Victoria has the highest proportion of state-owned places, at 12.2%.

Chart D5.1
Percentage of aged care places operated by states, 2011-12
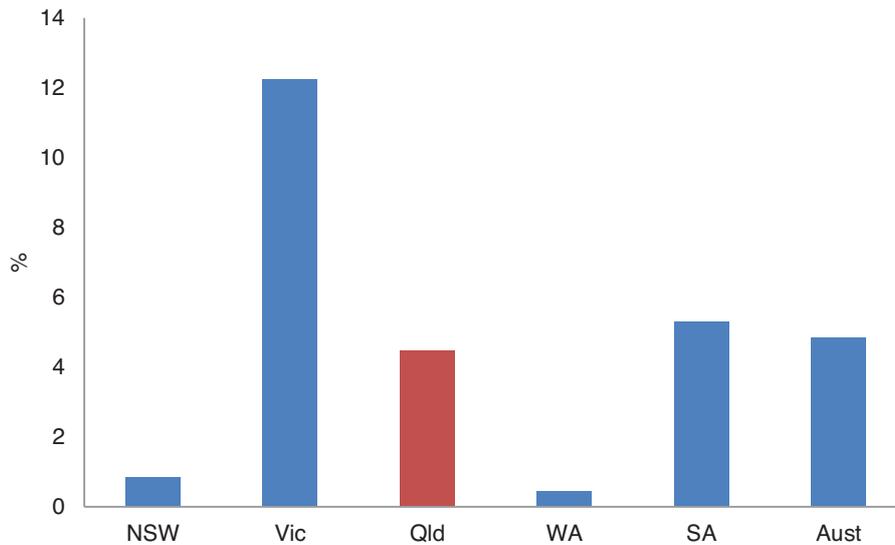
The proportions of ownership of aged care facilities are similar to the operation of aged care places. Chart D5.2 compares the proportion of RACFs by provider type across the states in 2010-11. A majority of the RACFs in Queensland are owned by not-for-profit organisations (69.2%). Queensland Health operated 20 (or 4.1%) of the 483 RACFs in Queensland in 2010-11.

Chart D5.2
Proportion of RACFs by provider type, 2010-11

Chart D5.3 shows the distribution of Queensland Health's residential aged care places by geographical area. As illustrated, the majority (40%) of residential aged care places are located in major cities and a further 38% in inner regional areas where there are existing non-government providers of residential aged care services. Only a small proportion of Queensland Health's residential aged care services are provided in remote areas, where there may be a greater need for a government presence, due to the absence of non-government providers.

Chart D5.3
Distribution of Queensland Health RACF places by Australian Standard Geographical Classification, 2010-11
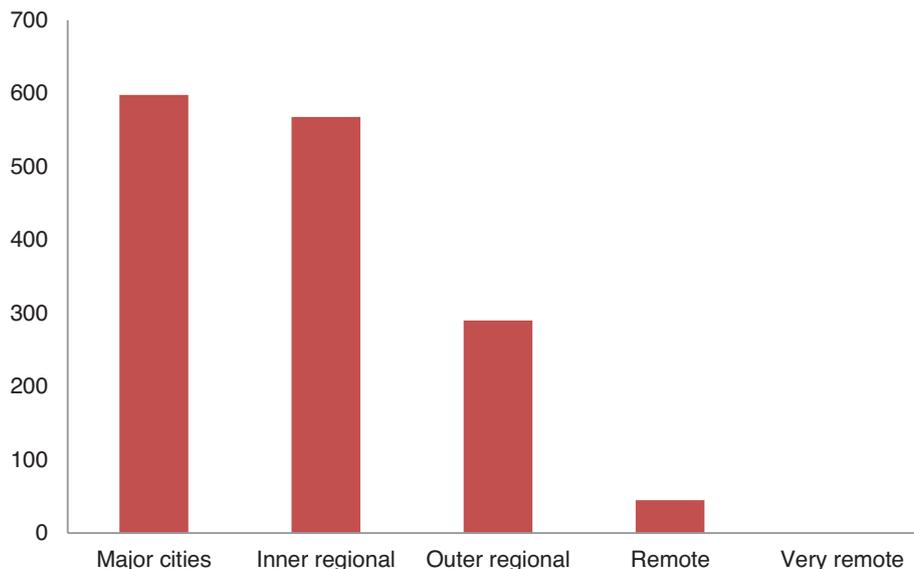
Source: Australian Institute of Health and Welfare – Residential Aged Care Australia 2010-11

In 2011-12, Queensland Health contributed $77.8 million to the provision of residential aged care in its facilities. This is in addition to the Australian Government funding allocated by the Aged Care Funding Instrument (ACFI).[2] The State Government's contribution towards the total cost of operating its RACFs increased from 48.2% in 2007-08 to 52.2% in 2010-11.

In line with the aged care reforms implemented through the NHRA, the proportion of Australian Government funding increased in 2011-12, with the State Government proportion falling to 47%. Table D5.2 shows the relative funding contributions for Queensland Government RACFs for the period 2007-08 to 2011-12.

Table D5.2 Queensland Government RACFs, funding contributions					
Funding Source	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Australian Government subsidies/ resident fees/ other ($m)	76.0	74.3	70.9	77.0	86.3
Queensland Government contribution ($m)	70.8	78.5	91.8	84.1	77.8
Total ($m)	**146.7**	**152.8**	**162.8**	**161.1**	**164.0**
Queensland Government contribution as a proportion (%)	**48**	**51**	**56**	**52**	**47**

Source: Queensland Health

D5.1.3 Service costs

There is an unavailability of data to compare total and per capita expenditure on RACFs across other states. Therefore, it is not possible to assess whether the cost structure of residential aged care in Queensland Health operated facilities is higher than state-operated facilities in other jurisdictions. However, Queensland's costs exceed the Australian Government subsidy.

Queensland Health is a high cost provider of residential aged care compared with the non-government sector. The higher costs in Queensland Health facilities are due to higher staff-to-resident ratios, higher salary levels and a higher cost workforce profile compared with the non-government sector (as wages are tied to state enterprise bargaining agreements, which do not apply to the non-government sector).

Specific issues identified by Queensland Health are as follows:

- While eligible residents contribute 85% of the annual single basic age pension and the income tested fee, Queensland Health does not collect accommodation charges from eligible residents (which it is entitled to collect, and which is common practice for non-government providers). A suggested reason is the likely higher proportion of lower socio-economic residents in government facilities.

- State Government operated RACFs often have higher staff to patient ratios and/or a high proportion of registered nurses in comparison with privately run facilities.

- The Queensland Nurses and Midwives Certified Agreement includes a higher wage rate in comparison with the private sector.

- Queensland Health facilities have a higher proportion of high care patients who require:

  – more specialised nursing care in comparison with low care residents (although this is factored into the Australian Government funding model)

  – increased nurse to resident ratios based on higher care needs

– the provision of specified services for high care patients as defined under the *Aged Care Act 1997*.[3]

D5.1.4 Nursing home type patients

Queensland Health also incurs additional costs due to nursing home type patients (NHTPs) occupying public hospital beds which are more costly and clinically inappropriate. NHTPs are patients in public hospitals who no longer require acute treatment but are unable to be discharged due to a shortage of residential or community aged care services, or delays in receiving an aged care assessment (required for admission to a RACF).

As NHTPs no longer require acute public hospital treatment, the responsibility for these patients properly should rest with the Australian Government.

A number of issues contribute to the level of NHTPs in public hospitals, such as the supply of aged care places, delays in assessment by an Aged Care Assessment Team, and the interface with aged care providers where bottlenecks may exist in processes to move patients quickly out of hospital and into an aged care service.

The Productivity Commission completed a review of the aged care sector in 2011, noting the current system is characterised by delays in aged care assessments and limits on bed licences and care packages.[4]

Chart D5.4 shows that Queensland has a relatively low provision of aged care places, which limits capacity to reduce the number of NHTPs in higher cost public hospital accommodation. In 2011-12, Queensland had 81.2 aged care places per 1,000 people aged 70 and over, compared with the Australian average of 84.4 per 1,000.   This was a lower rate than any other state, apart from Western Australia. The Australian Government target is to achieve a rate of 86 places per 1,000 people aged 70 and over.[5]

Chart D5.4
Operational residential aged care places per 1,000 people aged 70 and over,
2011-12
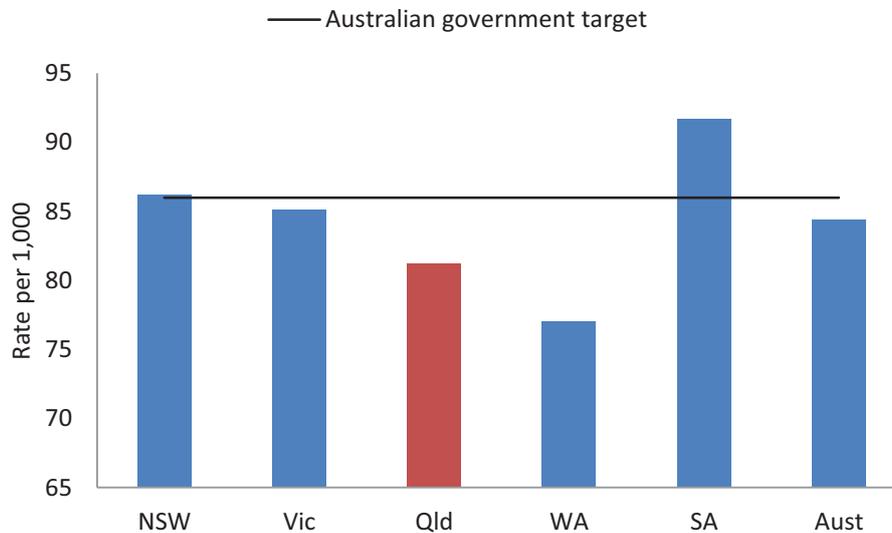
——— Australian government target

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Tables 13A.24

Under recent changes to the aged care system announced by the Australian Government, there is a planned increase to the supply of aged care places.[6] However, there are no clear indications at this stage as to whether this will be adequate to achieve a significant reduction in the number of NHTPs in Queensland's public acute hospitals.

In these circumstances, the Queensland Government should advocate with the Australian Government to ensure that Queensland is provided with an adequate supply of aged care places that will reduce the need for patients to remain in an acute public hospital bed while waiting for aged care services.

D5.2   SERVICE DELIVERY OPTIONS

The Queensland Government is a high cost provider of RACFs. It plays a limited role in the direct provision of RACFs, which extends beyond the State's core health responsibilities. Most RACFs in Queensland are owned and/or operated by the non-government sector reflecting a viable market for non-government providers of these services.

In these circumstances, there is a strong case for the Queensland Government to phase out its residual role in residential aged care where this is feasible. Specifically, where there are opportunities to transfer the provision of RACFs to the non-government sector, these should be pursued. This would allow the State to redirect expenditure savings to deliver core responsibilities, especially acute care facilities.

As illustrated in Figure D5.1, service delivery options can range from government owned and government operated, through to privately owned and privately operated. In the Commission's view, the preferred position should be for the State to transition the ownership and operation of Queensland Health RACFs to the non-government sector. However, it is recognised that in some locations this may not be possible due to a lack of a viable private market or Queensland Health's commitment to ensuring access to services for its current residents.

Figure D5.1
RACF - service delivery options

Source: Commission of Audit

D5.2.1   Privately owned and operated facilities

As already noted, the private or non-government sector has a dominant role in the provision of RACFs in Queensland. Also noted earlier, Queensland Health is a high cost provider of RACFs. It is likely that privately operated facilities are more efficient than government operated facilities. Contributing factors include the greater opportunity to consolidate services and achieve economies of scale, and the ability to introduce innovative and flexible workplace agreements.

The majority of government-owned residential aged care places are located in metropolitan areas where there are numerous non-government providers. Therefore, initial priority should be given to the transfer to the non-government sector of government-owned RACFs located in metropolitan areas of South East Queensland and major regional centres, such as Rockhampton.

As outlined in more detail in Section D5.3, there is a need for a careful transition process, including comprehensive evaluation criteria to ensure quality of care is upheld, with suitable safeguards to ensure continuity of care for residents. New South Wales has commenced this process through the State Nursing Home Transfer Project, as outlined in Box D5.1.

Box D5.1
New South Wales State Nursing Home Transfer Project

In 2009-10, the NSW Government called for expressions of interest from the market to explore service models that could result in the transfer of 11 state-owned facilities to the non-government sector. The transfer of facilities was driven by two important principles:

- identifying providers who are best placed to deliver quality services

- ensuring state health resources are directed to the health services that are the state's responsibility.

A significant element of this program was ensuring that the tendering process drove improvements in models of care and quality of care for residents. Hence, a number of comprehensive guiding principles and evaluation criteria were applied to the tendering process which guaranteed improved resident outcomes and enhanced efficiency of RACF operation.

Since the project's initiation, two of the 11 NSW-operated RACFs were successfully transferred to RSL LifeCare in 2011. This project is ongoing.

Source: NSW Health, Guiding Principles for The Transfer of the State Nursing Homes to the Non-Government Sector, accessed from www.health.nsw.gov.au

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D5.2.2   Government owned but privately operated facilities

There may be some circumstances in which Queensland Health is unable to transfer ownership of specific RACFs to alternative owners, for example, where this is not viable. In such circumstances, productivity and efficiency of RACFs nevertheless could be improved by the utilisation of non-government operators. Options could include:

- contract for a non-government provider to deliver services on a cost neutral basis (that is, no state subsidy)

- contract where the State may need to subsidise operating expenses to encourage participation by non-government providers, provided that the subsidy is lower than the cost to the State of continuing to manage the facility itself.

D5.2.3   Government owned and government-operated facilities

If the previous two service delivery options outlined above are neither feasible nor achieve value for money, it may be necessary for the State to continue to own and operate some RACFs to ensure its commitment to existing aged care residents is upheld.

In these instances, Queensland Health should consider both the long-term needs of the community, and also proximity to other non-government providers. If a review of the health needs of the population identifies that the service is no longer required, it should be phased out gradually by not accepting new admissions to the facility.

Where the State remains a provider of services, it should adopt practices applied by non-government organisations to improve efficiency.

D5.3 TRANSITIONAL CONSIDERATIONS

The proposed transfer of State RACFs to the non-government sector has the potential to reduce costs to the Queensland Government, and enable it to refocus on its core business of delivering public hospital services. However, there are a number of transitional factors to be considered to ensure quality patient outcomes are achieved and efficiencies gained.

D5.3.1 Transfer of residents

The *Aged Care Act 1997* outlines residents' right to security of tenure. The details included in each resident's Residential Agreement define the circumstances under which the care recipient may request to leave or be asked to leave the RACF. Approval from the Department of Health and Ageing is required prior to transferring or reallocating aged care places.

Factors to be considered in relation to the transfer of residents include:

- Consultation with the residents and their families will be critical in any process that requires changing of location or transfer of facility, including provision of safeguards to ensure continuity of care for residents

- Quality and safety of patient care is paramount, and should not be compromised in contracting of alternative providers. The transition process should adopt a phased approach to minimise disruption to service delivery and quality of patient care.

- There is a need for residential aged care places to remain in the local community.

Implications for the State's RACF workforce also will need to be addressed – such as transferring from public sector to private sector employment, changes in wages and conditions, and/or the potential for redeployment elsewhere within the Queensland Government.

Finally, there will be a need for strong contract management expertise to ensure appropriate management both of the transition process as well as any ongoing contracts with private providers (where Government maintains ownership of the facilities).

D5.3.2 Ongoing State responsibilities

The Queensland Government is responsible for funding and regulating the provision of residential care facilities for the under 65 population (under 50 years for the Indigenous population). Divesting from RACFs provides an opportunity for the State to refocus resources on the service needs of this population cohort, for which it is obligated to provide care.

In most cases, RACFs are not considered the most appropriate service delivery model for this population group. In 2011, there were 1,234 permanent residents under the age of 65 residing in both public and private RACFs across Queensland. These residents were identified through the COAG initiative, *The Younger People with Disability in Residential Aged Care* which aims to reduce the number of people with a disability aged under 65 who live in RACFs.[7]

The *Victorian Younger People in Residential Aged Care Initiative* provides insight into more appropriate models of care for the under 65 years age group. It includes:

- The improvement of collaboration and coordination between disability services, acute health, allied health services and Aged Care Assessment Teams to assist in ensuring appropriate care settings are identified prior to a patient's discharge from hospital. This assists in preventing the admission of young disabled people into RACFs.

- 'Step Down Units' attached to acute hospitals where patients receive early allied health intervention, appropriate rehabilitation services and appropriate discharge options in comparison with residential aged care. Preliminary evaluation of this model used in Victoria has revealed this option is approximately 60% of the cost of an acute hospital bed.[8]

As part of the transition out of its role in RACFs, the State will need to give further consideration to the adoption of service models such as the Victorian example.

Recommendation

78 As provision of residential aged care is the responsibility of the Australian Government:

- *the Queensland Government advocate with the Australian Government to ensure an adequate supply of federally funded aged care places in Queensland*

- *the Queensland Government negotiate the progressive transfer of ownership and operations of its existing facilities to the non-government sector, with suitable safeguards to ensure continuity of care for residents.*

ENDNOTES

1   Council of Australian Governments, *National Health Reform Agreement*; 2011, accessed from www.federalfinancialrelations.gov.au

2   Information provided by Queensland Health

3   Information provided by Queensland Health

4   Productivity Commission, *Caring for Older Australians,* 2011, accessed from www.pc.gov.au

5   Steering Committee for the Review of Government Service Provision, *Report on Government Service Provision 2013*, Productivity Commission, Box 13.9, accessed from www.pc.gov.au

6   Department of Health and Ageing, *Living Longer: Living Better,* 2012, accessed from www.health.gov.au

7   Australian Institute for Health and Welfare, *Younger People with Disability in Residential Aged Care,* 2012, accessed from www.aihw.gov.au

8   D Winkler, N Holgate, S Sloan, & L Callaway, *The Victorian Younger People in Residential Aged Care Initiative Evaluation of quality of life outcomes for participants*, 2012, accessed from www.summerfoundation.org.au

D6   HEALTH SECTOR ENABLERS

KEY ISSUES

- There was a significant structural reform in Queensland Health from 1 July 2012, with the establishment of the Department of Health as a System Manager and the creation of 17 decentralised Hospital and Health Services (HHSs). This represents a substantial change in responsibility and accountability from the previous highly centralised model.

- In order to fully realise the intended benefits of this devolved structure, the Queensland Government needs to ensure that the right capabilities and processes, or 'enablers', are in place to allow the Department of Health and the HHSs the flexibility to execute their accountabilities. These enablers include workforce, infrastructure, a performance and accountability framework, and technology.

- Despite significant increases in both the remuneration and the size of the health workforce, Queensland is faced with projected workforce shortages, as well as restrictive, inflexible employment arrangements. There is a need for greater workforce flexibility and productivity.

- The Queensland Government has invested heavily in new health infrastructure over the last decade. It is therefore important that health infrastructure is utilised efficiently and effectively, to ensure full value for money for the investment which has occurred.

- A strong performance and accountability framework is necessary to ensure successful implementation of the organisational and structural changes which have occurred in Queensland Health.

- Leveraging improvements to technology can have a significant impact on the improvement in health outcomes, particularly in rural and remote parts of the State.

D6.1 OVERVIEW

As noted in Section D1 in this Report, there was a significant structural reform in Queensland Health from 1 July 2012, with the establishment of the Department of Health as a System Manager and the creation of 17 decentralised Hospital and Health Services (HHSs). This represents a substantial change in responsibility and accountability from the previous highly centralised model.

In order to fully realise the intended benefits of this devolved structure, the Queensland Government needs to ensure that the right capabilities and processes, or 'enablers', are in place to allow the Department of Health and the HHSs the flexibility to execute their accountabilities.

This includes maximising workforce productivity and flexibility, optimising the use of infrastructure, ensuring the Department of Health and the HHSs have the capacity and capability to deliver on their accountabilities, and leveraging the opportunities provided by technology. These issues are addressed below.

D6.2 WORKFORCE

The health system is labour intensive, with employee-related costs in 2012-13 budgeted to amount to $7.6 billion, representing 64% of Queensland Health's total expenditure. The system relies heavily on many individuals working together to deliver health services to the population. What distinguishes the health system from other labour intensive activities is the degree of specialisation and the range of workforce groups involved. As a result, there are significant complexities in the planning and management of workforce requirements.

Queensland Health's clinical and non-clinical workforce has undergone considerable growth, particularly since 2005-06. Clinical full-time equivalent (FTEs) staff increased from 28,748 to 43,245 between 2005-06 and 2010-12 (an increase of 50.4%), while non-clinical FTEs increased from 18,773 to 25,619 (36.5%) over the same time period. This is illustrated in Chart D6.1.

Chart D6.1
Full-time equivalent staff positions
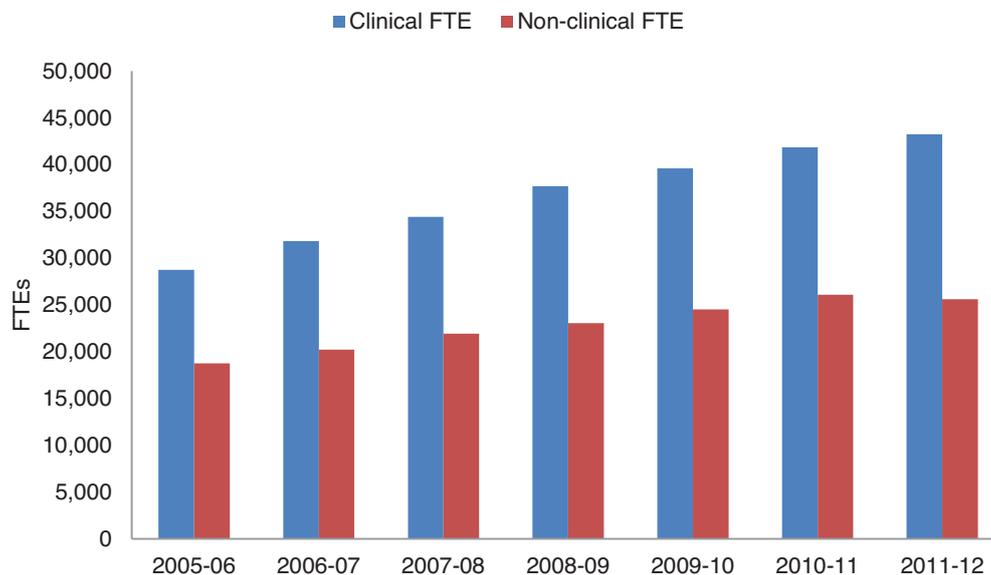
Note: Clinical streams include nursing, medical, visiting medical officer and health practitioner/professional/technical. All other streams are considered non-clinical (e.g. wardsperson, clinical coder etc.). An occupied FTE is a position that currently has a person allocated to it, that is, it does not include vacant positions.

Source: Queensland Health

Queensland faces many of the challenges identified by the Productivity Commission in its 2005 report *Australia's Health Workforce*, particularly relating to the underlying workforce demand and supply factors. These issues include:

- increased demand for health workforce services as a result of community expectation, population ageing and technology

- workforce shortages across a number of professions and reliance on overseas trained workers

- inflexible and inefficient workplace arrangements, which create major barriers to improving the responsiveness of the health workforce

- the need to increase the efficiency and effectiveness of the available health workforce and improve its distribution.[1]

The significant growth in the Queensland Health workforce since the Productivity Commission report in 2005 should have addressed issues of workforce shortages. However, it is not possible to make an informed assessment of this issue, as there is currently no published workforce plan for Queensland Health, as the system manager. This is a significant gap that should be addressed by the Department of Health.

As outlined in Section D1 of this Report, wages for health workers have increased substantially in recent years, in part to attract and retain a high quality workforce. However, the productivity of the workforce has declined. As a result, there needs to be an increased focus on utilising the health workforce more effectively, especially by improving flexibility through strategies such as workforce redesign, to be more responsive to the rapidly changing demands of the health system.

D6.2.1   Workforce redesign

The health system is characterised by strict role delineation between professional groups (medical, nursing and allied health). Despite the challenges facing the health system and workforce shortages, there are few examples of widespread changes to workforce models and expanded scope of practice for highly skilled clinicians in Queensland.

The Queensland Government should improve productivity and efficiency through workforce redesign to make more cost-effective use of medical, nursing and allied health professionals in providing safe, quality care.

Expanded roles of practice for highly skilled professionals should also be explored. While Queensland Health employed 112 nurse practitioners at June 2012, there is scope for expansion of these types of roles.

The National Health Service (NHS) in the United Kingdom (UK) has developed processes and tools to assist in 'role redesign' to help 'improve services, address staff shortages and increase job satisfaction through the development of new and amended roles.[2]

Examples of role redesign which have been used or are being established in the UK, United States and Canada include:

- Physician assistants – who can practice medicine as a member of a team that is supervised by a doctor

- Nurse endoscopists (see Box D6.1)

- Advanced allied health practitioners – such as physiotherapists in emergency departments to respond to workforce shortages and the increasing number of presentations to emergency departments

- Extended care paramedics (ECP) (see Section D2 of this Report) – to provide more on-the-spot treatment that ultimately reduces transfers to emergency departments.

**Box D6.1
Nurse endoscopists**

Nurse-led endoscopy is becoming increasingly common in both the UK and the United States. Both the British Society of Gastroenterology and the American Society for Gastrointestinal Endoscopy approve appropriately trained nurses undertaking endoscopy.

In 2007, it was estimated that 85% of NHS Trusts employed nurse endoscopists. Numerous evaluations and reviews have been undertaken with positive results. A summary of evaluation results is as follows:

- The largest study undertaken in the UK revealed that appropriately trained nurses can undertake diagnostic endoscopy safely and effectively with similar patient outcomes to doctors.

- While studies found doctors are more likely to be cost effective, there was considerable uncertainty about these results, which did not include the gains from using doctors more effectively elsewhere.

- Nurse endoscopy has the potential to improve coordination of elective endoscopy services and is a more appropriate use of staff skills.

Source: National Institute for Health Research, Evidence briefing on nurse endoscopy, 2011, accessed from www.york.ac.uk

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Some of these models also have been trialled in Australia. For example, Health Workforce Australia is currently undertaking a project to evaluate the effectiveness of nurse endoscopy, as part of its *Expanded Scopes of Practice Program*.[3] Queensland Health has received funding to act as a lead organisation and implementation site as part of the trial.

Queensland also has trialled physician assistants, with an evaluation of the pilot program in 2010 indicating positive results. These included contributing to improved system functioning through task delegation and streamlined patient processes, general acceptance by nurses and doctors who worked alongside them, and patient satisfaction with their care.[4]

Given these demonstrated positive results, innovative workforce models such as the physician assistant, nurse endoscopy and extended care paramedics should be expanded across Queensland.

D6.2.2   Industrial relations changes

Industrial relations arrangements applying to the Queensland Health workforce are unnecessarily complex and cumbersome. The terms and conditions of the majority of Queensland Health employees are prescribed by six major industrial agreements (excluding executive staff and senior officers) and 10 awards. There are also approximately 190 human resources policies and various Public Service Commission directives that apply within Queensland Health, as well as a number of informal union agreements. An indication of the complexity of these arrangements is provided in Box D6.2, which discusses the Queensland Health Nurses and Midwives Award.

Box D6.2
Queensland Health Nurses and Midwives Award

The terms and conditions of Queensland Health's nursing and midwifery employees are set out in the Queensland Health Nurses and Midwives Award – State 2012 and the Nurses and Midwives (Queensland Health) Certified Agreement (EB8) 2012 (the Nurses and Midwives EB8 Agreement). The award contains a set of common conditions for all nursing and midwifery employees, such as hours of work. The award also sets out, in five further sections, the different conditions that apply to employees working in public hospitals, psychiatric hospitals, senior nurses in psychiatric hospitals, community health services, and alcohol and drug services.

The common conditions include allowances such as laundry allowance, relieving in charge allowance, and the mental health environment allowance. Each further section includes allowances for specific work environments. For example, public hospital employees' work hours are exclusive of meal breaks, and their entitlements include a pharmacy allowance and a night supervisor allowance. Hours of work for employees working in psychiatric hospitals are inclusive of meal breaks, and these employees receive an all-purpose 'special payment' each fortnight.

The Nurses and Midwives EB8 Agreement provides additional entitlements to those contained in the award. For example, the agreement provides for senior nurses to claim overtime during declared disasters, and the annual isolation bonus for nurses working in rural and remote areas has been increased from 1 April 2012.

Source: Queensland Health

During 2012, legislation was enacted to remove unnecessary structural impediments in industrial relations arrangements within the Queensland public sector, including changes to limit the application of employment security. These amendments provide the Queensland Health System Manager and HHSs with enhanced flexibility to manage employment arrangements and staffing levels more effectively.

Rationalisation and simplification of workforce arrangements would significantly improve the ability of managers to manage staff more flexibly to reduce operational costs. It would also reduce the administrative costs of payroll, human resource and related information technology systems. This should include simplification of existing enterprise bargaining agreements, awards, directives and policies, as well as the removal of restrictive work practices and other similar impediments.

In the context of such changes, it would be appropriate and timely for HHSs to establish performance based arrangements for senior executive and clinical staff, including doctors, nurses and allied health staff. Queensland could take a leading role in initiatives to align remuneration incentives with strategic and operational objectives, both of a clinical and a financial nature.

The Commission notes that the UK already has commenced implementation of performance based contracts for senior clinical staff, and that New York City is proposing to introduce performance pay for doctors.

Recommendation

79 Queensland Health's workforce flexibility and productivity be improved, through:

- *workforce redesign to make more cost-effective use of medical, nursing and allied health professionals in providing safe, quality health care*

- *rationalising and simplifying industrial relations arrangements, and ensuring management flexibility is not compromised by restrictive work practices*

- *accountable and transparent performance incentive arrangements for senior clinical staff.*

D6.3 INFRASTRUCTURE

Queensland Health had a total asset portfolio with a value of $9.4 billion as at 30 June 2012.

Capital expenditure on infrastructure has increased significantly since 2005. This is primarily due to major hospital projects including the new Queensland Children's Hospital, the Gold Coast and Sunshine Coast University hospitals, and upgrades to regional hospitals such as Mackay, Townsville, Cairns and Mount Isa hospitals.

Chart D6.2 shows the growth in annual capital expenditure since 2005-06. This growth is largely attributed to public hospitals, with non-hospital capital expenditure remaining steady over that period. It is unlikely that growth in public hospital capital expenditure will continue at the rate shown in this chart, which reflects expenditure on the major hospital developments already completed or currently under construction.

Chart D6.2
Queensland Health capital expenditure
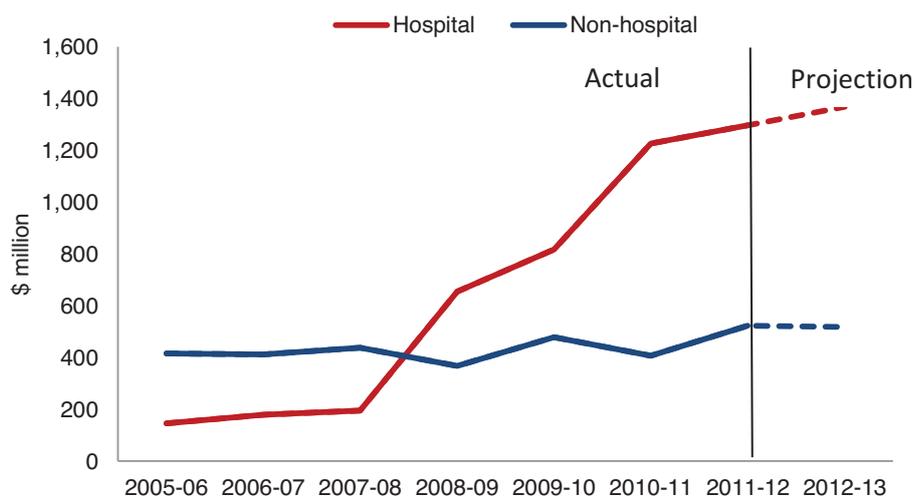
Source: Queensland Health

Chart D6.3 shows that capital expenditure per capita in Queensland was higher than the national average, and second only to Western Australia in 2010-11. In addition, capital expenditure increased at a faster rate than any state other than Western Australia.
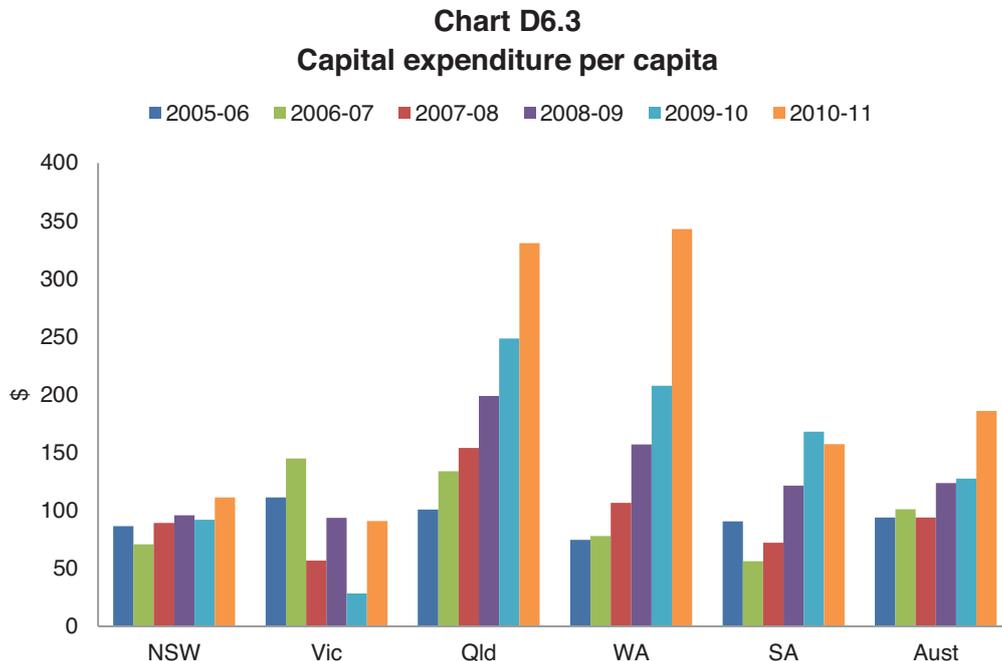
Chart D6.3
Capital expenditure per capita

Source: Australian Institute of Health and Welfare, Australian Health Expenditure 2010-11 and unpublished data cube; and ABS 3101.0

Some elements of this expenditure most likely reflect a period of 'catch-up' in infrastructure investment, and the previous government's economic stimulus policies focussing on maintaining infrastructure spending. Capital expenditure in the health sector, as in other sectors, can be lumpy and highly variable, as illustrated in Chart D6.3. For example, there were significant increases in capital expenditure in Western Australia and South Australia, while expenditure remained relatively stable in New South Wales, and has fluctuated in Victoria.

Nevertheless, there is a significant investment in health infrastructure and a growing demand for health services. It is therefore important that health infrastructure is utilised efficiently and effectively to ensure full value for money from the investment which has occurred.

Broader issues of asset management across the Queensland public sector are addressed in Section C2 of this Report. The Department of Health should work with HHSs to make better use of their asset bases in accordance with the Commission's broader recommendation 46 regarding asset management.

Some other issues specifically relating to health infrastructure are discussed below.

D6.3.1   Cost of capital

Currently, the cost of capital invested in infrastructure is not visible to end users. As a result, there is no incentive for HHSs to manage costly infrastructure efficiently and to its maximum capacity. The Department of Health should investigate options to make the cost of capital more explicit and transparent to HHSs to ensure appropriate incentives are in place for HHSs to manage assets efficiently. This will be achieved to some extent with the transfer of assets to the HHSs (that is, the assets will sit on the balance sheets of HHSs).

D6.3.2   Built facility standards

While it is important that end users have input into the design of new and upgraded infrastructure, customisation adds to the final cost of a project. Additionally, there is a long lead time between initial planning and design of facilities and construction completion. With the rapid pace of change in best practice health service delivery models, infrastructure may be redundant or outdated by the time of completion, unless there is sufficient flexibility in design to accommodate changing health care models.

In Australia, the Australasian Health Infrastructure Alliance (AHIA) has developed the *Australasian Health Facility Guidelines* (AusHFG), which enable the use of a standard set of guidelines and specifications for the base elements of health facilities.[5] Furthermore, AHIA states that use of standard guidelines (particularly the AusHFG) offers benefits including use of best practice knowledge in health facility planning, access to standard spatial components, and a highly flexible tool that is responsive to dynamic changes in health care.

Standardised design also improves the efficiency of facility operations, including patient rooms and floor plans. This makes it easier and more efficient for clinical and non-clinical staff to move through facilities. It can also contribute to improved flexibility and mobility of the workforce through reduced orientation and training times for staff who move between facilities.

Victoria has standard *Design Guidelines for Hospitals and Day Procedure Centres* that aim to 'establish the minimum acceptable standards for design and construction'.[6] The Commission also notes that Queensland Health recently developed the *Capital Infrastructure Minimum Requirements* to provide a 'consistent and standardised approach to health capital infrastructure planning and design'.[7]

Greater compliance with standard facility guidelines will reduce variations in infrastructure design and cost, and improve overall flexibility in the design of health facilities. This flexibility will enable more effective responses to changing demand patterns, delivery models and technology. It is also likely to lead to lower maintenance costs through the use of standard equipment and fit-outs.

Standard facility guidelines will need to be sufficiently flexible to meet the range of climatic and other regional variations across the State.

> ### *Recommendation*
>
> *80 The Department of Health work with Hospital and Health Services to make better use of their asset bases in accordance with the Commission's broader recommendation 46 regarding asset management.*

D6.4 PERFORMANCE AND ACCOUNTABILITY

A strong performance and accountability framework is necessary to ensure successful implementation of the structural and organisational changes which have occurred in Queensland Health. Some essential elements of such a framework are outlined below.

D6.4.1 System capability

It is important that both the Department of Health and the HHSs have the necessary skills and capability to properly discharge their respective responsibilities in the new structure and accountability environment. This includes the calibre and expertise of board members of the HHSs, who will have a critical role in overseeing governance of the new arrangements.

Given the Commission's recommendations to introduce greater contestability in the delivery of public health services, there is a particular need to ensure expertise across the system to manage procurement, contract management processes and financial management. There also will be a shift in focus to ensuring services are delivered, rather than necessarily being the agency that actually does the delivery. In this regard, Queensland Health needs to be more of an 'enabler', not necessarily the 'doer'.

D6.4.2 Clinical engagement and ownership of performance

Clinicians are key to improving the performance of the health system. The importance of clinical engagement is noted in the development of Lead Clinicians' Groups by the Australian Government, with the National Lead Clinicians' Group required to provide advice to the Minister for Health and Ageing on *"opportunities to improve the quality, effectiveness and efficiency of the Australian health system".*[8]

An example of clinician engagement and ownership as a basis for efficiency and productivity improvements is the '20,000 bed days' campaign undertaken by the Counties Manukau health district in New Zealand, as outlined in Box D6.3.

Box D6.3
20,000 Days Campaign – Counties Manukau Health, New Zealand

The Counties Manukau Health 20,000 Days campaign was established to meet the growing demand for beds at the Middlemore Hospital. By reducing the length of time patients spend in hospital, it is possible to free up hospital beds to meet growing demand. As such, one strategy was to identify patients who could be discharged early, with a target of freeing up 20,000 bed days over a two year period.

A collaborative approach was adopted which engaged a wide range of stakeholders across the health sector. There was a particular focus on involving clinicians to ensure initial acceptance of the strategy, and to ensure that changes in clinical practices could be sustained. Both the leadership team along with each collaborative team included a number of clinicians from a variety of disciplines.

This strong clinician involvement has assisted in promoting a culture where all staff are accountable for achieving improvements in process efficiencies and quality of care to meet the target of 20,000 bed days. As this project does not conclude until July 2013, it is not possible to assess final outcomes, but results to date are encouraging. As at 31 December 2012, a saving of 11,565 bed days had been achieved.

Source: Queensland Health

The 20,000 days campaign is a good example of the kind of initiatives which progressive public hospitals are pursuing to improve efficiency and patient services.

Without adequate involvement of clinicians, it is unlikely that significant improvements can be made in the performance of the Queensland health system. In particular, the HHSs need to ensure clinicians at the front line are engaged appropriately to drive fundamental change in the way health services are delivered, and improve the productivity, efficiency and quality of these health services.

D6.4.3   Funding model and incentives

Under national health reforms, the hospital funding model is transitioning to a national activity based funding model (ABF), where the Australian Government will fund 45% of growth in hospital services in 2014-15, increasing to 50% in 2017-18.

From 2017-18, this means that the Australian Government will fund half of every dollar required to meet the efficient cost of growth in public hospital services. The risk is that if Queensland's cost per unit of activity is higher than the national efficient price (NEP), the State will incur the additional cost and will be required to fund a higher proportion of the total cost.

It is therefore essential that funding models for HHSs are structured with appropriate incentives to drive efficiency and service reform. In 2012-13, Queensland Health has implemented a budget process incorporating a purchasing framework which seeks to incentivise improvements in efficiency and quality of care.

Figure D6.1 illustrates the key components of this purchasing framework. Underlying the framework is an ABF model relating to all public hospital services. It utilises volume and price adjustments, comprising funding incentives and penalties, to achieve specific efficiency and clinical effectiveness objectives. This move to a funding model that links clinical and budget objectives is consistent with approaches used in the United Kingdom and New Zealand.

Figure D6.1
Queensland Health Purchasing Framework
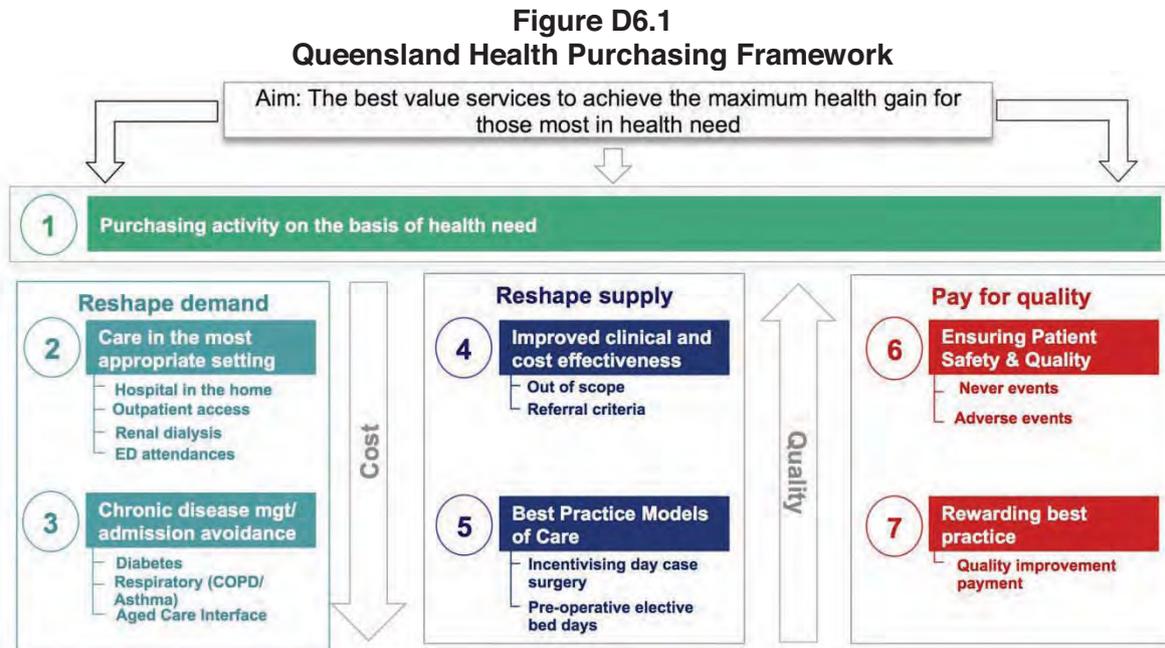
Source: Queensland Health 2012-13 Purchasing Framework

The Department of Health is currently using a three year service agreement model to enable better planning and resource decisions to be made. Also, the purchasing framework primarily focuses on hospital-based services. To drive efficiencies across the entire health system, the framework should be extended to other service categories where a large proportion of the budget is allocated via fixed grants. In particular, there is a need to further develop output-based and, where possible, outcome-based funding models for mental health and non-hospital services.

Recommendation

81 The Government implement performance and accountability arrangements to ensure the efficiency and effectiveness of the new organisational structure, through:

- *enhancing the skills and capacity of the Department of Health and the Hospital and Health Services, particularly in relation to procurement and contract management expertise*

- *actively promoting clinical engagement in achieving financial and performance targets*

- *ensuring the Department of Health implements casemix and other activity-based funding arrangements to promote efficiency and effective clinical outcomes in Hospital and Health Services.*

D6.5 TECHNOLOGY

Advances in technology have had a significant impact on the delivery of health services. The Productivity Commission's 2005 report *Impacts of Advances in Medical Technology in Australia* noted that these advances have brought "*large benefits but have also been a major driver of increased health spending*". However, increased expenditure also has reflected improved treatment and significant increases in the number of people treated.[9]

Queensland experiences specific challenges regarding the transfer of information and the delivery of services to its sparsely distributed population. As such, the use of technology through programs such as telehealth is essential to meeting the health service needs of the Queensland population.

The Queensland Health Telehealth Strategy 2010-2013 defines telehealth as:

- live, audio and/or video interactive link for clinical consultations and educational purposes

- store and forward telehealth – includes digital images, video, audio and clinical data being captured ('stored') on the client computer, and then at a convenient time transmitted securely ('forwarded') to a clinic at another location where they are studied by relevant specialists

- teleradiology for remote reporting and clinical advice for diagnostic images (such as X-rays, CT scans)

- telehealth services and equipment to monitor people's health in their own homes.[10]

The development of the National Broadband Network (NBN) offers the potential to facilitate new models of service delivery, particularly through telehealth. A study by Monash University on the potential benefits for telehealth of high speed broadband identified four major areas of activity that will benefit from the NBN, including teleconsultation, store and forward use, tele-homecare and tele-education.[11] These are consistent with the scope of telehealth identified in Queensland Health's strategy.

Particular benefits can be realised through the potential savings in travel and waiting time for the rural and remote population in Queensland. By allowing patients to remain in their local communities and close to support networks, telehealth improves patient outcomes by reducing the amount of travel required to access treatment. This also will reduce the cost of patient travel schemes.

Queensland's telehealth capability should not be focussed solely on Queensland Health services. It should be integrated with other providers across the health system. This would provide a more comprehensive network of infrastructure that can be utilised for telehealth services. It also would enable collaboration with other providers, such as local general practitioners, thereby benefiting patients who require treatment by a number of different health care professionals.

The national e-health agenda should also assist in improving integration and encouraging new and innovative service delivery models. E-health primarily focuses on the capture and transfer of patient information electronically, allowing the most up-to-date information on a patient's health and medical history to be available to treating clinicians wherever a patient may seek treatment.

The National E-Health Strategy states that e-health will enable the health sector to more effectively operate as an inter-connected system, overcoming the current fragmentation and duplication of service delivery. Additionally, it will enable multi-disciplinary teams to electronically communicate and exchange information to provide better coordinated health care across the continuum of care.[12]

Funding of $466 million has been allocated to Queensland Health for its e-Health Program, which commenced in 2007. The program includes implementation of a number of specialist clinical and administrative systems including electronic medical records. As at 30 June 2012, $249 million of that funding had been spent. The Commission notes that the Queensland Audit Office has recently made a number of recommendations regarding the management and performance of the e-Health Program.[13]

The recommendations are consistent with the view outlined in Section C1 of this Report that a stronger and more rigorous approach is needed for major project development and implementation. Subject to complying with a robust project management framework, Queensland Health should endeavour to leverage the opportunities provided by technology – particularly telehealth and e-health – to support new and innovative forms of service delivery that will be required for a sustainable health system in the future.

Recommendation

82 ICT services and other technologies (such as telehealth) be leveraged to support new and innovative forms of service delivery.

ENDNOTES

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[3]   Health Workforce Australia, *Introducing Advanced Practice in Endoscopy Nursing,* 2012, accessed from www.hwa.gov.au

[4]   L Kurti, S Rudland, R Wilkinson & Urbis, *Evaluation of the Queensland Physician's Assistant Pilot – Final Report*, 2010, accessed from www.web.archive.org

[5]   Australasian Health Infrastructure Alliance, *Australasian Health Facility Guidelines*, accessed from www.healthfacilityguidelines.com.au

[6]   Department of Human Services, Victoria, *Design Guidelines for Hospitals and Day Procedure Centres*, 2004, accessed from www.healthdesign.com.au

[7]   Queensland Health, *Capital Infrastructure Minimum Requirements*, 2012, accessed from www.health.qld.gov.au

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[9]   Productivity Commission, *Impacts of Advances in Medical Technology in Australia, Research Report*, 2005, accessed from www.pc.gov.au

[10]   Queensland Health, *Queensland Health Telehealth Strategy 2010-2013*, 2010, unpublished

[11]   Monash University, *Potential Telehealth Benefits of High Speed Broadband*, 2011, accessed from www.dbcde.gov.au

[12]   Australian Health Ministers' Conference, *National E-Health Strategy*, 2008, accessed from www.health.gov.au

[13]   Queensland Audit Office, *Queensland Health – eHealth Program; Report to Parliament 4: 2012-13*, 2012, accessed from www.qao.qld.gov.au

D7   EDUCATION

KEY ISSUES

- Government expenditure per full-time equivalent (FTE) student in Queensland government and non-government schools is on a par with expenditure nationally. However, there is great variability in average costs per student across Queensland government schools, in part due to service requirements for smaller and more remote communities.

- The ratio of FTE students to FTE teaching staff in Queensland is comparable with other states. Completion and retention rates for Queensland students also are comparable with the national average.

- There is a long-term trend towards private schooling in Queensland. Non-government schools now educate about 30% of primary students and 38% of secondary students. The number of full-time students in non-government schools increased by 20.4% in Queensland between 2006 and 2011, almost three times the rate of increase (7.6%) in government schools.

- Despite an overall enrolment share of 67%, the government school sector has a higher concentration of student groups who are more likely to experience educational disadvantage, such as students from rural and remote areas, students with a disability, Indigenous students and students from low socio-economic and/or non-English speaking backgrounds.

- The percentage of students who meet or exceed minimum national standards for literacy and numeracy was slightly below the national average in 2012. International student test results indicate high but weakening performance for Australia generally. However, this decline has not been apparent in Queensland. Performance on international tests has remained steady over recent years.

- There are significant differences in educational achievement between high and low performing students in Queensland schools (and Australia generally), which largely reflect various elements of disadvantage such as socio-economic status.

- Enhanced student outcomes should be the strategic objective of an education system.

- After accounting for student ability and socio-economic status, the quality of teaching has the most significant impact on student achievement. Improving teacher quality and performance have the largest potential for improving student outcomes and increasing cost effectiveness in education. This would be assisted by greater devolution of responsibility, autonomy and accountability to the school level.

- Queensland has a relatively high level of investment in school infrastructure, placing pressure on asset management and maintenance expenditure.

D7.1 EARLY CHILDHOOD EDUCATION

The Queensland early childhood sector includes early childhood development and early childhood education (kindergarten/preschool). In 2011, Queensland had approximately 60,000 four-year-old children, of which 68% were enrolled in kindergarten, up from a baseline of 29% in 2008.

Investment in early childhood education is predicated on the assumption that quality early education delivers long-term benefits for all children, but especially those from disadvantaged circumstances. Evidence from international longitudinal studies confirms these assumptions.[1]

Substantial reform has occurred in this sector over the past decade primarily through National Partnership Agreements. In relation to education services, the most significant of these is the National Partnership Agreement on Early Childhood Education which aims to achieve universal access to kindergarten by 2013.

Varying models of kindergarten/preschool delivery are in place in each state. In Western Australia and South Australia, kindergarten/preschool services are predominantly provided within primary school settings. In New South Wales, Victoria and Queensland, a 'mixed market' operates, whereby children access early childhood education in a range of settings through a variety of providers (including community kindergarten/preschool services and some long day care services).

The State funds non-government organisations to deliver kindergarten programs in the community, private and non-government school sectors. Preschool services are delivered in long day care centres, stand-alone preschools and non-government schools.

Table D7.1 provides an overview of funding sources for the various methods of kindergarten/preschool delivery. The Department of Education, Training and Employment (DETE) directly delivers pre-prep programs only for Indigenous children in some remote communities.

Table D7.1 **Funding sources by kindergarten delivery method**			
	Australian Government	**State governments**	**Parents**
Long day care (LDC)	✓ (most) Child care benefit/rebate	✓ (some) Funding some kindergarten programs in LDC	✓ (some) Fees offset by child care benefit/rebate
Kindergarten / Preschool	✓ (some) Funding provided through the National Partnership on Early Childhood Education	✓ (some) In some states, kindergarten is offered as a school year (similar to Queensland's former part-time preschool year)	✓ (some) Where fees apply; in some states, preschool is provided for free
Out of school hours care and family day care	✓ (most) Child care benefit/rebate	Not applicable	✓ (some) Fees offset by child care benefit/rebate

Source: Department of Education, Training and Employment

D7.2   PRIMARY AND SECONDARY EDUCATION

D7.2.1   Enrolment trends

Schooling in Queensland is compulsory for children aged between 6½ and 16 years. In 2007, an additional year of school – a Preparatory (prep) Year – was introduced for children who will be 5 years of age by 30 June in the year in which they commence prep. However, the Prep Year of school is not compulsory.

School education services are provided by a mix of government and non-government (Catholic and independent) schools. As at August 2011, there were 733,652 full-time students enrolled in Queensland schools, of whom two-thirds were enrolled at government schools, as shown in Table D7.2. This is broadly consistent with other states. The proportion of students enrolled in government schools is 66% in New South Wales, 65% in Western Australia, 64% in South Australia and 63% in Victoria.

Table D7.2 Full-time student enrolments in Queensland, August 2011				
Number of students	**Government students**	**Non-government students**	**Total number of students**	**% government students**
Primary students	315,253	135,099	450,352	70.0
Secondary students	174,265	109,035	283,300	61.5
Total	**489,518**	**244,134**	**733,652**	**66.7**

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 4A.23

The number of students in Queensland government schools has increased from 455,075 in 2006 to 489,518 in 2011, a 7.6% increase. The government school sector also has a higher concentration of students who are more likely to experience educational disadvantage.[2]

Over four out of five students with a disability (81%) are enrolled in government schools, along with 85% of Indigenous students and 89% of students from rural and remote areas. Compared with non-government schools, government schools also have a higher proportion of students from low socio-economic backgrounds and from language backgrounds other than English.

An increasing number of Queensland children are attending non-government schools. During the past six years, the number of children enrolled in non-government schools in Queensland increased by 20.5%, as shown in Chart D7.1, a rate almost three times the increase for government schools. While all states show an increase in non-government school enrolments during this same period, the rate of increase in Queensland is the highest.

Chart D7.1
Change in number of students in government and
non-government schools, full-time equivalent basis, 2006-2011
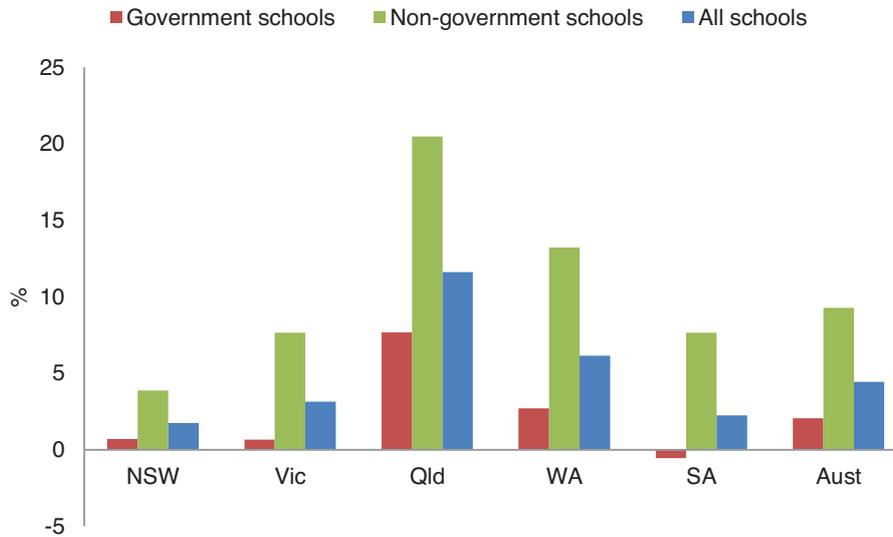
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, derived from Tables 4A.1, 4A.2, 4A.3; and
Report on Government Services 2012, derived from Tables 4A.1, 4A.2, 4A.3

The population of most education regions across the State has grown in recent years. However, there has been a decline in the south-west and central-west regions which is expected to continue. DETE predicts that the highest growth regions for state schools are likely to be Central Queensland and the Gold and Sunshine coasts, while the highest growth in non-government schools will likely be within the south-east of the State.

D7.2.2   Funding trends

Recurrent government funding for schools is sourced from both the state and Australian governments. Overall nominal expenditure for both government and non-government schools has trended upwards in the six years to 2010-11.

As shown in Chart D7.2, Queensland government schools receive the bulk of their funding from the State Government (87% in 2010-11). This funding increased from $4.6 billion in 2005-06 to $6.5 billion in 2010-11. Specific purpose payments from the Australian Government increased from $455 million to $784 million in the same period.

In contrast, a greater proportion of funding for non-government schools is sourced from the Australian Government (Chart D7.2). These payments rose from $968 million in 2005-06 to over $1.4 billion in 2010-11. The level of State Government funding has risen from $492 million in 2005-06 to $600 million in 2010-11.

Chart D7.2
Government funding for Queensland schools
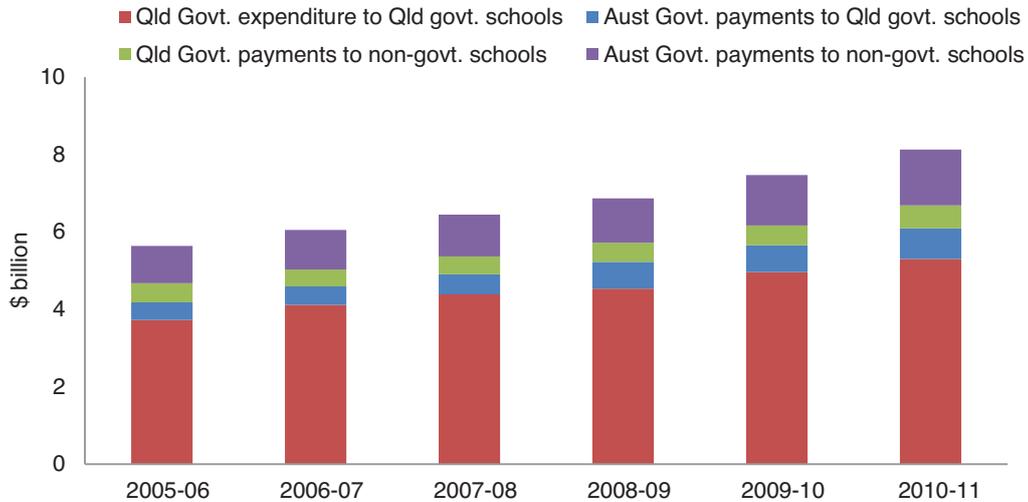
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, derived from Tables 4A.7, 4A.15; and
Report on Government Services 2012, derived from Tables 4A.7, 4A.13

D7.2.3   Expenditure trends

Chart D7.3 shows trends in total government (Australian and state) recurrent
expenditure per FTE student in government schools for each of the states. In
2010-11, Queensland expenditure at $12,469 per FTE student was slightly below the
national average of $12,770. Victoria had the lowest expenditure per FTE student at
$11,409 while Western Australia had the highest at $14,953 per FTE student. Since
2005-06, the trend in expenditure has been upwards across all states. Queensland
expenditure per FTE student increased by 35% over this period.

Chart D7.3
Government recurrent expenditure per student – government schools

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, derived from Tables 4A.1, 4A.7, 4A.15; and
Report on Government Services, 2012, derived from Tables 4A.1, 4A.7, 4A.13

While the average expenditure per FTE student in Queensland government schools is comparable across many schools, it does not reflect the average expenditure per student in remote schools with lower enrolments. DETE reports that average state government expenditure per student can range from $11,474 and $12,919 in metropolitan and provincial areas, respectively, to $16,920 and $23,888 in remote and very remote areas respectively. DETE advises that the higher costs in remote areas are due to the lower enrolments and operating costs that are spread across a smaller student base. Effectively, the relatively efficient cost per student in larger metropolitan schools offsets additional costs incurred in remote schools.

Chart D7.4 shows trends in government recurrent expenditure per FTE student in non-government schools for each of the states. Queensland expenditure per FTE student in 2010-11 was $8,450, compared with the national average of $8,092. Western Australia had the highest expenditure per FTE student of $8,780 while the lowest expenditure was $7,538 in Victoria. Like expenditure on government schools, state government expenditure on non-government schools has been increasing. In Queensland, there has been an increase of 15% since 2005-06.

In 2010-11, governments provided almost 60% of the funding to non-government schools, with school fees and fund raising providing the remainder.[3]

Chart D7.4
Government recurrent expenditure per student – non-government schools

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 4A.13; and
Report on Government Services 2012, Table 4A.9

D7.3   COMPARATIVE PERFORMANCE

Australia's schooling system is unique compared with other countries, in that it is characterised by:

- three distinct sectors (government, Catholic and independent schools), each with significant market share

- parents having a high degree of choice, with few zoning restrictions on enrolments in government schools

- government support of autonomously run not-for-profit, fee-charging schools

- a high degree of academic selectivity in the system (that is, schools attract high performing students where they are in a position to do so).

Within this context, the performance of Queensland students can be compared with other states using the National Assessment Program – Literacy and Numeracy (NAPLAN), the Productivity Commission's *Report on Government Services* (RoGS) and the COAG Reform Council's (CRC) annual report on performance under the National Education Agreement (NEA). International comparisons can also be drawn using the Organisation of Economic Cooperation and Development's (OECD) Program for International Student Assessment (PISA).

Direct comparisons of NAPLAN results between Queensland students and those in other states should be interpreted with caution. Students in Queensland schools are up to 10 months younger than students in the same grade in other states due to the previous absence of a prep year of schooling. The first full cohort of prep students is entering Grade 5 in 2013. It will be 2017 before Queensland students sitting NAPLAN tests will be of comparable age and years of schooling to students from other states.

D7.3.1   NAPLAN

NAPLAN, which commenced in 2008, is a key measure of learning outcomes in schools nationally. Under NAPLAN, tests in reading, persuasive writing, language conventions (spelling, grammar and punctuation) and numeracy are administered annually to all school students in years 3, 5, 7 and 9. National minimum standards apply for each of the areas tested.

In 2012, the proportion of Queensland students meeting or exceeding the national minimum standards was generally lower than that of New South Wales and Victoria, and the national average. Queensland's performance in the 2012 NAPLAN tests for Year 3 students reflects this pattern, as shown in Chart D7.5.

Chart D7.5
Year 3 NAPLAN results, percentage of students at or above the national minimum standard, 2012
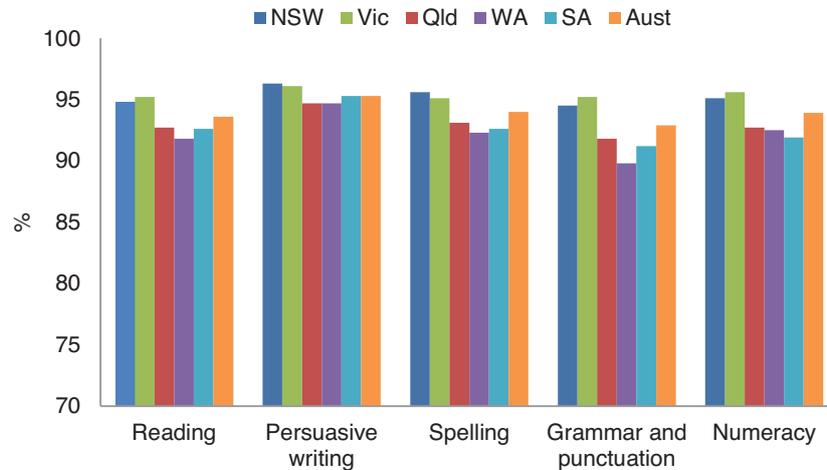
Source: Australian Curriculum, Assessment and Reporting Authority (ACARA), 2012, National Assessment Program – Literacy and Numeracy (NAPLAN) Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2012, ACARA, Sydney

Although Queensland's performance in Year 3 NAPLAN testing was lower than that of New South Wales and Victoria in 2012, the mean scores of Year 3 students have trended upwards for reading and remained stable for numeracy since 2008. Improvements in Year 3 NAPLAN results since 2011, when the first full cohort of Prep Year students were in Year 3, may be attributable to the introduction of the additional year of school in 2008.

As shown in Chart D7.6, the performance of Year 5 students in Queensland was also below that of New South Wales and Victoria, and the national average. Year 5 students in Western Australia and South Australia also outperformed Queensland students on reading, persuasive writing and spelling. The largest difference was in persuasive writing, where the percentage of students at or above the national minimum standard in Queensland was 88.3%, compared with 93.8% in New South Wales and 94.5% in Victoria.

Chart D7.6
Year 5 NAPLAN results, percentage of students at or above the national minimum standard, 2012

Source: Australian Curriculum, Assessment and Reporting Authority (ACARA), 2012, National Assessment Program – Literacy and Numeracy (NAPLAN) Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2012, ACARA, Sydney

Since 2008, the mean scores of Year 5 students have trended upwards for reading and remained stable for numeracy.

Results from the Year 7 NAPLAN tests, presented in Chart D7.7, show that Queensland's performance is lower than New South Wales, Victoria and the national average in reading, persuasive writing, spelling, and grammar and punctuation. In numeracy, however, the proportion of Queensland Year 7 students who performed at or above the national minimum standard was 93.8% equal to New South Wales and the national average. Victoria achieved the highest result, with 95% of its Year 7 students at or above the national minimum standard.

Chart D7.7
Year 7 NAPLAN results, percentage of students at or above the national minimum standard, 2012
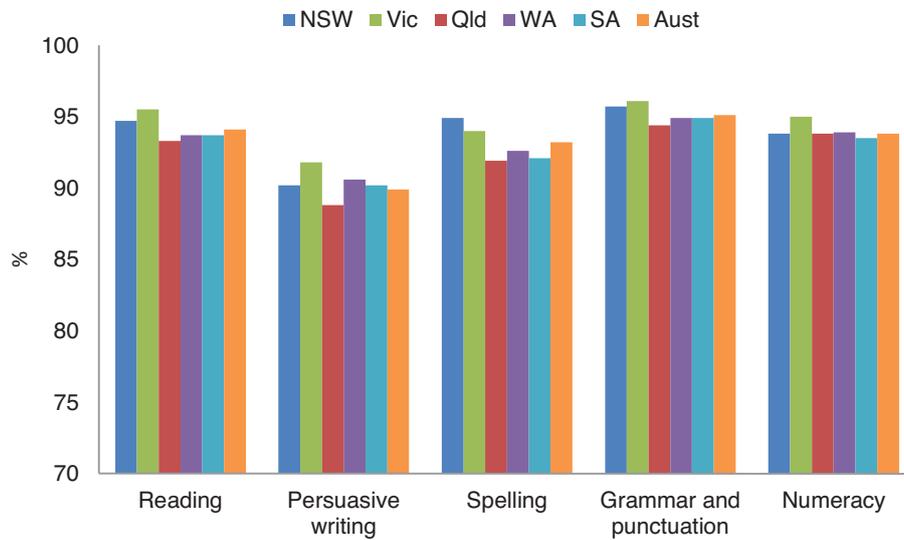
Source: Australian Curriculum, Assessment and Reporting Authority (ACARA), 2012, National Assessment Program – Literacy and Numeracy (NAPLAN) Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2012, ACARA, Sydney

The performance of Queensland's Year 7 students since 2008 is mixed. The mean scores of Year 7 students for reading have remained largely unchanged while the mean scores for numeracy have declined.

NAPLAN results for Year 9 students were similar to those of Year 7. As shown in Chart D7.8, Queensland's performance is lower than all mainland states in reading and persuasive writing, lower than all but South Australia in spelling, and lower than all but Western Australia in grammar and punctuation. Queensland's lowest comparative performance was in persuasive writing with 78.3% of Year 9 students performing at or above the national minimum standard compared with 85.9% of students in Victoria. However, Queensland's performance in numeracy (93.7%) was equal to the national average and New South Wales and only lower than Victoria (95%).

Chart D7.8
Year 9 NAPLAN results, percentage of students at or above the national minimum standard, 2012
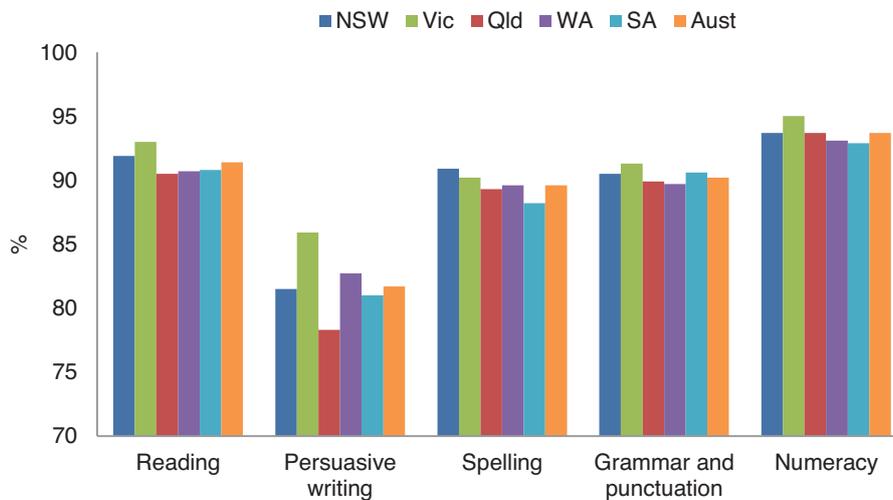
Source: Australian Curriculum, Assessment and Reporting Authority (ACARA), 2012, National Assessment Program – Literacy and Numeracy (NAPLAN) Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2012, ACARA, Sydney

Since 2008, the performance of Queensland's Year 9 students in reading and numeracy has remained largely unchanged.

D7.3.2   Program for International Student Assessment

International comparisons of learning outcomes in schools are provided by PISA, which tests the reading, mathematical and scientific literacy of 15 year olds in some 70 countries (including both OECD and non-OECD countries). The OECD uses this data to evaluate the quality, equity and efficiency of school systems.

PISA testing has been undertaken every three years since the first test in 2000. In an analysis of the 2009 PISA results, the Australian Council for Educational Research (ACER) found that overall, Australian students performed very well, with a mean score significantly higher than the OECD average.[4]

However, average scores for Australian students and Australia's ranking relative to other countries have declined in reading and mathematics in the last decade. In 2000, Finland was the only country to perform significantly better than Australia. In 2009, six countries outperformed Australia.

The fall in average scores is largely the result of a decline in the proportion of Australian students achieving at the top level. However, this national decline was not apparent in Queensland. Average scores in reading and mathematical literacy remained relatively stable for Queensland students, indicating that declines in average scores were more prevalent in other states.

Socio-economic background

The influence of socio-economic background on student performance is widely documented in international and Australian research. PISA results, for example, consistently show a significant relationship between students' performance and their socio-economic background.[5] This relationship is also evident in the PISA results for Australian students, as documented by ACER's analysis.

Overall, research shows that students from high socio-economic backgrounds outperform students from low socio-economic backgrounds. This is particularly true for Australian students. In the 2009 PISA tests, students in the highest socio-economic quartile performed, on average, at a significantly higher level than students in the lowest socio-economic quartile. In reading literacy, the difference in performance was equivalent to almost three years of additional schooling.

The impact of a student's socio-economic background is also examined by the CRC as part of its monitoring of student achievement under the National Education Agreement (NEA). One objective of the NEA is that schooling promotes social inclusion and reduces the educational disadvantage of children. The CRC's 2011 annual report to COAG on educational outcomes documents that students from low socio-economic backgrounds have lower levels of reading achievement, lower levels of Year 12 attainment and lower levels of participation in work and training after school.[6]

For Queensland, the report shows that:

- 13% fewer Year 3 students and 15% fewer Year 9 students from low socio-economic backgrounds met the national minimum reading standards than students from high socio-economic backgrounds.

- The proportion of 20-24 year olds from the most disadvantaged areas of the State who had completed Year 12 or equivalent was 70% compared with 92% from the least disadvantaged areas.

The ACER analysis of Australian results on PISA tests also found that students with high socio-economic backgrounds are concentrated in the independent schools sector and to a lesser extent in the Catholic sector. In contrast, students with low socio-economic backgrounds are concentrated in government schools. These patterns lead to high and low socio-economic status (SES) schools (as measured by the average of students' socio-economic backgrounds).

Another recent study report, *Schooling Challenges and Opportunities*, commissioned by the Australian Department of Education, Employment and Workplace Relations also identifies the concentration of student disadvantage and under-performance in government schools in Australia.[7] The report found that the exercise of parental choice and selective enrolment practices by schools has led to a steady drift of students with higher socio-economic status to non-government schools.

Given the pronounced influence of both student socio-economic background and school socio-economic status on student achievement, students from non-government schools typically outperform students from government schools. The concentration of socio-economic disadvantaged students accentuates their underperformance.

Overall, the performance of Queensland students on national and international tests is a concern. In 2012, the percentage of students who met or exceeded minimum national standards for literacy and numeracy was below the national average. While there have been some improvements for some year levels since 2008, there is no discernible upward trend in student achievement. Similarly, the performance of Queensland 15 year-old students on international tests has remained largely steady over recent years. However, improvements are expected once the first full cohort of Prep Year students progresses through their secondary school years.

Enhanced student outcomes should be the strategic objective of an education system. Based on the above analysis of comparative performance, the Commission considers that the Government should set a strategic direction to lift the educational achievement and performance of Queensland students, especially where differences in performance reflect various elements of disadvantage, such as socio-economic status.

Recommendation

83 The Government adopt a strategic direction for education in Queensland that focuses on high achievement and increasing student performance in every school.

D7.3.3   Retention rates

Retention rates in government schools from Year 10 to Year 12 in Queensland are comparatively strong.   In 2011, the percentage of full-time students who continued to Year 12 from respective cohort groups at Year 10 was 74.8%. As shown in Table D7.3, Queensland's rate is below that of Victoria, but well ahead of New South Wales and Western Australia.

Table D7.3 **Apparent retention rates by state, Year 10 to Year 12 full-time students, government schools (%)**				
NSW	**Vic**	**Qld**	**WA**	**SA**
73.0	77.0	74.8	72.3	--[1]

1 The exclusion of part-time students from standard apparent retention rate calculations means South Australia's
  result is not comparable, as it includes part-time students.

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 4A.105

D7.3.4   Student–teacher ratios

The *Report on Government Services* uses the number of students per teacher (student–teacher ratio) as a measure of efficiency, with a higher number of students per teacher implying more efficient operations (assuming other factors are held constant). It should be noted, however, that greater efficiency does not necessarily translate into better student outcomes.

Chart D7.9 shows the ratio of students to teachers (calculated on FTE students and FTE teaching staff) in government and non-government primary schools. In Queensland, government primary schools have an average of 15.3 students per teacher, broadly comparable to other states, suggesting comparable efficiency of operations. Non-government primary schools in Queensland have a higher student–teacher ratio than the other mainland states, suggesting a higher level of efficiency.

Chart D7.9
Student–teacher staff ratios, primary schools, 2011
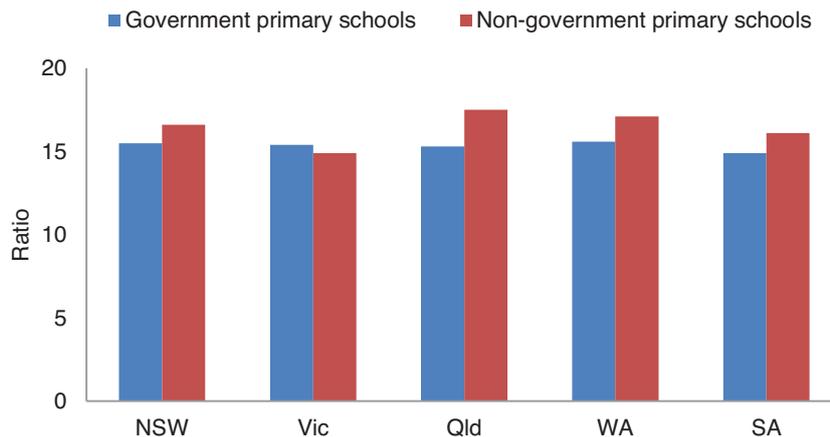
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 4A.18

Chart D7.10 shows the ratio of students to teachers in government and non-government secondary schools. Queensland has an average of 12.5 secondary students per government teacher, equal to that of New South Wales and comparable with Victoria and Western Australia. As with primary schools, this suggests comparable efficiency of operations. Non-government secondary schools in Queensland also have the highest student–teacher ratio (12.2) of the mainland states, again suggesting a higher level of efficiency.

Chart D7.10
Student–teacher staff ratios, secondary schools, 2011
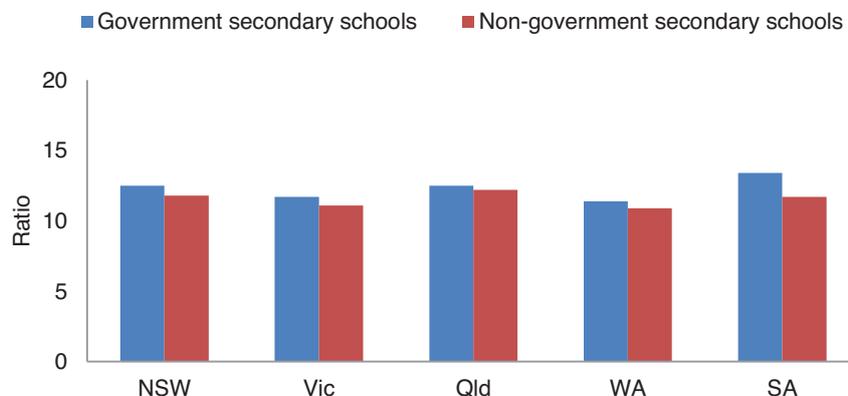
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 4A.18

Class sizes are often considered to have a significant impact on teaching quality and student outcomes. In its 2012 research report, *Schools Workforce*, the Productivity Commission notes that the average student–teacher ratio in Australia fell by over 40% between 1964 and 2003, with further reductions since that time.

However, research in Australia and internationally shows that below a relative threshold, smaller class sizes primarily benefit only younger students and students with special needs, such as learning difficulties and disabilities. According to the Productivity Commission report:

> *"… the across-the-board approach to class-size reductions has been a costly policy that has not translated into a commensurate improvement in overall student outcomes. It has tied up funding that could otherwise have been used for a range of more worthwhile purposes …"* [8]

Concerns about the focus on class sizes have also been raised by the Grattan Institute. For example, its 2012 report on high performing school systems in East Asia notes that average class sizes in public schools in South Korea, Hong Kong, Shanghai and Singapore were much higher than that of Australia.[9] Average class sizes ranged from between 35 and 40 in East Asia school systems compared with 23 in Australia. These four East Asian school systems were ranked in the top five best performing jurisdictions based on 2009 PISA results and significantly improved their performance over the past decade.

D7.4   DEVOLUTION, AUTONOMY AND ACCOUNTABILITY

D7.4.1   Flexibility at the school level

Analysis of high performing education systems by the OECD identifies flexibility at the school level as a critical factor in driving better student outcomes.

The OECD's analysis of Finland's approach to education is instructive.[10] The OECD considers Finland to be a major international leader in education. Finland has ranked in the top tier of countries in PISA scores since 2000, its performance has been consistent across schools, and the gap between high and low achieving students within its schools is relatively small.

The OECD analysis identifies many factors that contribute to Finland's success. Cultural factors play an important part – the teaching profession is highly respected and societal expectations are that schools will support each and every student to achieve to a high level.

An equally important factor is the degree of responsibility for student achievement that is borne by teachers and principals. Finland's education system includes a national curriculum that is very broad. Teachers and school leaders have a high degree of educational autonomy over what to teach, how to teach and the assessment of students. Parents and the community expect teachers to diagnose student learning difficulties early and to engage with parents and other professionals to collectively customise support for students before they fall too far behind.

Teacher training in Finland is reported to include a strong focus on diagnosing learning disabilities and accommodating different learning styles. There is a high degree of professional accountability – teachers feel accountable to their peers and the community as the professionals on whom the community relies for good student outcomes.

While there are a range of other structural and societal factors involved, a high degree of responsiveness to local, student-specific needs (in combination with high quality teaching) appears to be a key factor in Finland's success. In contrast, principals in Australian government schools have far less flexibility to respond to local needs.

In Australia, the Productivity Commission's *Schools Workforce* research report identified innovation at the school level, supported by stronger school leadership and increased school autonomy, as important strategies for improving student outcomes. Conditions for success include appropriate leadership by principals, accountability for student outcomes, and support from central agencies on training, teacher standards and curriculum. In particular, the Productivity Commission noted that one of the most significant impacts of school leadership is its influence on teachers' professional development and performance appraisal.

The Queensland and Australian governments are in the process of implementing initiatives with the aim of devolving more decision-making responsibility to schools. Empowering Local Schools (ELS) is an Australian Government initiative that aims to improve decision-making by government, independent and Catholic schools in workforce management, governance, funding and infrastructure. The intention is to increase capacity for schools to exercise more autonomy (for example, through professional development for school staff) within existing legislative and policy frameworks.

The ELS initiative will be implemented in two stages, with an independent evaluation of the first stage to be undertaken by June 2014, prior to the commencement of the second stage.[11] In Queensland, 48 independent and Catholic schools are participating in the first stage, which runs over the 2012 and 2013 school years.

In New South Wales, where school leaders have had comparatively low levels of autonomy,[12] the final report of the New South Wales Commission of Audit highlighted the success of a two year pilot of school-based management involving 47 government schools. Principals reported a number of improvements, including improved student outcomes and increased support opportunities for staff. The New South Wales Commission of Audit recommended proceeding to implement greater autonomy for government schools, with scheduling to be contingent on leadership capabilities and the development of these capabilities where required.[13]

DETE advises that government schools in Queensland have medium levels of autonomy compared to other states. The Government has introduced a four-year initiative, Independent Public Schools (IPS), to provide school leaders with additional autonomy in governance, resources and staffing.[14] This will enable greater innovation, stronger partnerships with local business and community organisations, and additional tailoring of local school programs. School leaders and teachers will have greater flexibility (within the national curriculum framework) to shape curriculum offerings to suit the needs of their students and greater freedom to shape and deliver innovative educational practices that contribute to improved outcomes for their students.

From 2013, participating schools will receive $50,000 each year to drive improvements in school governance, make some workforce decisions at the local level (including directly recruiting teachers where vacancies exist), and exercise greater autonomy for financial management, infrastructure and maintenance. Up to 120 schools will be selected for the initiative, with 26 selected for 2013.

Innovative elements of the IPS that are designed to increase autonomy at the school level include:

- The principal will be able to directly recruit staff without using DETE's existing transfer system.

- Participating principals will have a performance agreement with the Director-General or his/her delegate.

- School performance will be independently reviewed every four years.[15]

These elements should be leveraged to ensure that there is a substantial performance focus, with an emphasis on improving student outcomes, particularly for children that are educationally disadvantaged.

Further devolution of authority to the school level coupled with greater accountability for student outcomes is most likely to drive innovation in the classroom aimed at lifting the performance of students and addressing educational disadvantage. In this context and within available resources, greater priority should be given to accelerating the implementation of the IPS.

Recommendations

84 **The Government devolve resourcing and financial management responsibility to the school level and increase school autonomy to generate innovative school-based solutions to achieve the recommended strategic direction.**

85 **The Government ensure school autonomy is balanced by an accountability framework that places emphasis on improved student outcomes and promotes a culture of performance evaluation.**

D7.4.2   Teacher performance

Achievement of the Commission's recommended strategic direction for education in Queensland depends on utilising the range of levers available to lift educational outcomes for students. ACER research has identified key factors and their relative impact on student achievement.[16] After separating out individual ability and socio-economic status (which accounted for 50% of variance in student achievement), the next most significant factor to impact on learning was the quality of teaching, which accounted for 30% of variance in student achievement.

The importance of teachers in student learning is widely recognised and documented in a large body of research as a significant influence on student learning.[17] In addition, improving teacher quality has been shown to have the greatest impact on educationally disadvantaged students.

Drawing on the ACER research, a 2010 report by the Grattan Institute provides a summary of the ways in which teacher quality and teaching effectiveness influence student achievement. The findings include:

- Students with a higher quality teacher can achieve in significantly less than a year what student with a less effective teacher could achieve in a full year.

- The impact of ineffective teachers is cumulative.

- While high performing teachers can lift results, they cannot fully compensate a student for having had a low performing teacher in the past.

- Teacher quality is of particular importance to students with lower initial achievement levels – higher quality teachers have a higher impact on low achieving students.[18]

Given its significant impact on student outcomes, particularly outcomes for educationally disadvantaged students, there should be a strong focus on improving teacher quality – both the calibre of new teachers and the ongoing capability and effectiveness of existing teachers.

Aspiring teachers

All states have recently agreed that professional standards for teachers and accreditation requirements for teacher education programs will be developed nationally. The Australian Government has signalled its intention to establish higher standards for teacher education, including raising tertiary entry requirements. However, there is some debate within the teaching profession about the relevance of entry requirements on the subsequent quality of classroom teaching by teacher graduates.[19]

The Queensland Government has limited capacity to influence the number and quality of teacher graduates, given the Australian Government's demand-driven model for funding universities. Universities decide how many places they will offer in each discipline. Up to 4,000 new teachers graduate from Queensland institutions each year.

DETE employs approximately 38,000 (FTE) primary and secondary school teachers and leaders. Currently, there are over 15,000 aspiring teachers in the applicant pool. For the 2013 school year, DETE is likely to appoint only about 2,000 permanent teachers and, on average, about 900 will be offered temporary or casual employment to meet local school requirements. As well, other aspiring teachers will find employment in the non-government sector.

DETE advises that overall supply of aspiring teachers is becoming more closely aligned to demand. However, there remains an imbalance in the mix of graduates to accommodate requirements in high demand curriculum areas such as maths and science. In addition, local staffing teams report challenges from time to time for other curriculum areas and for some locations, typically rural and remote parts of the state or low socio-economic areas.

The Government has recently endorsed a policy proposal to use its leverage as the largest provider of practicum placements to enter into partnerships with Queensland tertiary education institutions to address issues relating to graduate teacher preparation and teacher supply and demand in Queensland. Any proposal to restrict teacher entry, however, should take into account the need to ensure a sufficient supply of teachers in regional areas and areas of social and economic disadvantage.

Existing teachers

With respect to existing teachers, the Productivity Commission's 2012 report, *Schools Workforce*, noted that few teachers employed in state schools are assessed as underperforming.[20] In addition, pay increments are almost always granted.

The Grattan Institute has identified a number of issues related to teacher performance based on the results of the OECD Teaching and Learning International Survey, which surveyed lower secondary teachers in 23 countries in 2007-08. It reveals that Australia's performance in teacher evaluation and performance is poor. The survey results for Australian teachers showed that:

- teacher effectiveness is not identified in schools
- teacher quality and teacher innovation are not recognised in schools
- teacher evaluation has few consequences.[21]

In its 2011 report, *Better Teacher Appraisal and Feedback: Improving Performance*, the Grattan Institute proposed that improving teacher effectiveness can be best achieved by better teacher appraisal and feedback systems. It recommended that student performance and assessment form part of teacher assessment, along with at least three additional sources of student performance from the following:

- direct observation of classroom teaching and learning
- student surveys and feedback
- parent surveys and feedback
- peer observation and collaboration
- 360-degree assessment and feedback
- self-assessment
- external observation.[22]

The report also acknowledged that the use of student performance and assessment data to measure teaching effectiveness must be preceded by an agreed definition of effective teaching and learning in the school. Student performance and assessment data can then be used to set objectives for individual teachers (for example, progress made with low-performing students) and assess progress towards those objectives.

The Grattan Institute proposed that this process would lead to greater recognition of effective teaching, spreading good practice across the school, and identifying teachers in need of development. Another proposed benefit would be the development of a profile of students having difficulties. This would provide a base for further teacher and school development.

In Queensland, DETE recently has introduced the Developing Performance Framework (DPF).[23] The DPF includes tools and templates for teachers and their supervisors to articulate expectations, review performance and undertake development at least once a year. However, the DPF does not mandate the use of specific teacher appraisal methods or performance indicators for teachers.

The new framework for developing performance is consistent with the Commission's recommended strategic direction for education, as it includes the requirement for school leaders to consider student performance, in combination with other measures, in evaluating and improving teacher performance.

The Australian Government is currently pursuing a strategy of rewarding high quality teachers, and has provided funding for this purpose under the National Partnership Agreement on Rewards for Great Teachers.[24] Under the agreement, participating states will be required to implement a new Australian Teacher Performance and Development Framework and certify teachers against the National Professional Standards for teachers. One-off payments to teachers in government and non-government schools will be made to teachers who are certified under the standard at particular levels. The reward payments are awarded on the basis of achieving certification levels rather than producing classroom results, and ongoing funding by the Australian Government is not guaranteed.

Queensland has committed to the Australian Teacher Performance and Development Framework, but has declined to enter into the reward payments aspect of the Agreement. This decision is consistent with the finding of the Productivity Commission in the *Schools Workforce* report that, despite many trials, there is little evidence to support the contention that performance-based pay leads to improved student outcomes.[25] Further, the Productivity Commission recommended that the Australian Government reformulate its rewards payment initiative as a temporary program and reduce the focus on bonus payments.

Given the above evidence, the Commission considers that student outcomes and teacher performance should be at the core of a performance management framework for the government education sector in Queensland.

Recommendation

86 ***The framework for performance management applied by the Department of Education, Training and Employment include mandatory consideration of student outcomes and teacher performance in the assessment process.***

D7.4.3   Other workforce issues

The roll out of the Independent Public Schools initiative is planned to be undertaken within the bounds of prevailing industrial instruments and other centralised workforce requirements. Some of these impose constraints on school-based decision-making, such as student–teacher ratios, which are set out in the most recent Teachers' Certified Agreement:

- prep: 25 students per class
- years 1-3: 25 students per class

- years 4-10: 28 students per class
- years 11-12: 25 students per class.[26]

The agreement specifies that class sizes in excess of the nominated ceilings require a consultation process with staff in accordance with dispute resolution provisions of the agreement. Table D7.4 shows that the vast majority of class sizes are typically lower than the target, especially for students in Years 11 and 12. This suggests some lack of flexibility in class size arrangements, although other factors also contribute, such as the requirement to offer a wide range of subjects.

Table D7.4 Class sizes in Queensland, 2012			
Year levels	**Class size targets specified in Certified Agreement**	**Proportion (%) of classes that meet or exceed target**	**Average class size**
Prep and Years 1 to 3	25	92	20.9
Years 4 to 7	28	95	23.2
Years 8 to 10	28	96	22.6
Years 11 to 12	25	95	17.7

Source: Department of Education, Training and Employment, 2012,
Class Size Target Achievement and Average Class Size

The scope for greater autonomy at the school level is limited by the certified agreement. This has significant funding implications. DETE estimates that the decision in 2004 to reduce maximum class size targets for years 4 to 10 from 30 to 28 students per class (implemented between 2005 and 2007) cost a minimum of $60 million per annum on an ongoing basis due to the increased number of teachers required.

Further, modelling undertaken by DETE based on 2012 data indicates that savings of $87-163 million per annum could be achieved if average student–teacher ratios in primary and second schools were increased by 1-2 students. Any decisions in this regard would need to consider the circumstances of individual schools, such as the physical capacity of school classrooms.

The Teachers' Certified Agreement also includes other provisions limiting principal autonomy, including the proportion of a school's budget to be spent on staff, and the circumstances under which a change to a school's staffing mix can occur.

The Commission considers that such restrictive provisions should be removed from certified agreements as they impede the devolution of workforce management responsibilities to the school level.

Recommendation

87 *The Government minimise impediments to further devolution of workforce management responsibilities to schools by removing restrictive provisions (for example, specification of student–teacher ratios) from future certified agreements.*

D7.5   ROLE OF THE AUSTRALIAN GOVERNMENT

In 2010-11, the Australian Government provided about 25% of total recurrent government funding for schools (government and non-government) in Queensland and Australia generally.[27] Despite this relatively low share of funding, the Australian Government exerts increasing influence in education policy and performance. Education reforms driven by the Australian Government may be appropriate in areas such as setting standards for teacher training and developing curriculum. There is also a role for the Australian Government to establish an accountability framework under which to assess the performance of states in delivering educational outcomes for the nation. This is undertaken through the performance reporting element of the NEA.

Each year, the CRC reports on the states' achievements towards the objectives and outcomes of the NEA. Indicators of performance include rates of student attendance, literacy and numeracy achievement in national testing and the proportion of students in the top and bottom levels of performance on international tests.

There are also a number of National Partnership Agreements (NPAs) between the Australian Government and states with a focus on improving educational outcomes, particularly for disadvantaged students. These include NPAs on:

- Improving Teacher Quality
- Literacy and Numeracy
- Low Socio-economic Status School Communities.

These are collectively referred to as the Smarter Schools National Partnerships (SSNPs). Some progress is being made on the targets agreed by the Council of Australian Governments for improving student outcomes for disadvantaged students. However, the Australian Government's own review of the SSNPs indicates that, while the initiatives generate extensive activity, there is little evidence that these will lead to long-lasting reforms that will achieve the educational outcomes specified in the partnerships.[28] State performance targets can be less than ambitious. The NPA payments are often temporary and generally involve a small proportion of schools. Improvement initiatives at the school level are at risk of ceasing when the special funding ceases, and consequently are viewed as having a limited life.

Within this accountability framework, effective reforms to increase student performance need to be driven from the school level with the long-term commitment of principals and teachers. This is more likely to be achieved through increased school autonomy than through directives, or tied funding, from sources that are far removed from classroom teaching.

The 2011 *Review of Funding for Schooling: Final Report* (the 'Gonski Review') highlights the issue of the appropriate role of the Australian Government in education reform. The review recommends a new funding model based on student need – with funding from state and national levels of government to be pooled, the size of the pool to be increased, and its distribution to be determined on a per student basis across both government and non-government schools.[29] Loadings are to be applied for extra educational needs, such as low socio-economic background and disability.

The analysis and recommendations of the Gonski Review are based on the assumptions that the Australian Government is best placed to make key decisions to improve student performance and that increased funding leads to improved student outcomes. Both of these assumptions are questionable. In particular, the absence of a significant relationship between resources and outcomes is well documented in educational research; that is, once minimum acceptable levels of resourcing are met, increasing resources does not have a systematic impact on student outcomes.

The possible impact of Australian Government education reforms is unclear. Several NPAs expire within the next 18 months and replacements are under negotiation. In September 2012, the Government announced a major reform initiative, *Better Schools: A National Plan for School Improvement* (NPSI) in response to the Gonski Review. The key goals of the NPSI are that:

- Australian schooling provides an excellent education for all students
- Australian schooling is highly equitable
- Australia ranks in the top five countries in the world in reading, writing and maths by 2025.[30]

The NPSI outlines reforms to strengthen teaching and learning, empower school leaders (principals and teachers), provide greater transparency and accountability of school performance, and meet the needs of all students, especially Indigenous students, students with a disability or with poor English capability, and students who are socio-economically disadvantaged or from under-resourced schools.

As recommended by the Gonski Review, Australian Government funding is proposed to be provided on a needs-based model, the Schooling Resource Standard. The standard will provide a base amount for all students according to a formula that accounts for the costs associated with providing a high quality education, and additional loadings that address the costs associated with educational disadvantage.

Currently, legislation for the NPSI is before the Australian Parliament and the Gonski recommendations are under negotiation with the states. The Australian Government intends that subsequent amendments to the legislation will be made following the conclusion of negotiations with the states and the non-government school sector. Australian Government funding will be dependent on the agreement of the states to implement the *National Plan for School Improvement*.

It would be a cause for concern if, through these reforms, the Australian Government was to adopt a more prescriptive input focus (that is, defining how funding should be used) and imposed conditionality on education funding (that is currently untied).

Moves in these directions also would be inconsistent with the outcomes focus embodied in the NEA and would compromise the Queensland Government's strategies to drive education reforms at the school level. The State Government is better placed than the Australian Government to pursue appropriate policies to improve student performance in its schools. Accordingly, the Queensland Government should resist any pressure to accept Australian Government funding conditions that do not align with its own policy priorities for the education sector.

In its *Schools Workforce* research report, the Productivity Commission notes that past policies and programs have been largely unsuccessful in addressing educational disadvantage, and identifies an urgent need for the systematic evaluation of educational improvement initiatives at all levels within states.[31]

The type of evaluation process advocated by the Productivity Commission will be important in assessing the relative merits of various educational reform initiatives, including NPAs. Evaluation also will be particularly relevant for leveraging and disseminating the innovative strategies that are expected to arise from increased autonomy and accountability at the school level.

Recommendation

88 The Government develop an evaluation capability in the Department of Education, Training and Employment with explicit responsibility for:

- *evaluating system-wide reform initiatives (including initiatives under National Partnership Agreements)*

- *creating an evaluation culture that promotes and supports the identification and dissemination of innovative teaching strategies at the school level.*

D7.6   ASSET MANAGEMENT

Chart D7.11 shows that Queensland had the second highest value of school assets (land and other assets) of all mainland states in absolute terms.

Chart D7.11
School assets value, 2011

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 4A.15

The level of assets per student held in Queensland schools is high compared with other major states, as shown in Chart D7.12. Apart from Western Australia, Queensland has a higher per student stock than any other state being 55% higher than New South Wales and 92% higher than Victoria.

Chart D7.12
Government school assets by student, 2011
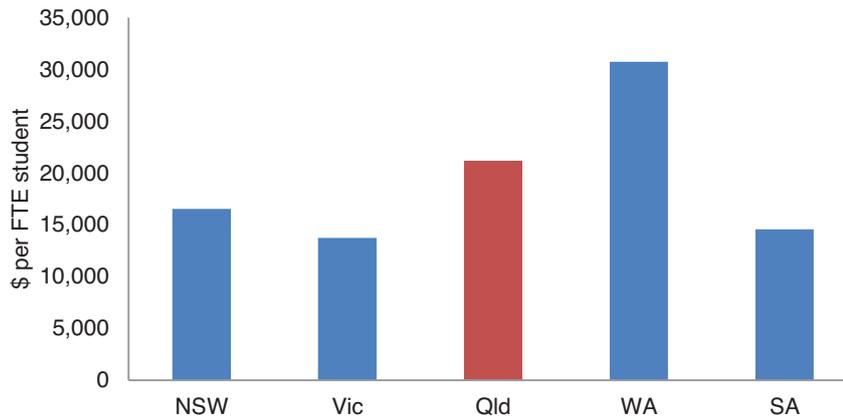
As at 30 June 2012, DETE owned 1,239 schools, including 37 new schools which have been opened over the last 10 years.[32] There are 620 schools in metropolitan and provincial centres, and 619 schools in rural and remote areas.

DETE advises that there are 326 schools (25% of the total number) that operate at less than 50% of capacity. Of these 326 schools, 54 are located in metropolitan or provincial centres. DETE estimates that up to 25% of these 326 schools have an alternative school provision within close proximity and which also have sufficient facility capacity to accommodate students from neighbouring, underutilised schools.

As a result of Queensland's population dispersion, there are a number of schools in relatively small population centres where it is often not possible to achieve effective utilisation of facilities. However, underutilisation can also occur in metropolitan and provincial centres, due to declining demand – often arising from changing demographics and spatial differences in population growth, as well as other factors such as improved transport arrangements.

Despite this significant underutilisation of existing assets, DETE projects that 54 new schools will be required over the next decade, or around four to five new schools annually to accommodate population growth. This highlights the magnitude and complexity of the asset management issues for DETE, particularly the need to balance declining use of some existing facilities with demand for new facilities.

DETE has a Public Private Partnership (PPP) with Aspire Schools (Qld) to construct and maintain seven new schools in high growth areas in South East Queensland. It is exploring further opportunities for PPPs with Projects Queensland, and other ways to involve the private sector in the provision of school infrastructure to deliver better value for money.

The Government also has recently established the Queensland Schools' Planning Commission, which will operate until 30 June 2015, to streamline and coordinate the processes for the planning, establishment and expansion of government and non-government schools across Queensland.

DETE's asset maintenance backlog is about $300 million, indicating that necessary maintenance works have not been addressed. As reported in the Commission's Interim Report, the Public Works Maintenance Management Framework recommends a minimum maintenance funding benchmark of 1% of the building asset replacement value. This equates to approximately $180 million per annum for DETE. However, DETE's current maintenance budget is about $93 million per annum (including $25 million for asbestos removal).

The Government has recently provided $200 million as part of the Advancing our Schools Maintenance initiative to supplement the base maintenance allocation and reduce the backlog over the 2012-13 and 2013-14 financial years.

Maintenance funding pressures will heighten further as assets funded under the Australian Government's Building the Education Revolution (BER) initiative move through their life cycle. As noted in the Commission's Interim Report, maintenance costs were not included in the allocated BER budget, with states being required to fund the recurrent costs of this infrastructure.

Approximately one-quarter of DETE's maintenance funds was expended through private (non-QBuild) contractors in 2012. DETE reported savings of up to 25% compared with QBuild benchmark rates. With changes to the role of QBuild, DETE now has greater flexibility to utilise private contractors for maintenance works, which should result in better value for money.

In a fiscally constrained environment, rationalisation of mature assets where there is declining demand may be necessary to provide capacity to invest in new schools in areas where there is growing demand. Effective asset management strategies need to take account of utilisation and maintenance of existing school assets, as well as investment in new assets.

Recommendation

89   The Government improve the management of school assets by:

- *ensuring that high priority is given to reconfiguring the current schools asset base over the medium to long term to increase utilisation rates and reduce ongoing maintenance costs, particularly for metropolitan schools*

- *adopting innovative options with the non-government sector to improve cost effectiveness in building and maintaining schools.*

ENDNOTES

1   See A Elliot, *Early childhood education: Pathways to quality and equity for all children,* Australian Council for Educational Research, 2006, accessed from www.acer.edu.au

2   Information provided by the Department of Education, Training and Employment

3   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Productivity Commission, 2013, p. 4.5, accessed from www.pc.gov.au

4   S Thomson, L De Bortoli, M Nicholas, K Hillman and S Buckley, *Challenges for Australian Education: Results from PISA 2009*, Australian Council for Educational Research, 2010, accessed from www.acer.edu.au

5   Socio-economic background is measured using a composite index of economic, social and cultural status (ESCS). ESCS is based on the occupations of students' parents/guardians, the highest level of education of parents (converted into years of education), and indices of educational resources in the home, cultural possessions in the home, and family wealth.

6   Council of Australian Governments Reform Council, *Education 2011: Comparing Performance Across Australia, National Education Agreement, Report to the Council of Australian Governments*, 2012, accessed from www.federalfinancialrelations.gov.au

7   Nous Group, National Institute of Labour Studies, Melbourne Graduate School of Education, *Schooling Challenges and Opportunities*, *A Report for the Review of Funding for Schooling Panel* (commissioned by the Australian Department of Education, Employment and Workplace Relations), 2011, accessed from www.deewr.gov.au

8   Productivity Commission, *Schools Workforce*, Research Report, 2012, p. 19, accessed from www.pc.gov.au

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D8 VOCATIONAL EDUCATION AND TRAINING (VET)

KEY ISSUES

- In relative terms, government expenditure on Vocational Education and Training (VET) in Queensland (including Australian Government funding) is low, but Queensland is a high-cost provider of VET services.

- Since 2005, expenditure through public providers has increased by almost 50%, but student numbers have declined. In contrast, for private providers, increases in expenditure broadly have been matched by increases in student numbers.

- National skills agreements do not outline clearly the respective roles and responsibilities of the Australian and state governments, and do not focus outcomes and targets sufficiently on the needs of industry and the economy.

- The Queensland Government has committed to reform of the VET sector through the Council of Australian Governments (COAG), including introducing a national training entitlement through a more competitive skills market.

- The future role for Technical and Further Education (TAFE) needs to be considered in the context of strategic objectives and outcomes for VET in Queensland.

- The key strategic objective for Queensland should be to improve the performance of the VET sector, in terms of effectiveness (achieving greater alignment between the skills produced and the needs of industry and the economy) and efficiency (increasing participation levels and outcomes by optimising investment and reducing the high cost of services).

- Greater industry leadership of VET reforms will be necessary in the transition to a more open and contestable market, with a clear separation of funder, purchaser and provider roles.

D8.1 SERVICE PROFILE

D8.1.1 The vocational education and training sector

The vocational education and training (VET) sector traditionally has been the responsibility of state governments in Australia. Australia's apprenticeship system started before federation, and the first VET institutions arose in the mid-to-late nineteenth century, in the form of mechanics' institutes, schools of mines, and technical and working men's colleges.

The VET arrangements in each jurisdiction drew common inspiration from the British system, including emphasis on the apprentice model and the provision of VET through trade-based technical colleges. Despite these common origins, the development of each state's VET system occurred in an autonomous manner, according to their different social, economic and political characteristics.

The VET sector is recognised as the most diverse and complex of all the education sectors across a number of dimensions[1], such as:

- Providers – in August 2010, there were almost 5,000 registered training organisations (RTOs) in Australia. This number comprises 59 Technical and Further Education (TAFE) institutes, 568 schools, 12 universities, 423 adult and community education (ACE) providers, 112 non-TAFE government RTOs, 3,147 private RTOs, and 585 industry or enterprise RTOs.

- Funding – even though all RTOs are accredited by government, they are not all funded from public sources. Some private RTOs rely exclusively on the payment of fees by students, and other RTOs supplement their government income with private income from industry and students. Estimates by the Productivity Commission suggest that TAFEs and government RTOs earned training revenue of over $5.5 billion in 2008, with over 65% derived from government recurrent funding, whereas private RTOs earned around $3.6 billion in 2008, with only 12% derived from government.

- Course offerings – VET students have the flexibility to complete a suite of articulated and sequential modules that lead to full qualifications, such as certificates and diplomas, or to complete selected modules only, resulting in statements of attainment. As a result, enrolments range from a few hours to programs undertaken over years.

- Student profiles – the student population enrolled in the publicly funded VET system ranges from school-age students, through to 25 to 44 year olds (the largest cohort), and mature age students. An important and differentiating characteristic of VET students is that a high proportion study part-time (86% in 2009), due in part to the prominence of the apprenticeship system in VET delivery. Furthermore, most VET students who begin VET are already employed (75% in 2009).

- Location and delivery – VET is delivered widely across Australia, with 54% of publicly funded VET students located in major cities and 38% in inner and outer regional areas. The traditional method of VET delivery involving face-to-face learning on campus is becoming less prominent, partly with increased use of technology. The proportion of publicly funded VET hours delivered in the classroom has declined from 82% in 2000 to 70% in 2009. Over the same period, the proportion of hours delivered at the site of employment has risen from 5% to 12%.

In Queensland the VET sector is administered by the Department of Education, Training and Employment (DETE). This includes the funding, delivery and quality assurance of VET services. Skills Queensland is an industry-led statutory body established to engage with industry and advise the responsible Minister on the direction of the VET system in Queensland.

D8.1.2   Objectives of VET

The objective of the National Agreement for Skills and Workforce Development is a VET system that:

- delivers a productive and highly skilled workforce

- enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future

- supports the achievement of increased rates of workforce participation.[2]

Internationally, the Organisation for Economic Co-operation and Development (OECD) has argued that boosting investment in education, skills and training now is the key to strong, sustainable and shared growth. Without adequate investment in skills, people languish on the margins of society, technological progress does not translate into economic growth, and countries can no longer compete in an increasingly knowledge-based global society.[3]

Queensland has a diverse economic base, and VET plays a central role in supporting economic development and prosperity by developing the skills embodied in the labour force. VET currently responds to a range of key social and economic objectives, such as providing:

- specific vocational skills for entry into the labour market

- knowledge and technical skills to boost efficiency, outputs and innovation in workplaces

- opportunities for marginalised groups to access education and skills development including the development of 'foundation skills'.

A core objective of governments for VET has been to increase participation in education and to raise the qualification profile of the population, to support future economic growth and improve the employment prospects of individuals. The most recent policy direction has been for government to better align the outputs of the VET system with industry's needs.

Within a constrained budget environment, government funding increasingly must be aligned to the future skills needs of industry, and targeted to increase participation, employment and workplace productivity.

D8.1.3   VET system funding

The National Centre for Vocational Education Research (NCVER) is a not-for-profit company owned by state and federal ministers, and is responsible for collecting, managing, analysing, evaluating and communicating research and statistics about VET nationally. NCVER's annual Financial Information reports provide information on how public VET in Australia is financed and where the money is spent. It is based on data provided by the Australian and state government agencies responsible for administering public VET funds.

Table D8.1 provides a summary of the total funding and student numbers for the publicly funded VET sector in Queensland for the period 2005 to 2011, derived from national financial information and student reports. This table highlights that over the six years to 2011, student numbers increased by only 5.3%, compared with an increase in total funding of 62.3%. State funding increased by 57.1% during this period.

Table D8.1						
Total funding and student numbers – Queensland publicly funded VET sector						
Year	**Total funding[1] ($ million)**	**Sources of funding ($ million)**					**Students**
		State government	**Australian Government[2]**	**Fee-for-service[3]**	**Student fees and charges**	**Ancillary trading and other**	
2005	**762.5**	445.7	198.1	54.1	43.3	21.3	**290,400**
2006	**764.8**	438.1	202.8	53.1	49.0	21.8	**293,300**
2007	**870.2**	524.3	216.7	60.3	50.2	18.7	**287,100**
2008	**960.4**	579.5	223.8	83.2	54.2	19.7	**291,300**
2009	**1,110.6**	635.8	283.3	103.4	58.6	29.5	**290,100**
2010	**1,126.3**	605.2	319.2	112.4	59.9	29.6	**303,000**
2011	**1,237.8**	700.2	334.9	114.8	57.5	30.4	**305,800**
Change (2005-11):	62.3%	57.1%	69.1%	112.2%	32.8%	42.7%	5.3%

Notes:
1   Total funding includes recurrent funding from the State Government and the Australian Government, but does not include funding allocated by governments for capital infrastructure and equipment.
2   Australian Government funding comprises the National Skills and Workforce Development Specific Purpose Payment and revenue from National Partnership agreements.
3   Fee-for-service can include some government revenues when the entity reporting the revenue has not identified that the fee-paying client is funding the training from government-sourced revenue.

Source: National Centre for Vocational Education Research, Financial Information 2008 & 2011;
National Centre for Vocational Education Research, Students and Courses 2011

Chart D8.1 presents the share of VET revenue contributed by each funding source in 2011. State Government funding amounted to $700.2 million, or 57% of total funding of $1,237.8 million. Australian Government funding accounted for a further 27% of the total. Non-government sources of funding amounted to $202.7 million, representing 16% of the total.

Chart D8.1
Share of Queensland VET revenue by source, 2011
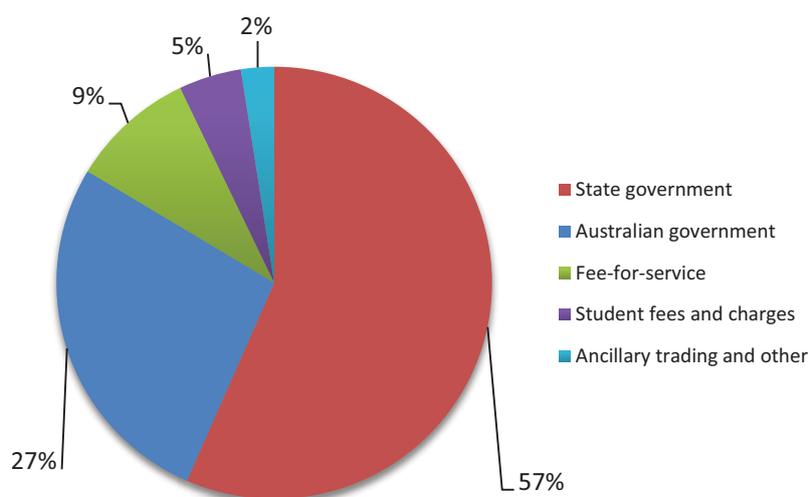
Source: National Centre for Vocational Education Research, Financial Information 2011, Table 1

Nationally, state governments provided $4.0 billion or 68.8% of government funding in 2011, as payments to public and private training RTOs to support the delivery of training and student services, and as incentives for employers and apprentices.

The Australian Government provided the remainder of government funding ($1.8 billion in 2011) to state governments through national agreements; and directly as incentives to employers and apprentices, payments to RTOs for adult literacy and other initiatives, and funding for students through income contingent loans. RTOs also receive revenue from individuals and organisations for fee-for-service programs.

The major funding flows in the VET system are shown in Figure D8.1.

Figure D8.1
Funding flows in the VET system
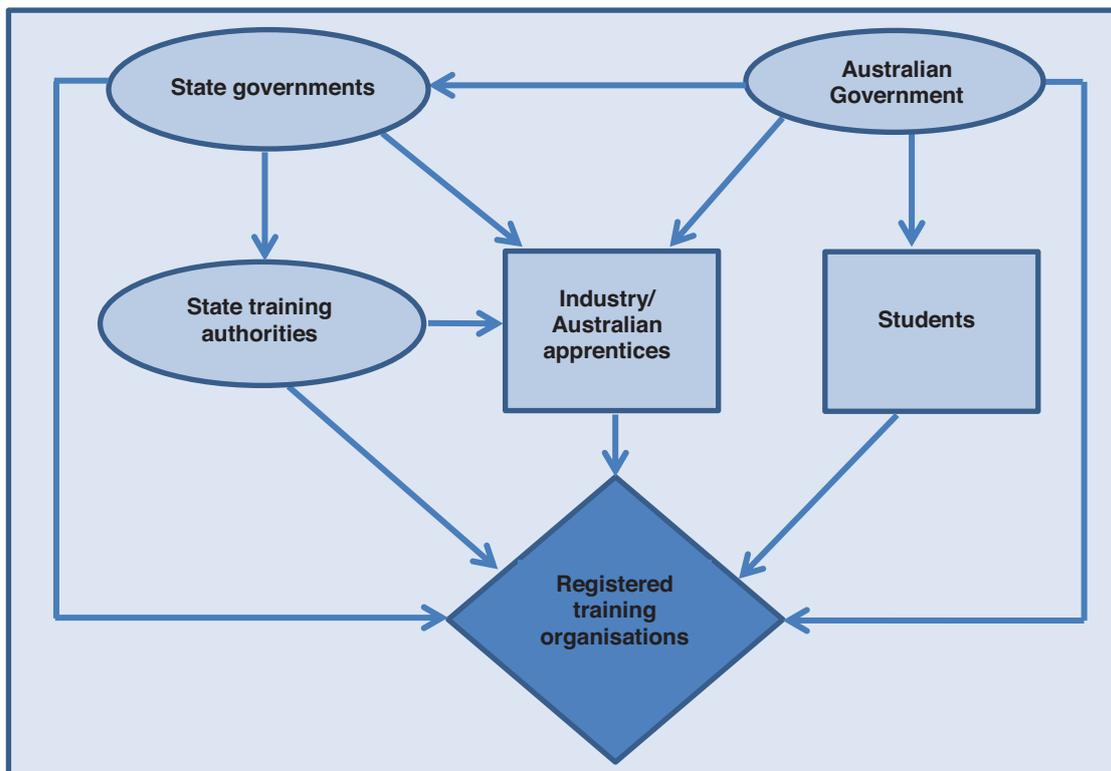
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Figure 5.3 (modified)

The NCVER Financial Information report also provides information on expenditure of VET funds by the government training department in Queensland, as follows:

- delivery provision and support – the proportion of expenditure allocated to training delivery was 63.0%, or $825.9 million in 2011

- private RTOs – payments to non-TAFE providers were $247.1 million, representing 23.9% of operating expenditure in 2011

- public RTOs – TAFE receives the majority of the balance of total funding, which also funds administration, infrastructure, student services and other program costs.[4]

The total funding reported through NCVER is different to the total funding for the VET portfolio reported by the Queensland Government through the budget process, as Service Delivery Statements include corporate administration costs not associated specifically with the administration of the VET system.

D8.1.4   Australian Government funding

Australian Government funding for VET is managed through the Intergovernmental Agreement on Federal Financial Relations, and includes the following:

- National Skills and Workforce Development Specific Purpose Payment (SPP) – In 2011-12, Queensland received a payment of $269.1 million, representing the State's share of total funding based on population.

- National Agreement for Skills and Workforce Development (effective 13 April 2012; expires 30 June 2017) – outlines the roles, responsibilities, objectives and outcomes for Commonwealth, state and territory governments in the delivery of VET services.

- National Partnership Agreement on Skills Reform (expires 30 June 2017) – range of structural reforms and other actions directed to achieve the agreed objectives of the National Agreement on Skills and Workforce Development. The estimated allocation for Queensland is $356.9 million over five years.

- National Partnership Agreement on Training Places for Single and Teenage Parents (expires 31 December 2015) – to improve VET and workforce participation outcomes for single and teenage parents in receipt of Parenting Payment. The estimated allocation for Queensland is $17.1 million over four years.

- National Partnership Agreement on TAFE Fee Waivers for Child Care Qualifications (expires 31 December 2014) – to support individuals to gain a VET qualification in early childhood through TAFE institutes. The estimated Commonwealth financial contribution for Queensland is up to $3.7 million over the remaining two years.[5]

There are currently a number of Australian Government programs that sit outside the national SPP arrangements, such as the Apprenticeships Incentives Program, Apprenticeship Support Services, Group Training, and adult literacy and workforce development initiatives. Funding for student income contingent loans (VET FEE-HELP) also is separate from the SPP arrangements.

D8.1.5   Queensland Skills and Training Taskforce

In June 2012, the Queensland Government established the Queensland Skills and Training Taskforce to provide independent advice and recommendations to reform and revamp the operations and outcomes of Queensland's VET sector.

The Taskforce delivered its Final Report to government in November 2012. There are four fundamental components of the Taskforce's recommendations for VET reform in Queensland:

- a new industry-led Queensland Skills Commission to direct the State's scarce training investment to deliver real solutions to the State's skills needs

- a fully contestable and demand driven funding model that encourages individuals to gain the skills needed by industry to drive growth in the State's economy and increase prosperity for all Queenslanders

- a new TAFE Queensland that is 'fit for purpose' in the emerging VET and economic context, and capable of meeting market and government policy expectations in the medium to longer term

- reform of Queensland's apprenticeship system to remove barriers and red tape through improved administration and harmonisation of the system as well as increasing flexibility through complementary trade and skills training pathways. [6]

The Government's response to the Taskforce report was released on 30 November 2012. The Government has fully accepted 35 of the Taskforce's 40 recommendations, with the five remaining recommendations relating to an industry-led Skills Commission receiving in-principle support. [7]

D8.2   COMPARATIVE PERFORMANCE

VET performance can be analysed against national data collected by the Australian Bureau of Statistics (ABS), the Productivity Commission and the NCVER. Queensland's performance benchmarked against national levels and other states in areas such as investment levels, maturity of the training market, efficiency, effectiveness and equity participation, is outlined below.

D8.2.1 Expenditure

Chart D8.2 provides a comparison of the VET expenditure per working age person for Queensland and other states. In 2011, government expenditure in Queensland (including Australian Government funding) was $335.72 per working age person (aged 15 to 64 years), compared with a national average of $377.74.

Chart D8.2
Government recurrent VET expenditure
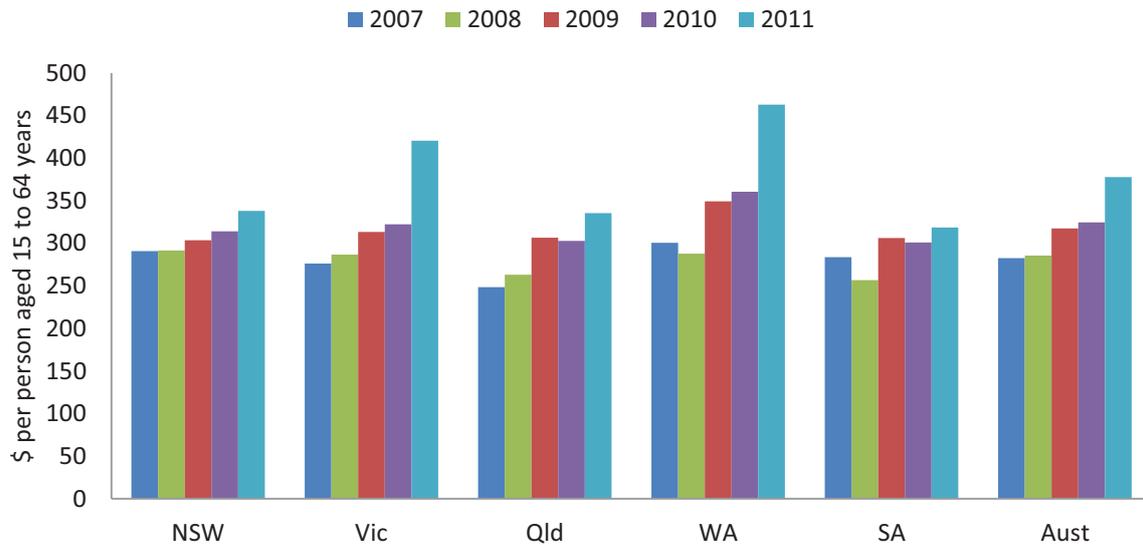
■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013 and previous issues, Table 5A.2

In terms of non-government investment, Queensland also has a lower percentage than the national average and the other states, with only 16.4% from these sources in 2011 compared with the national average of 21.4%.[8] All states experienced a decline in non-government revenue from 2010 to 2011, due to the decline in international student enrolments resulting from changes to immigration policy and student visa requirements.

Industry investment in nationally recognised training was measured 10 years ago through an ABS survey of employers, which estimated that net direct expenditure on 'structured training' in 2001-02 by employers was $3,652.8 million, or an estimated $5,233.2 million in 2011 dollars. Structured training was defined as all training activities that have a specified content or pre-determined plan designed to develop employment related skills and competencies, which would include nationally recognised training but also other non-accredited activities.

This expenditure represented an average investment of $458 per employee, or 1.3% of total gross wages and salaries, and included trainers' wages and salaries, and other direct costs such as wages and salaries of employees for the time spent attending training. In comparison, government revenue for VET totalled $3,432.4 million in 2002 and $6,183.9 million in 2011. [9]

The survey also estimated that employers received $365.5 million in training-related subsidies and payments, in addition to their direct expenditure, in 2001-02. However, only a small proportion of employer expenditure on training was reported through national VET processes, as the total fee-for-service and student fees and charges revenue reported in 2002 was only $673.2 million, or only 18.4% of the total estimated expenditure by employers on structured training.[10]

D8.2.2   Training market

Up until the early 1990s, government VET funds were allocated only to TAFE institutes to achieve a broad range of outcomes established by state governments. At this time, competitive funding processes were introduced to allocate additional Australian Government funds. These processes now include the following:

- user choice – the employer and apprentice/trainee choose an RTO and negotiate key aspects of their training, and then government funds flow to the RTO

- competitive tendering – RTOs compete for funding contracts in response to government offers (tenders)

- preferred supplier arrangements – extension of competitive tendering, whereby a contract is awarded to providers chosen by tender to provide training on a longer term basis.[11]

In 2011, the proportion of government recurrent funding allocated through contestable processes was 31.8% in Queensland, lower than the national average of 39.4% and the Victorian figure of 71.9%, but higher than New South Wales (24.8%).[12]

Nevertheless, the proportion of VET funding allocated to non-TAFE providers in Queensland was above the national average, at 23.9% of total government operating revenue in 2011, compared with 18.5% nationally.[13] This suggests that private RTOs have been able to secure a higher market share in Queensland.

The efficiency dividends for the VET system of increasing the proportion of funds made available through contestable or market arrangements can be analysed by comparing the growth in expenditure and student numbers in different markets.

Chart D8.3 provides a comparison of the growth in expenditure and student numbers for public and private providers for the period 2005 to 2011. For public providers, expenditure has increased by almost 50%, but total student numbers have actually declined. In contrast, for private providers, increases in expenditure broadly have been matched by increases in student numbers.

Chart D8.3
Public and private provider expenditure vs total student numbers
(Index: 2005 = 100)

Public providers

—— Public providers total students index

—— Payments to public providers index

Private providers

—— Private providers total students index

—— Payments to private providers index
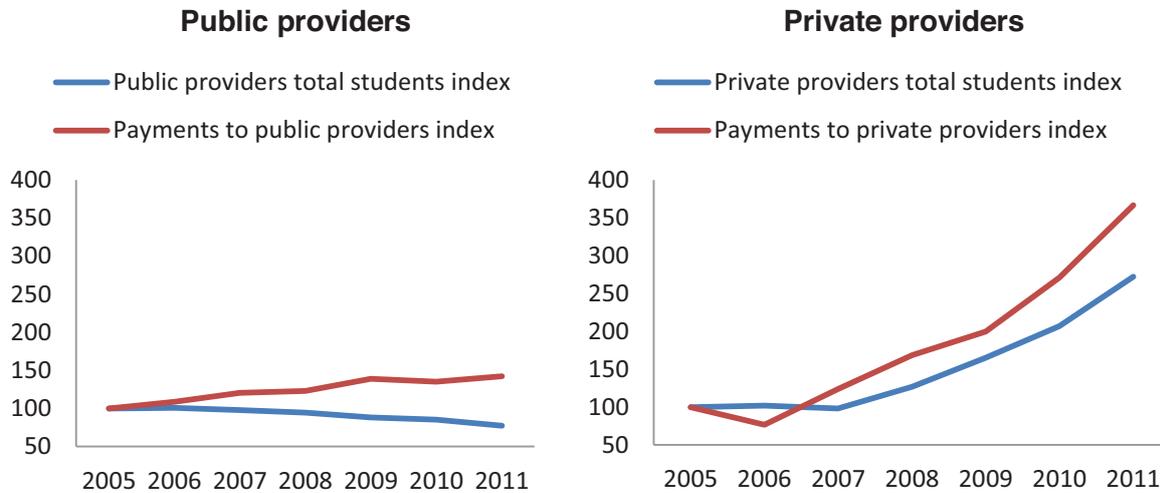
Source: National Centre for Vocational Education Research, Students and Courses 2011;
National Centre for Vocational Education Research, Financial Information 2008 & 2011

Regardless of the underlying factors that contribute to these results, private providers secure the vast majority of government funding through contestable or market-based arrangements. As such, this chart suggests that governments are able to achieve a more efficient allocation of scarce resources through contestable processes.

The skills market reform agenda and increasing contestability for public funding has impacted on the market share of government funding and student numbers for TAFE. Chart D8.4 highlights changes in TAFE market share of publicly funded students, and highlights that the decline in market share in Queensland has been steeper than other states, falling by over 20 percentage points between 2007 and 2011.

Chart D8.4
TAFE market share – publicly funded students

■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011

Source: National Centre for Vocational Education Research, Students and Courses 2011, Table 11

These market share trends tend to suggest that private providers are more agile and responsive to the needs of industry, have a lower cost base or are able to tailor recruitment processes to attract individuals to training programs.

D8.2.3   Efficiency

Queensland is a high cost provider of VET services. Chart D8.5 provides a comparison of Queensland's real recurrent expenditure per annual hour with other states. Queensland's cost per unit of output is significantly higher than most other states. In 2011, government real recurrent expenditure per annual hour for government funded VET programs was $14.83 in Queensland and $13.24 nationally, a decrease from $17.93 and $15.15 respectively in 2007 (2011 dollars).

Chart D8.5
Government real recurrent expenditure per annual hour

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 5A.19

As highlighted by the Queensland Skills and Training Taskforce, higher training delivery costs may be attributed to delivery of higher level (Certificate III and above) qualifications, as well as Queensland's geographic spread and growing numbers of disadvantaged learners accessing training.[14]

A further measure of efficiency of a state's administration of the VET sector is the proportion of operating expenses allocated to delivery provision and support, or the direct delivery of services to students. Queensland allocated 63.0% of VET operating expenses to training delivery provision and support in 2011, representing an improvement from 2010 levels of 60.3%, and almost level with the national average of 63.7%.[15]

D8.2.4   Effectiveness

The skills needs of the economy are addressed through a combination of all education sectors, from school through to VET and higher education, as well as through migration.

However, to improve the contribution of the VET sector in growing skills in line with growth in labour demand in the economy, the number of students accessing government funded VET programs should increase proportionally with broad indicators of economic activity.

Chart D8.6 provides a longer-term comparison of the growth in Queensland population, gross state product and VET student numbers for the period 2005 to 2011. It highlights that the output of the VET system (that is, skilled Queenslanders) has not been keeping pace with population increases or the growth in the State's economy over the same period.

Chart D8.6
Comparison of growth in population, gross state product and VET student numbers
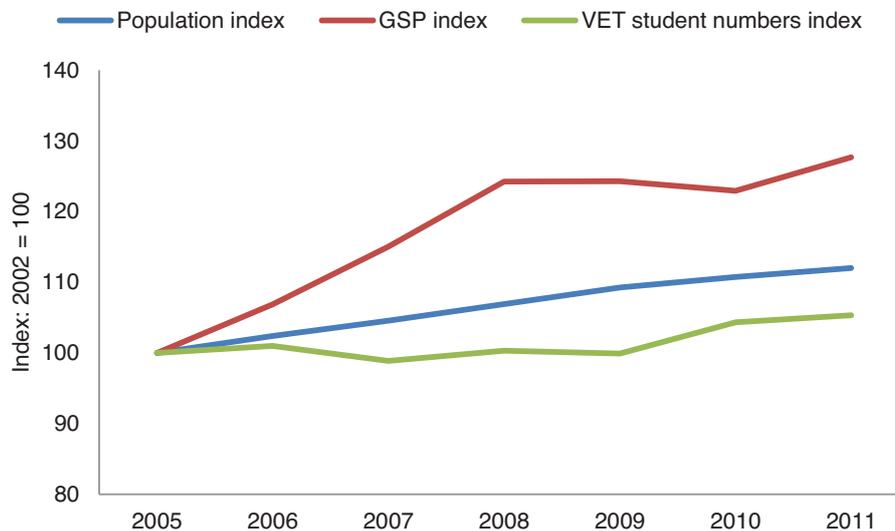
Source: ABS 3101.0, ABS 5206.0; and
National Centre for Vocational Education Research, Students and Courses 2011

While the number of publicly funded students has grown only marginally in Queensland over the last decade, the number of students completing qualifications has grown significantly. Over the period 2006 to 2010, the number of VET qualifications completed in Queensland grew by 88.5%, compared with 51.2% nationally, 34.3% in New South Wales and 57.7% in Victoria. Queensland's share of the total number of VET qualifications completed in Australia in 2010 was 21.1%, which was above population share and well above the 16.9% share of the total number of publicly funded students in 2010.[16]

VET participation is a measure of the number of working age people (15 to 64 years) participating in publicly funded VET as a proportion of the total working age population. Chart D8.7 highlights that Queensland's VET participation rate has been increasing since 2009, but remains consistently below the national average.

Chart D8.7
VET participation of people aged 15 to 64 years
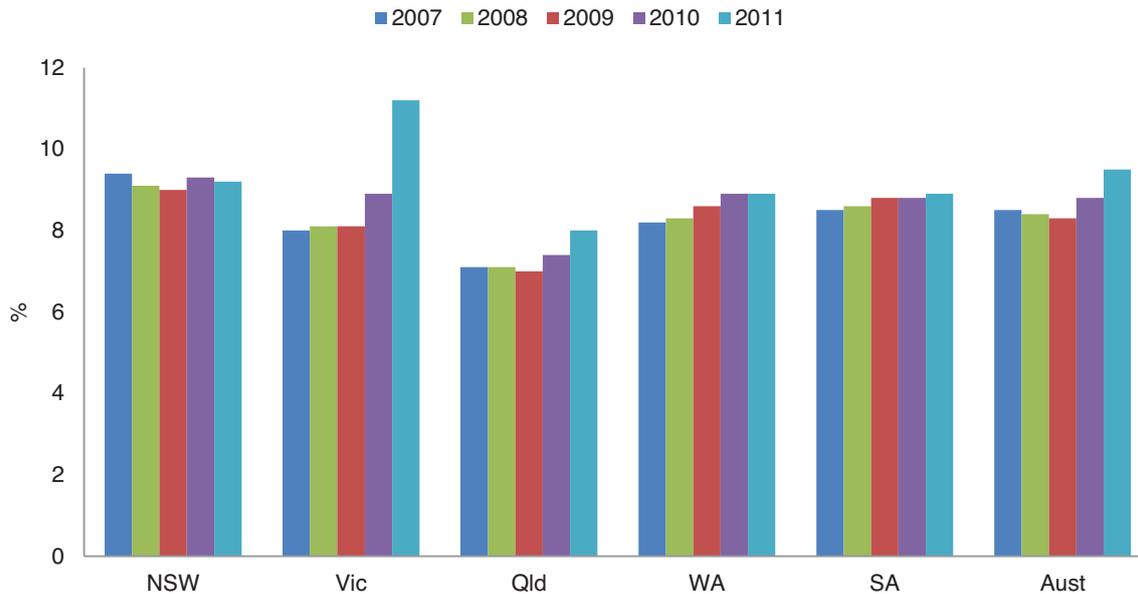
■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 5A.11

D8.2.5   Equity participation

One of the traditional roles of VET and the education sector in general has been to provide opportunities for marginalised groups to access education and skills development, as this supports social inclusion, and also raises workforce participation levels leading to improved labour utilisation and productivity.

Recent research commissioned by the National VET Equity Advisory Council (NVEAC) has highlighted that the economic benefit of closing the 'equity gap' for groups such as Indigenous Australians, people with disability and people from low socio-economic status (SES) backgrounds is substantial.

The NVEAC report estimated that closing the equity gap for these groups in terms of labour force participation would result in an increase to real gross domestic product of over $16 billion (or more than 1.0%) by 2020 and generate over 150,000 full-time equivalent (FTE) jobs nationally.

For Queensland, the equity gap is likely to become more significant, as disadvantaged persons are projected to make up an increasing proportion of the State's working age population. Projections to 2020 indicate that Queensland will account for 34% of the increase in the population of Indigenous Australians and 28% of the increase in the population of people with a disability in Australia.[17]

In addition, previous evaluations of skilling and labour market programs have highlighted the economic benefits for government of supporting the successful transition of disadvantaged jobseekers into employment. The features identified as critical to success in these programs, which have possible broader application for VET, included:

•   Matching labour demand with supply is typically more successful when conducted at a more localised level.

- A flexible and innovative approach tailored to the needs of specific disadvantaged jobseekers is incrementally more effective than a mainstream approach.

Queensland's performance in terms of equity participation can be summarised as follows:

- The VET participation rate for Indigenous Queenslanders aged 15-64 years was only 15.9% in 2011, significantly below the national average (21.9%) and all other states.

- Employment and/or further study outcomes for Indigenous VET graduates were lower in Queensland at 72.2% in 2011 than the national average of 76.0%, but had increased from 2010 levels of 66.7%.

- VET participation levels for other target groups were broadly consistent with national levels. However, outcomes for VET graduates with a disability in Queensland are lower than the national average. In 2011, only 65% of these graduates in Queensland found employment and/or undertook further study, compared with a national average of 70.1%.[18]

D8.2.6   International perspective

The OECD acknowledged in a recent review that:

> "*Australia has a very well developed VET system, which enjoys a high degree of confidence.*"

The OECD review highlighted that the strengths of Australia's arrangements were:

- The engagement of employers is strong.
- The national qualification system is well established and understood.
- The VET system is flexible and allows for a fair amount of local autonomy and innovation to adapt learning to local circumstances.
- The data and research on most VET issues are good.

However, the review also noted a number of challenges:

- The division of responsibilities between the Australian Government and state governments is unclear.
- Principles underpinning funding are not apparent and are inconsistent with human capital policies and principles.
- The use of skills forecasting creates some difficulties.
- There are some weaknesses and gaps in the relevant data.
- Apprenticeships are rigid and seem to depend on duration rather than competence.
- Training package development and implementation processes are inefficient.
- The ageing of the teacher labour force is a serious problem. [19]

Many of the recommendations of this OECD review are being addressed through the national skills reform agenda. These include individual entitlements, market reform and increased contestability, improved information on the demand for and supply of skills, apprenticeship and trade reform, and the quality of trainers.

D8.3   STRATEGIC FRAMEWORK

There have been a number of reviews of TAFE and the VET system in Queensland over the last 20 years. Almost invariably, these reviews have started by attempting to define a role for TAFE, and then considering the implications for the rest of the VET sector.

The Commission considers that a better approach is to first define a strategic framework of objectives and outcomes for the VET sector in Queensland, and then to clarify the contributions of the various elements within that framework. In so doing, an appropriate role for TAFE can be determined.

The VET sector, like the labour market, is complex, and strategies to improve performance of the sector in developing a skilled workforce need to reflect that:

- The skills system is diverse, with a much broader range of students, providers and educational outcomes than supported through the schooling and university sectors.

- The skills market needs to be led by industry, to ensure that government investment is aligned with the needs of the economy, and to optimise industry investment.

- Government investment in VET should be targeted to support vocational outcomes that provide the highest benefit to government, provide job and career outcomes for students, and address skills needs in industry and the economy.

Figure D8.2 depicts the major elements of the VET system in Queensland. The approach adopted by the Commission in the following analysis is to realign these elements with agreed strategic objectives and outcomes defined in the National Agreement for Skills and Workforce Development and the National Partnership Agreement on Skills Reform.

For Queensland, the key objective should be to improve the performance of the VET sector, in terms of effectiveness (achieving greater alignment between the skills produced and the needs of industry and the economy) and efficiency (increasing participation levels and outcomes by optimising investment and reducing the high costs of services). At present, the lack of growth in student numbers shown in Chart D8.6, and the consistently lower VET participation rates identified in Chart D8.7, suggest that Queensland's VET sector is not making a sufficient contribution to meeting relevant needs of the economy.

Figure D8.2
Elements of the Queensland VET sector

Strategic Framework		
National Agreement	National Partnership Agreements	COAG Reform Agenda

Funders		
Queensland Government	Australian Government	Non-government (students & industry)

Purchasers	
Queensland Government (Independent Skills Authority)	Australian Government (ICLs, NWDF)

Market Design	
Competitive and contestable skills market	Community Service Obligations or market failure

Providers		
TAFE (public provider)	Private RTOs	Intermediaries (e.g. industry brokers)

Beneficiaries		
Industry / Employers	Students, apprentices & trainees	Government/Society

Outcomes		
Increased participation	Employment	Improved productivity

Source: Commission of Audit

D8.3.1   The role of government in VET

It has long been accepted that government should play a role in providing VET services, dating back to the beginning of the 20th century in Queensland when the Government first established a formal system of technical education. Over time, government has expanded its role as a provider of VET services in response to changing economic conditions and political imperatives.

The Productivity Commission suggested that were the market for VET services left to operate as a 'free market', it is likely that there would be a number of 'market failures', with outcomes being sub-optimal from a community-wide perspective.[20]

Efficiency should be enhanced by government intervention that addresses market failures relating to the broader community benefits of education in a cost-effective manner. Examples include interventions that seek to pursue equity objectives, or to remedy any under provision of VET that may arise in free markets due to the presence of positive externalities, information asymmetries, or the non-excludable nature of some learning.

Positive externalities refer to the broader and less tangible public benefits stemming from education and training, such as improved rates of innovation, improved community health and social inclusion, and reduced criminal activity, which are typically not considered in an individual's decision to undertake training.

Information asymmetries relate to the information problems that exist in VET, where students have inadequate information about the quality of courses and labour market returns, resulting in the value of education being uncertain, as the benefits are long term, whereas the costs are short term and apparent.

Non-excludability or 'free-riding' relates to the nature of the skills developed through VET, which are often generic rather than enterprise specific and, as such, transferable to jobs in other firms. Such skills are important for the efficient allocation of labour across industries, and provide economy-wide efficiency gains, but employers tend to under invest in these skills, because of the risk that a 'free-riding' firm will poach the worker, once trained.

Governments also typically consider that access to VET would be inequitable in a free market. Affordability issues facing lower income students can entrench inequality, given the potential for education to lift people's incomes. This inequality can have intergenerational consequences and lead to so-called 'poverty traps'. Closing the participation gaps for disadvantaged groups has been a key focus of government intervention in the VET sector.

Government has performed various roles in the VET sector, including direct funding of providers and students, the provision of information, assessing the workforce needs of the economy, regulation of providers and products, and the delivery of training through TAFE.

In recent years, there has been an increasing trend to harness market forces in the allocation of government funding for VET services, with principles such as user pays and user choice increasingly underpinning VET policy.

D8.3.2   National Agreement

Roles and responsibilities

The Council of Australian Governments (COAG) has signed up to an ambitious set of reforms to the national training system, which are reflected in the National Agreement for Skills and Workforce Development and the National Partnership Agreement on Skills Reform, effective from 13 April 2012 for a period of five years.

The roles and responsibilities of the Australian and state governments are detailed in the national skills agreement. The Australian Government is responsible for providing funding contributions to states, and for reporting and data collection. Also, it is responsible for specific interventions in an increasing range of areas, such as industry workforce development, literacy and numeracy, Australian Apprenticeships, and support for those seeking to enter the workforce.

The states are directly responsible for resource allocation, investment of government funding and for the effective operation of the training market.

A shortcoming of the governance of the VET system is the significant number of critical areas that remain a shared responsibility between the two levels of government, including regulation, policy and reform direction, industry engagement, RTO management, and resource allocation. These areas of shared responsibility create confusion for VET stakeholders, and the potential for duplication of effort and resources across governments, thereby reducing the efficiency and effectiveness of the VET sector. As outlined above, this was one of the reform challenges identified by the OECD in its 2008 report.

The Government should seek to reduce the number of areas of shared responsibility in the national skills agreement, particularly in relation to resource allocation, through negotiations with the Australian Government.

Performance

The outcomes and related performance indicators in the national skills agreement are outlined in Table D8.2.

Table D8.2 **National Agreement for Skills and Workforce Development** **Outcomes and performance indicators**	
Outcomes	**Performance indicators**
1 The skill levels of the working age population are increased to meet the changing needs of the economy.	• Proportion of working age population with higher level qualifications (Certificate III and above) • Proportion of employers satisfied that training meets their needs
2 All working age Australians have the opportunity to develop skills.	• Proportion of working age population with adequate foundation skills (literacy level 3 or above) • Proportion of working age population with or working towards a non-school Australian Qualifications Framework qualification
3 Training delivers the skills and capabilities needed for improved economic participation for working age Australians.	• Proportion of VET graduates with improved employment status after training • Proportion of VET graduates with improved education/training status after training

Source: Standing Council on Federal Financial Relations, National Agreement for Skills and Workforce Development, Outcomes (19) and Performance Indicators (20)

The National Skills Agreement confirms that these outcomes are ambitious, and also details the associated long-term targets, which are to:

• halve the proportion of Australians aged 20-64 without qualifications at Certificate III level and above between 2009 and 2020

• double the number of higher level qualification completions (diploma and advanced diploma) nationally between 2009 and 2020.[21]

These outcomes and targets reflect a shared commitment to raising the qualification and skills profile of the Australian and Queensland population, for the benefit of individuals, industry and government.

However, as outlined previously, the current national reporting and data capture arrangements are inadequate to measure performance against these outcomes, particularly items 1 and 3 in Table D8.2, as the performance indicators are only proxy measures.

The focus of the National Agreement needs to shift to achieve greater alignment between the skill outputs produced through government investment and the needs of industry and the economy. The greatest returns are achieved for all parties when the skills produced by the VET system generate employment for individuals and increased productivity for industry.

In addition, the National Agreement's outcomes, performance indicators and targets should not automatically be adopted as investment priorities for Government. Rather, they reflect whole-of-VET system objectives for the entire VET system, and may be more effectively resourced and achieved through other strategies.

D8.3.3   Reform directions

The National Partnership Agreement on Skills Reform outlines a range of strategies directed to achieve the reforms under the National Agreement. In relation to investment priorities and competition, the parties have agreed to create a more accessible and equitable training system by:

- introducing and strengthening a national entitlement to a government subsidised training place to a minimum of the first Certificate III qualification, which:

  - is accessible through any RTO, public or private, which meets state-based criteria for access to the national training entitlement

  - is available as a minimum to all working age Australians (from post-school to age pension age) without a Certificate lll or higher qualification subject to meeting minimum entry requirements and state-based criteria

  - includes foundation skills or lower qualifications contained within the Certificate lll qualification.

- supporting expansion of the Australian Government's income contingent loan (ICL) scheme to improve the accessibility of higher level qualifications; and working with the Australian Government to enhance a quality framework including state and Australian quality requirements for RTOs to access ICLs.[22]

Market reforms to increase competition in the VET sector are the key strategy required if Government is to achieve the potentially conflicting priorities of delivering a 'national entitlement' for individuals, and meeting the skills needs of industry and the economy, particularly within a fiscally constrained environment.

D8.4 FUNDER FUNCTION

Human capital is a key driver of productivity and prosperity, and all Queenslanders benefit from this investment. Businesses gain access to a more productive and innovative workforce, and individuals experience increased employability and earnings potential. Society also benefits, as vocational training plays a critical role in building social inclusion, community engagement, self-reliance and reduced welfare dependency.

In order to maximise the return on skills investment, a new approach is required which equitably shares the cost of training provision and skills acquisition among the beneficiaries, while addressing some of the risks inherent in these investments for all stakeholders.

While evidence exists that industry investment in staff development is significant, much of this relates to non-accredited activities, and VET faces a challenge to convince employers that this investment would generate higher returns through nationally recognised training.

Given that the VET sector in Queensland has low expenditure but high costs, the Government must optimise investment from all sources, in order to maximise the skills outcomes to support social and economic objectives, and target areas of highest return for government.

In addition, NCVER research has identified that the focus of investment in Australia on VET is much broader than internationally, placing increased pressure on government funding. For example, public funding in Australia generally supports both initial and continuing vocational training, whereas in European countries, public funding is primarily concentrated on initial vocational training.[23]

D8.4.1 Australian Government

Australian Government funding is provided to Queensland for the VET sector through a National SPP aligned to the National Agreement for Skills and Workforce Development, and a range of National Partnership agreements.

Through recent budgets, the Australian Government also has implemented a range of initiatives to directly fund VET outcomes without working with or through the states, such as VET FEE-HELP to provide access to ICLs for students; language, literacy and numeracy programs; and workforce development initiatives.

As outlined previously, the Queensland Government should seek to reduce the number of areas of shared responsibility in relation to resource allocation, as the Australian Government's direct strategies reduce the capacity of the states to implement national reforms relating to entitlement and competition, and increase confusion among VET stakeholders.

However, in the interim, if Queensland is to optimise investment from the Australian Government, VET resource allocation within the State must take into consideration the significant changes to national funding arrangements.

The Queensland Government therefore should transition existing investment away from areas targeted by the Australian Government, such as diploma and above enrolments (funding available through VET FEE-HELP), and existing worker training (funding available through the National Workforce Development Fund). State investment instead should be re-directed to areas of higher priority, such as certificate level training, particularly for those individuals without a post-school qualification – with priority for those qualifications and pathways that are critical to industry and the economy.

Recommendation

90 The Government reduce duplication between State and Australian Government resource allocation for vocational educational training by focussing State investment on certificate level training, particularly for those individuals without a post-school qualification – with priority for those qualifications and pathways that are critical to industry and the economy.

D8.4.2   Queensland Government

Consistent themes of previous reviews of TAFE, the VET sector and DETE have been the need for strategies to improve efficiency and increase Queensland Government VET investment. For example, the Efficiency and Effectiveness Review into the Queensland Department of Employment and Training and the TAFE Sector completed by the Boston Consulting Group in October 2005 outlined strategies to improve VET outcomes that still remain applicable, including:

- improving TAFE efficiency by achieving internal best practice productivity levels
- directing more public funds to delivery and less to administration
- increasing the proportion of TAFE revenues funded by industry
- improving asset productivity.

While these strategies have been supported and incorporated in various forms into the State's reform agenda, such as the Queensland Skills Plan, progress has been mixed.

To optimise state funding directed to skills development, efficiency savings need to be realised as part of the ongoing budget efficiency processes being driven in all agencies, and should be redirected to increase investment in priority areas, particularly through competitive arrangements.

D8.4.3   Non-government

Additional investment needs to be secured from non-government sources if VET participation is to increase, as Queensland consistently records a significantly lower percentage of revenue from fee-for-service, student fees and other commercial activities than the national average.

Strategies for non-government investment in VET in Queensland have focussed largely on securing contributions from individuals in the form of student fees and charges, which were regulated to prescribe methods of calculation and concession arrangements. While these arrangements were developed to support the operation of TAFE institutes, they have been progressively passed on to private RTOs to maintain a level playing field as the market has been opened up to competition.

Contributions from industry largely have been secured through the commercial or fee-for-service market for VET services, or where an employer pays student fees on behalf of their employee. This traditional approach where government subsidies are either available in full or not at all does not reflect the share of benefits that accrue to the different parties, and also does not support the operation of an effective and efficient market.

The design of a competitive skills market needs to incorporate overt strategies to secure investment from both students and industry, based on a transparent process of assessing the relative benefits accrued by all parties, and adjusting government subsidies accordingly.

Varying the level of government subsidy across different skills pathways or qualifications would provide an important market signal. For example, higher subsidies should reflect the higher priorities of the VET system – such as higher public benefits accruing from lower level qualifications, high need for skills in priority occupations, improved employment outcomes, and increased equity participation.

To support variations in government subsidies, the fees arrangements for both individuals and industry need to be deregulated, in order for the market to operate more effectively. This would provide RTOs with greater flexibility to set competitive prices for their services, and would enhance the ability of consumers to purchase the services that meet their needs, at the price they are willing to pay.

Individuals

Individuals arguably benefit most from skills development, as they derive greater advantage in terms of employment potential and career earnings through higher educational attainment. To optimise investment from individuals, student fees and charges should be deregulated within competitive markets, to ensure individuals are encouraged to increase contributions in areas where they derive a higher private benefit or negotiate additional services from the training provider.

The risk attached to fee deregulation needs to be managed by implementing more open and contestable arrangements progressively while ensuring that markets are made more competitive. There is a role for government in ensuring markets become more competitive, for example, by improving market information for consumers, such as a requirement for RTOs to publish pricing and subsidy arrangements.

Additional contributions from students intending to study for higher level qualifications will also become available through increased access to income contingent loans (that is, VET FEE-HELP) from the Australian Government.

It may be appropriate for government to retain regulated student fees and charges, and possibly consider waiving fees in areas such as foundation skills (that is, literacy and numeracy) or foundation pathways (that is, Certificate II and below), for areas of market failure or for equity objectives.

Industry

Optimising investment from industry may represent a more difficult challenge, particularly as investment from this source is provided through a range of strategies, not just nationally recognised training. Such investment often is not captured through current national VET data collection and reporting (for example, fully commercial activity through private RTOs).

Research by NCVER into VET strategies in Australia and internationally that might encourage industry investment suggests that there are two dimensions to this challenge – firstly, to promote industry or employer spending on skills development, and secondly, to encourage this to be directed to nationally recognised training (VET). Some of the NCVER's observations about employer behaviour included:

- Employers as a whole behave rationally. They will fund or subsidise skills development if there is a return on investment.

- Employers are unlikely to fund or subsidise skills development if some other funding source is available, or they can easily recruit and induct a person who is already trained.

- Non-accredited training generally has lower direct costs for employers than nationally recognised training and delivers a more immediate pay off.

- Nationally recognised training is also likely to involve greater overheads for an employer and may also increase the risk that an employee, once qualified, will leave.

- The investment horizon for many employers is relatively short term (for example, a few years). As a result, any investment delivering longer term returns is regarded as more risky and problematic.

- Outside of the traditional trades and licensed or regulated occupations, the connection between VET qualifications and occupations is not strong.[24]

Based on these observations, industry investment in nationally recognised training is likely to increase if the skills produced by the VET sector match the needs of employers, and are resourced through co-investment with industry. A return on investment also is more likely where there is a stronger connection between a VET qualification and the target occupation, as the skills developed are more likely to produce an immediate return for the employer.

This outcome will be possible only if Government progresses a more open and competitive skills market, and if industry is provided with a genuine leadership role in the design of the market through an independent industry-led skills authority.

D8.5   PURCHASER FUNCTION

The purchaser function within the VET sector is becoming increasingly complex, both from the demand side (as structural adjustments within the economy and labour market make coordinated planning for VET investment more challenging) and the supply side (as market reforms drive increased competition for the provision of VET services).

Through the national skills reform process, Queensland has committed to introducing a national entitlement to a government subsidised training place to a minimum of the first Certificate III qualification, and to introducing increasingly competitive arrangements which provide choice of RTO to those eligible for the entitlement.[25]

To achieve this desired outcome, there needs to be a greater role for industry in the purchaser function, so that government investment more closely reflects the needs of industry. There also needs to be a clear separation between the purchaser, provider and owner functions.

D8.5.1   Industry leadership

Greater industry leadership of the VET purchasing function, comprising market design and pricing, is required if greater alignment is to be achieved between the skills produced and the needs of industry and the economy, in order to boost employment outcomes and productivity.

Skills Queensland was established in late 2010 to engage with industry and advise the responsible Minister on the direction of the VET system in Queensland. However, it is a purely advisory body. There has been criticism from the Queensland Skills and Training Taskforce and other stakeholders that this does not provide industry with a genuine role in the VET sector, or the capacity to drive reform or directly influence purchasing strategies.

To ensure a stronger role for industry, it would be preferable for the industry engagement and advisory functions to be fully integrated with the purchaser function, including market design and investment decisions.

This would be best achieved by establishing an independent industry-led skills authority with a clear and unambiguous mandate to perform the purchaser role for the VET sector in Queensland. This would ensure that investment is prioritised to the areas of highest priority for Government and industry, and to ensure that the quality of VET outcomes is maintained and improved. The independence of this statutory body is important to encourage industry participation in the VET system, and also to provide quality assurance for Government in relation to technical issues of the skills market, such as market analysis, priorities and pricing.

The functions of this skills authority should include:

- providing industry advice to Government through effective engagement arrangements
- declaring skilling pathways to be competitive and suitable for response through a market
- developing and maintaining market information systems to inform industry, employers, individuals and suppliers on relevant demand and supply data and trends
- determining the level of priority of different skilling pathways
- reviewing pricing and setting the level of government subsidies
- managing supplier entry into the market
- monitoring competition and provider performance.

The Victorian Essential Services Commission's VET Fee and Funding Review undertaken in 2011 highlighted the need for an independent body to perform technical functions relating to a market, thereby allowing government to focus on the policy issues.[26] This review led to a number of changes to the operation of the Victorian skills market.

The Commission considers that the current role of Skills Queensland should be expanded to become a skills authority, with functions as outlined above. The skills authority should remain a government statutory body. This would provide industry with a strong leadership role through its board and engagement activities, but at the same time would ensure that Government retains the ultimate authority for investment decisions relating to public funding.

The composition of the skills authority's board will have a significant impact on the performance of the organisation. Suitable guidance is provided by the Australian Securities Exchange governance principles, which recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties, which is appropriate to the particular company's circumstances and structured in such a way that it:

- has a proper understanding of, and competence to deal with, the current and emerging issues of the business
- exercises independent judgement
- encourages enhanced performance of the company
- can effectively review and challenge the performance of management.[27]

The Commission considers that the skills authority's board should be formed with these governance principles in mind, rather than adopting a representative model where members are chosen based on their affiliation with key industries or other bodies. Given a skills authority would manage and oversight a complex skills market, board members should have the necessary expertise to support this role, which may include independent members with capability in areas such as labour market economics, financial management or marketing.

> ## *Recommendation*
>
> **91 An independent industry-led skills statutory authority be established, with leadership responsibility for developing a competitive skills market through a clearly defined purchaser role in the Vocational Education and Training system.**

D8.5.2   Independent purchaser

Many of the constraints on the VET market have arisen as a direct result of the conflict of interest faced by most state training authorities in Australia. This conflict derives from the states' involvement in all aspects of the VET sector, from regulation, to being the major source of government funding for VET, to deciding which RTOs can or will receive government funding, and also owning and managing TAFE institutes, the largest and traditional provider of VET services.

In the 1990s, the Australian National Training Authority (ANTA) promoted the purchaser– provider model, which sought to separate the purchasing and management functions of state training authorities from RTOs. While national and state strategies have increased the separation of these two functions, the conflict of interest remains and is embedded in the governance structure for the VET system.

The Boston Consulting Group review of the Queensland VET sector also identified that separating the role of the purchaser and provider of VET was a critical factor in improving outcomes for VET in Queensland. Structural separation of these roles was achieved to a degree through the Queensland Skills Plan, influenced by Boston's recommendations.

DETE has indicated that considerable progress has been made towards the separation of these roles, which commenced with the initial establishment of two statutory TAFE institutes: the Southbank Institute of Technology and Gold Coast Institute of TAFE. The intention was that this model would be trialled, and extended across TAFE Queensland if successful. However, there has been no further progress in establishing TAFE statutory authorities.

DETE also has confirmed that the regulator function has been transferred to the national regulator (the Australian Skills Quality Agency) in July 2012 and a number of other training functions have been consolidated within corporate units. However, the purchasing function remains co-located with the Office of TAFE Queensland in the same DETE division, thereby entrenching conflicts between the purchaser and TAFE.

For Queensland to develop an effective and efficient competitive skills market, there is a need for a renewed focus on achieving a clear separation of the VET purchaser function and the VET provider function delivered by TAFE. This separation of roles is required to provide independence for the purchaser in the design of a competitive skills market to deliver the national entitlement scheme. The role for TAFE in a competitive market needs to be considered separately by the Government. This should not drive the design of the market.

The Commission has recommended that the Government establish an independent industry-led skills authority with responsibility for market design and oversight. In conjunction with this recommendation, the Commission also considers that the VET purchaser function should be integrated into the skills authority, to resolve the conflict of interest currently embedded in the VET system, and to streamline VET investment processes.

The Commission notes that the Queensland Skills and Training Taskforce has also strongly advocated for a clear separation of the purchaser and provider and owner functions within the VET sector, and supports the allocation of funding responsibility to an industry skills commission.[28]

Recommendation

92   There be a clear separation between the VET purchaser function performed by the independent skills authority and the VET provider function (comprising TAFE and private registered training organisations).

D8.6   A COMPETITIVE TRAINING MARKET

D8.6.1   Evolution of reforms

The VET system in the 1970s was entirely publicly funded and involved only TAFE institutes. However, this began to change in the late 1980s, when the concept of a 'training market' emerged as part of microeconomic reform strategies embraced by governments across Australia.

A number of reviews undertaken in the 1990s recognised a need to improve the efficiency and effectiveness of the training system, and recommended the development of a more open and diverse training market, comprising providers in the public and private sectors.

Gradually, the focus of policy began to shift from TAFE to VET, where VET was defined as encompassing public, private and community education and training, as well as work-based training. TAFE began to be recognised as only one part of Australia's VET system.

Further steps were taken in this direction with the establishment of ANTA in 1992, which aimed to introduce greater competition between suppliers of VET. ANTA's first national strategy document, in 1994, entitled *Towards a Skilled Australia,* introduced the first contestable funding arrangements, and provided the policy base for the introduction of user choice in 1998 to support competition in the apprenticeship and traineeship market.

As outlined previously, national skills reforms include a commitment by all parties to support improved responsiveness in training arrangements by facilitating the operation of a more open and competitive training market.[29]

One of the important elements of competition is choice, as the consumer's interaction with suppliers at the transaction level is one of the important factors that drive price efficiencies, innovation and responsiveness. This element was highlighted in the reference in the National Partnership Agreement on Skills Reform to ensuring that a national entitlement "*is accessible through any RTO, public or private, which meets state-based criteria".*[30]

D8.6.2 Contestability

As outlined in other sections of this Report, the Commission considers that the services Government is best suited to provide are those that are either not provided by competitive private markets or, if they are provided by private markets, not in sufficient quantity.

As applied to the VET sector, the Commission considers that greater contestability should be adopted as the preferred purchasing model, consistent with the national reform agenda, to ensure value for money is derived from the investment of scarce public funds. The VET sector encompasses a wide range of skills pathways, most of which have the capacity to be contestable. This is especially the case where there are a high number of market participants (RTOs), no barriers to entry or a mature market, and no market failure.

The majority of government funding is invested in well-established and high-volume skills pathways, where a significant number of RTOs hold registration to deliver the relevant qualification. As a result, there should be significant capacity to expand competition into areas where funding risks can be managed through effective purchasing strategies.

The further extension of contestability is essential if Queensland is to achieve the required outcomes for the VET sector. Centralised planning of training places will not produce the flexibility or growth required for Queensland. A comprehensive introduction of market reforms will significantly boost the number of students that can access public funding, thereby increasing VET participation levels.

This will be achieved by maximising choice of providers for students and industry, and facilitating the allocative efficiency which will be derived through a competitive market. Deregulating pricing and varying government contributions in accordance with government and economic priorities will also drive the level of government and non-government investment to optimal levels.

The Commission recommends that the Government establish a target to increase the proportion of government funding allocated through contestable processes of 80% by 2015. This is a challenging target, compared with the 31.8% of funds which were contestable in 2011, but is necessary to drive the reforms required in the VET system.

Recommendation

93 *Competition be adopted as the preferred VET purchasing model, with a target to be established for the proportion of government funding allocated through contestable processes of 80% by 2015.*

D8.6.3 Market failure

The skills system is diverse and there are pathways that may not generate increased outcomes for consumers or Government through more contestable funding arrangements, due to market failure. Addressing areas of market failure is often identified as the core or a critical role for TAFE institutes in the VET sector.

The Productivity Commission has noted that funding of VET institutions by governments to address market failure or equity considerations should be undertaken through explicit community service obligation (CSO) payments. This form of subsidy has the advantage of being transparent and distinct in a budgetary sense, allowing it to be clearly scrutinised and reviewed as to its appropriateness.

The use of formal CSO payments by government also would have the potential to facilitate greater competition between public and private providers, as the payments could be made to any provider as compensation for delivering broader government objectives. Appropriate compensation for delivery of non-commercial services would enhance competitive neutrality between the public and private sectors.

The Commission considers that funding to support areas of market failure, equity participation strategies, and foundation skills development initially should be delivered through TAFE institutes, but progressively should be opened up to contestable provision where appropriate.

D8.7 MARKET DESIGN

The Queensland VET sector is currently structured to address priorities and manage service demand through a centrally managed budget framework, which allocates total funding to a large number of individual programs that respond to different priority areas, all with separate pricing, priority and capping arrangements.

This centralised approach often lacks responsiveness to economic demand, overhead costs are higher due to the complexity of the funding framework, and stakeholders consider the system too complex due to the number of 'funding buckets' and inconsistent price and priority signals.

However, the recent Victorian experience has also demonstrated that offering a broad entitlement to training within a demand-driven ('open cheque book') funding model can lead to unintended outcomes, with enrolments growing by 23% in 2011, and Victorian government subsidies increasing from a budgeted $900 million in 2011 to $1.3 billion.[31]

The apparent weakness in this approach is that demand was unconstrained or deregulated, but pricing was fixed. Industry also has criticised the focus on individual student demand, in that it did not take due consideration of the needs of the economy. Specifically, all skills pathways at the same qualification level were considered of similar value, resulting in high growth in some areas with questionable returns for individuals and the economy.

To ensure investment is targeted to priority areas and to manage demand more effectively, the design of the skills market should incorporate increased emphasis on demand analysis; improved access to market information for consumers; pricing mechanisms that share investment equitably between Government, industry and individuals; and improved quality assurance of providers.

D8.7.1 Demand analysis

NCVER has noted that the demand for vocational skills is not observed directly, but is usually inferred from the number of people who are employed in occupations deemed to require those skills. In practice, many people in higher-level occupations do not have the level of formal education designated for such work.

For example, associate professionals are often considered to require a minimum of diploma level qualifications, whereas in practice, only one-third of people employed in these occupations are qualified at this level or higher. Even for those working as tradespersons and related workers, one-third have no post-school qualification at all. There is often only a loose match between the qualifications that people have and the jobs they do.[32]

There are inherent difficulties in forecasting labour demand. Nevertheless, governments should develop and utilise demand forecasts to better align the skills produced by the VET sector with the future needs of the economy. Government investment should be targeted to those major skill areas that take a long time to learn and to gear up to teach. Forecast demand profiles should assist Government and industry to establish the relative priority of different skills pathways across the economy, and the level of government subsidy that should be made available.

The Government should develop enhanced capacity for labour demand analysis, with specific emphasis on skills pathways linked to occupations in growing demand with a strong reliance on VET qualifications, and where the skills are developed over the medium to long term. This demand profile should encompass the analysis of available economic and labour market data, and be supplemented with industry and regional market intelligence.

D8.7.2   Market information

Informed choice is a necessary element of all efficient markets. Governments have a role in facilitating access to improved information on both the demand side and supply side of the VET sector, to ensure individuals and employers make informed decisions about accessing training, particularly in areas at risk of market failure due to information asymmetries.

The current focus of national skills reforms is on improving the supply side information available to individuals, through initiatives such as the development of My Skills, to provide comparable information on the performance of RTOs.[33] This information is important to enable students to make decisions in relation to the RTO that can best meet their service expectations, once they have made their decision on their field of study.

There is also a need to improve access to demand side information to improve the decisions of these individuals before they are faced with the challenge of selecting their preferred service provider. As outlined above, there are difficulties in attempting to forecast labour demand and in presenting reliable information to assist individuals to make decisions about future career options.

However, there is a need for governments to work with industry to consolidate the available demand side information, together with information on the availability and level of government subsidy and the profile of RTOs active in the relevant field. This will allow individuals to make decisions based on comparing similar information across a range of potential pathways and careers.

As part of the implementation of national reforms to improve the transparency of information on the skills market, the Government should ensure that a strategy is progressed to improve the demand side information available to consumers. This is a role that should be undertaken by an industry-led skills authority, to ensure that market intelligence from industry can help to inform Government's forecasts of labour market demand.

D8.7.3   Prices and subsidies

The attainment of post-school qualifications benefits individuals, society, industry and the economy to varying degrees. As a general rule, lower level qualifications tend to be of more benefit to society, preparing people for work and supporting disadvantaged jobseekers. Higher level qualifications tend to provide proportionally higher benefits to individuals in terms of career progression and earning potential. In addition, the greater the alignment between the training outcome and the skills needs of a specific employer or industry sector, the greater is the private benefit for businesses.

Outside of the publicly funded VET system, the price for training services represents broadly what the market will bear, based on the interaction between supply and demand. This should reflect the relative scarcity of certain skills. Within a publicly subsidised skills market, the approach to pricing should be no different.

Price should reflect the costs involved for RTOs to deliver the training outcome which has been negotiated by a student or industry. This price needs to be met through contributions from students and industry (reflecting private benefit) and/or from government subsidies (reflecting public benefit).

Variations to the level of government contribution can act as an important signal to a market on the relative priority of the skills pathway and the occupation, as well as the potential for employment outcomes for individuals and productivity gains for industry.

NCVER has undertaken previous research to identify whether VET was vocational, or more generic in nature, by investigating the relevance of training to the occupations of VET graduates. This research identified the following key messages:

- The match between what people study and the jobs they obtain is high for the technicians and trades group of occupations, but relatively low for most other courses.

- Most of the mismatch between intended and destination occupations reflects the generic aspect of VET. Graduates mostly report their training as relevant to their job, despite not ending up in the 'matched' occupation.

- There is some skills wastage, however, with some graduates reporting that their training is not relevant to the occupation in which they find themselves. The two courses with the highest skills wastage are those for arts and media professionals, and sports and personal service workers.[34]

Demand analysis should attempt to identify those occupations in growing demand with a reliance on VET qualifications. Accordingly, the effectiveness of existing skills pathways in supporting employment in target occupations is likely to be an important consideration in determining the priority for Government and subsequently the level of subsidy available.

To ensure appropriate market signals, the Government should consider the vocational relevance of skills pathways as well as the demand and relative priority of an occupation in determining subsidy levels within a competitive skills market. In addition, Government may consider improved targeting of skills pathways, in terms of industry involvement, targeted student cohort or delivery strategy, to improve the outcomes for graduates in the 'matched' occupation and to reduce the risk of 'skills wastage'.

Under a competitive skills market, investment should be shared through a process of varying government subsidies to reflect the relative priority of a skills pathway for the economy. Once the level of subsidy is determined, it is then a matter for industry or individuals, and RTOs as the service providers, to settle the balance of investment required.

The process of establishing and monitoring pricing and the levels of government subsidies should be the responsibility of the recommended skills authority. Key elements of pricing within the competitive skills market are as follows:

- nominal price – an assessment by government and industry of the market value of the training product, established at the qualification (or skills set) level, based on a transparent and consistent model that reflects the cost structure of the preferred delivery model in different industry areas and qualifications.

- market price – the actual price offered by different RTOs that have been approved to operate in the competitive skills market, which may be above or below the nominal price estimated by government. RTOs need to be able to vary their price to reflect the varying levels of quality and service that will be offered, the variable cost base relevant to different markets, and flexibility in delivery arrangements. For entry into the competitive skills market, there should be a requirement for RTOs to publish the market price for each qualification, and the government subsidy available.

- government subsidy – the extent of any government contribution should be determined based on an assessment of the relative demand for and priority of the occupation and the effectiveness of the skills pathway. Subsidy levels should not be a fixed amount, but rather should be set as a percentage of the market price of an RTO, up to a maximum level of the nominal price. This would enable variations in the subsidy to reflect price differentiation by RTOs, while ensuring appropriate market signals for non-government investment.

- non-government contribution – the contribution by an individual and/or industry would represent the balance between the market price offered by the selected RTO and the government subsidy available. Concession arrangements for certain cohorts of students may be warranted to support equity participation targets in targeted skills pathways. In these circumstances, the concession should be supported by a government CSO payment to RTOs to compensate for any revenue shortfall.

Table D8.3 presents a hypothetical example of this pricing model for a qualification which attracts a relative high subsidy of 75%. The nominal price and government subsidy rate would be set by the skills authority. Each of the three RTOs has a different market price, resulting in different levels of subsidy and non-government contribution.

Table D8.3 Competitive skills market – illustrative pricing model			
Pricing element	**RTO 1**	**RTO 2**	**RTO 3**
Nominal price	$10,000	$10,000	$10,000
Government subsidy	75%	75%	75%
Market price (RTO)	$10,000	$15,000	$5,000
Government contribution	$7,500 (max)	$7,500 (max)	$3,750
Non-government contribution	$2,500	$7,500	$1,250

Source: Commission of Audit

D8.7.4   Quality assurance

In moving to a more open and contestable market, it is essential that the quality of the training system is maintained at a high standard. Increased client choice of training provider and training product should not lead to an erosion of training quality and standards, as this would undermine the credibility and effectiveness of the VET sector.

The current VET system has a strong framework of regulation to ensure quality control. Under a national VET regulator, all governments must ensure that revised regulatory arrangements are not biased towards compliance with lowest quality benchmarks.

In addition to robust national regulatory arrangements, purchasing mechanisms also should be used to ensure quality training provision. This should include appropriate screening of potential RTOs, and effective performance monitoring of those RTOs that are active in the market.

It should be the responsibility of the skills authority to determine the conditions to be met for entry into the competitive skills market, and for monitoring market trends and the performance and behaviour of RTOs (that is, market oversight). A key element of this role would be to monitor quality from an industry perspective, to ensure that the intent of competency-based training is achieved, in terms of the consistent application of knowledge and skill to the standard of performance required in the workplace. In addition to existing government roles of complaints investigation and contract auditing, other strategies for quality assurance include employer and student engagement, survey processes and independent skills assessments.

Recommendation

94   The skills authority be responsible for improving alignment between the skills produced by the VET system and the needs of the economy, through strategies such as:

- *supporting open and contestable arrangements for allocating government investment for those markets considered competitive*
- *improving labour demand analysis to influence future investment priorities*
- *improving skills demand and supply information available to consumers*
- *a deregulated pricing mechanism that reflects the shared benefits of skills*
- *variable government subsidies for courses to reflect skill priority needs of the economy*
- *optimisation of investment from both individuals and industry, for example through greater use of HECS-type schemes*
- *improving quality assurance through industry-led purchasing and market oversight.*

D8.8 PROVIDER FUNCTION

The VET sector has experienced significant diversification of providers over the last few decades, with over 1,500 RTOs currently operating in Queensland, including:

- institutions specialising in VET delivery, such as government-owned TAFE institutes, agricultural colleges and private training businesses

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- ACE providers
- secondary schools and colleges
- universities
- industry and community bodies with an RTO arm
- businesses, organisations and government agencies that have RTO status to train their own staff (sometimes referred to as enterprise RTOs).

In a dynamic and competitive training market, there is a significant policy challenge for Government in determining the appropriate role and governance of TAFE institutes.

D8.8.1   TAFE role

The design and development of the skills market will have a significant impact on the future role for TAFE, and subsequent decisions relating to governance, infrastructure, staffing profile and funding models must underpin this role.

All governments have committed to a national skills reform agenda, which includes improving participation through a national training entitlement, increasing access to student loans, and encouraging responsiveness through a more open and competitive market.

However, all governments have also committed to reform that enables

> "… *public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities".*[35]

The history of VET reforms over the last 20 years highlights that these two reform directions tend to be in conflict, and the Government is likely to face difficulties in achieving both objectives, particularly within a constrained financial environment.

The traditional role of TAFE is no longer sustainable if the national outcomes and targets are to be achieved by governments. For example, TAFE's core role in providing trade training has been opened up to competition through user choice reforms; higher level pathways are being driven by market reforms and access to income contingent loans for students; and CSOs have become increasingly difficult to define due to the maturity of the VET market.

In addition, the concept of TAFE as a 'full service provider', commonly considered the capacity to offer a broad range of courses from a local campus, is no longer a sustainable model due to government commitments to market reform, student entitlement and the growth of non-classroom based delivery models.

In the context of a more open and competitive market, prospective roles for TAFE as the public provider are as follows:

- to operate effectively as an efficient provider in an environment of greater competition

- to be an instrument of government policy and address areas of market failure where the requirements for a competitive market are unlikely to be met.

As the VET sector is opened up to greater levels of competition, the Government needs to encourage TAFE to transition to a more autonomous and flexible organisation, better able to compete with private RTOs. If TAFE is unable to compete in certain parts of the market, it should exit that part of the market, rather than rely on government support to maintain a market presence.

D8.8.2   TAFE governance

Reforms to TAFE governance have been progressed through the Queensland Skills Plan. This strategy aimed to establish more flexible, cost-effective and autonomous governance arrangements, to enhance the capacity of TAFE institutes to develop industry partnerships and grow non-government investment in training.[36]

Two TAFE institutes transitioned to statutory authorities in 2008. However, further transitions of any of the remaining 11 TAFE institutes were placed on hold due to concerns over the performance and sustainability of this model.

The Government recently has accepted a recommendation of the Queensland Skills and Training Taskforce to adopt a rationalised structure of TAFE institutes under a TAFE Queensland parent entity, as depicted in Figure D8.3. This structure also would facilitate a significant rationalisation of the current TAFE asset base, reducing the number of campuses from 82 across these regions to a target of 44, a reduction of 46%, with proceeds to be reinvested in state training infrastructure.

Figure D8.3
Indicative future structure of TAFE Queensland
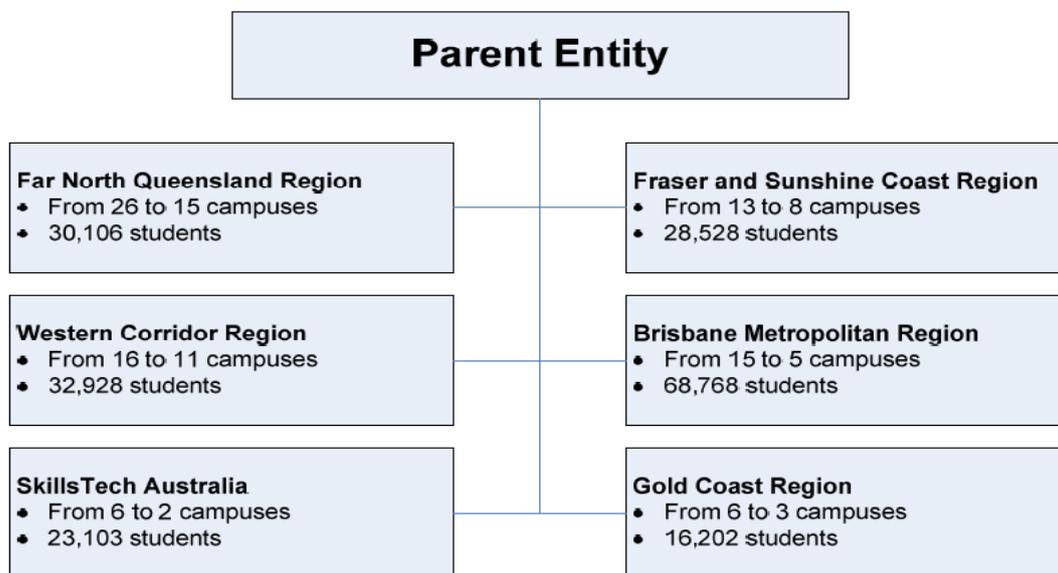
Note: The Far North Queensland Region as defined by the Queensland Skills and Training Taskforce encompasses the current operations of the Barrier Reef, Mount Isa and Tropical North Queensland Institutes of TAFE, and therefore has a broader coverage than the ABS statistical division of Far North Queensland.

Source: Queensland Skills and Training Taskforce, Final Report, Figure 18

Table D8.4 provides a summary of the current TAFE governance arrangements in each state, along with relevant developments to 2011.

<table>
<tr><td colspan="3" align="center">Table D8.4
TAFE governance arrangements by state, 2011</td></tr>
<tr><td>State</td><td>Structure arrangements</td><td align="center">Recent developments</td></tr>
<tr><td>NSW</td><td>One statutory body</td><td>New South Wales has long operated under a centralised model with 10 institutes operating under a single corporate entity formed to ensure access to VET FEE-HELP in 2008-09. NSW has recently announced a move toward the establishment of individual institutes as statutory bodies.</td></tr>
<tr><td>Vic</td><td>14 statutory bodies
Four dual sector universities</td><td>Victorian institutes became statutory bodies over 20 years ago. Victoria opened its public funding for VET to increased contestability in 2010. Recent reports and reviews have been undertaken with the debate currently focussing on whether institutes should become government business enterprises (similar to Government Owned Corporations in Qld) .</td></tr>
<tr><td>WA</td><td>10 statutory bodies</td><td>Western Australia has operated statutory bodies for many years.</td></tr>
<tr><td>SA</td><td>One statutory body with three subsidiary institutes</td><td>Under the South Australia Tertiary Education Plan, in 2010 it was announced that SA would form one statutory body with three institutes operating under the parent. The form of their governance arrangement is currently under development.</td></tr>
</table>

Source: Ministerial Taskforce for the Transformation of TAFE Queensland, Interim Report, 2012

The emergence of a statutory model for public VET institutions has coincided with:

- the separation of post-secondary education institutions from departments of education
- the adoption of higher education governance models
- the creation of competitive markets in VET
- the need for institutes to operate effectively in commercial markets.

Universities are able to operate with considerable autonomy, and even more so under demand-based funding. Industry, private and community training providers also operate with high levels of autonomy. As TAFE institutes in Queensland increasingly will operate both in competition and collaboration with these providers, they also need a high degree of operational autonomy at the institute level.

The Commission supports the transition of ownership and management of TAFE Queensland to a more commercially focussed model, to provide the level of autonomy necessary to operate effectively as an efficient provider in a competitive skills market. This includes the opportunity to enhance areas of potential market advantage, such as trade and technical training, or local provision in regional and remote areas. It would also facilitate an exit from markets where TAFE is unable to compete.

D8.8.3   VET asset management

Recent reviews of TAFE, including the Queensland Post-Secondary Education and Training Review, have:

- identified that utilisation of TAFE Queensland's assets is low
- found the asset base is relatively small and at significant risk of degradation
- recommended a major asset review be undertaken
- identified a shortfall in ongoing capital funding without the ability to invest in new infrastructure (as a consequence of low earnings margins and overall surpluses).

Current asset utilisation rates across TAFE Queensland have been estimated at an average of 40% on Monday to Friday between the hours of 8.00am to 6.00pm. Higher utilisation occurs in peak times between 9.00am and 3.00pm, and on Tuesday to Thursday. Lower utilisation occurs at other times.

Queensland has a relatively low asset base of TAFE infrastructure, with net assets of public VET providers per working age person (15 to 64 years) of $505.38 in 2011, compared with a national average of $680.00, $779.07 in Victoria and $867.58 in Western Australia.[37] However, as Queensland also has low utilisation levels of the current assets, low investment levels may not represent a major issue, particularly in the context of a transition to a more open and competitive skills market.

Chart D8.8 provides a comparison of the value of the net assets of public VET providers per working age person for Queensland and other states.

Chart D8.8
Real net assets of public VET providers
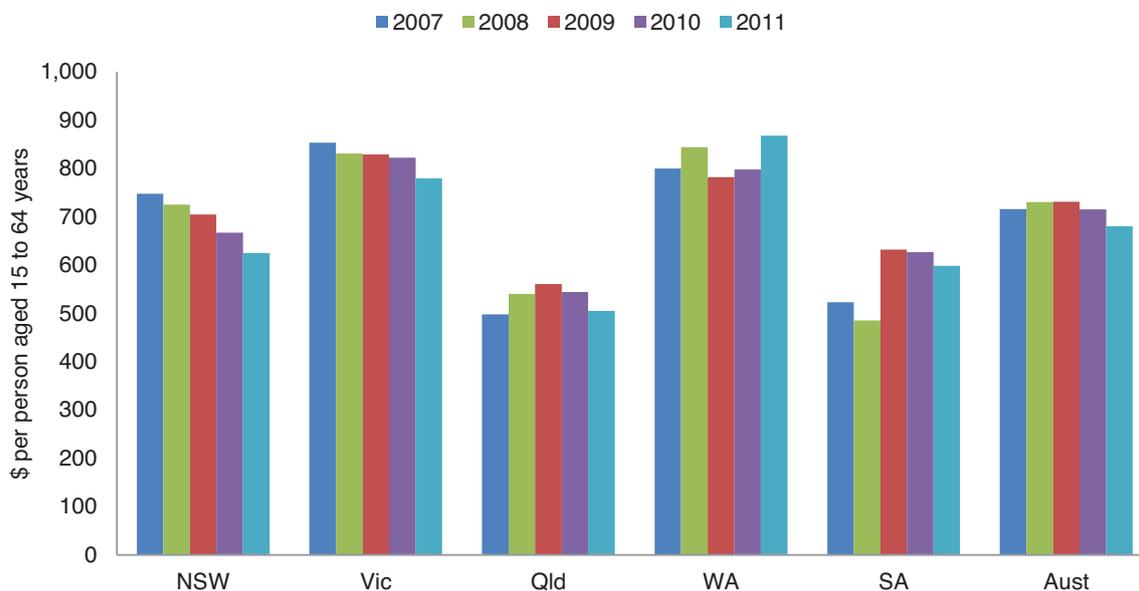
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 5A.6

The viability of TAFE Queensland is adversely affected by a capital works program shortfall of $75 million, resulting from approved asset disposals that have not been achieved, and overruns in projected expenditure from the Queensland Skills Plan. In addition, as noted in the Commission's Interim Report, the Public Private Partnership agreement for the Southbank Institute of Technology includes an unfunded component of over $500 million over the life of the agreement to 2039, equivalent to a funding gap of over $20 million per annum from 2016-17.

DETE has identified that the asset portfolio for the two statutory and 11 non-statutory TAFE institutes has a present book value of approximately $1.4 billion, an estimated replacement value of $2.1 billion, and an average age profile of 27.3 years. The estimated market value of the portfolio is unknown, and will be subject to market conditions in local areas.

It is not clear that changes to the TAFE asset base arising from governance reforms will be sufficient to generate an adequate return on investment for Government, to transition TAFE to a more commercial basis, or to support an efficient and effective skills market. Moreover, the role of TAFE as an asset manager tends to blur its role as a provider of VET services.

The Commission considers that asset ownership should be separated from TAFE, and transferred to a specialist commercial entity with skills and expertise in owning and managing such assets. This would have the benefit of rationalising the asset base and facilitating third party access to these assets, thereby improving asset utilisation. Under this model, TAFE Queensland would need to reassess its use of assets, as it would pay commercial rents or leasing charges to the owner for use of required assets.

The Boston Consulting Group review considered that the separation of asset ownership from service provision would enable TAFE institutes to reduce their operating expenses through lower rents, achieved either by exiting non-required but commercially saleable buildings or by subleasing underutilised buildings to third parties. This would create the necessary financial incentives for more effective asset utilisation.

The Commission also considers that separating asset ownership from TAFE would support the skills market reform process by:

- enhancing competition by providing access to public training facilities on a commercial basis for all RTOs in Queensland, thereby removing a significant barrier to market entry

- addressing any public perception that TAFE still has an effective monopoly within the Queensland VET system through exclusive access to public infrastructure

- improving utilisation rates by managing this public infrastructure on a commercial basis, including implementing disposal processes for obsolete or underutilised assets.

The separation of asset management has the capacity to improve VET outcomes, including in regional areas, through more effective utilisation of these public assets. For example, opening up access to these assets may provide better opportunities for other RTOs to satisfy training needs in regional communities.

Transfer of asset ownership should occur in conjunction with other changes to TAFE governance, involving the recommended creation of a parent entity for TAFE Queensland. This would need to include the transfer of funding (approximately $100 million per annum) in the DETE budget allocation for maintenance, depreciation and capital works costs within the VET portfolio.

Consideration could be given to a transition period for the change in asset ownership, to provide TAFE Queensland with priority access to these public facilities for up to two years, to support its smooth transition to a more open and competitive skills market.

Recommendation

95 Asset ownership be separated from TAFE and transferred to a specialist commercial entity with skills and expertise in owning and managing such assets, with a view to rationalising the asset base, facilitating third party access and improving asset utilisation.

D8.8.4 TAFE operating efficiency

With the recommended separation of its asset base, this would give TAFE a singular focus to be an efficient and cost-effective provider of VET services in a competitive market. Given that TAFE currently is a high-cost provider, improvements in efficiency will be required for TAFE to secure a sustainable position in the market.

Employee costs account for approximately 70% of current TAFE expenses. Improvements in labour productivity therefore will be a key element of improvements in the cost efficiency of TAFE.

The Queensland Post-Secondary Education and Training Review identified that the current employment model for TAFE teachers reflects the conditions of secondary teachers that existed when TAFE systems separated from school systems in the 1970s and 1980s.[38]

Since that time, major shifts in delivery models (for example, online learning) and the demands of learners and employers (for example, delivery in the workplace) have occurred that have impacted significantly on the expectations of the TAFE workforce. The review also identified the need for TAFE Queensland to have more flexibility in terms of staffing and industrial relations provisions to meet the growingly diverse needs of VET sector clients, and concluded that:

> "This model is simply not sustainable or appropriate in terms of costs, the competitive position of institutes, appropriate job roles, career paths and initial qualifications and professional development."

The Queensland Skills and Training Taskforce estimated that TAFE has a financial disadvantage in the order of 15% due to base salaries compared with the private sector. This disadvantage is further compounded by restrictive terms and conditions in the current TAFE Queensland award that impact potential productivity by an estimated additional 30%, due to penalty rates, restrictions on contact time per week and spread of hours, class size restrictions, and mandatory non-attendance time.[39]

These disadvantages contribute to the high cost of delivery of TAFE in Queensland. The Queensland Skills and Training Taskforce recommended a revised industrial relations arrangement for the TAFE workforce which addresses, at a minimum, the following:

- the need for a wider spread of hours and contact time, including removal of the inbuilt systemic barriers to evening classes
- the current practice of non-attendance time becoming de facto additional annual leave

- implementation of industry competitive overtime arrangements
- the ability of management to have full discretion in engaging casual staff
- greater class size flexibility.

The Commission supports the need for more competitive industrial relations arrangements for the TAFE workforce, to reduce its cost base. Any higher price for TAFE services needs to be sustainable in the market place as a value proposition, for example, reflecting better quality or standard of services.

The capabilities of the TAFE workforce also will need to be reviewed, so that it is able to respond more effectively to the skill training needs of the economy. Increased competition is likely to cause a significant shift in the industry profile of TAFE delivery, creating unmet teaching demand in some areas and underutilised teaching staff in others.

Recommendation

96 Reforms be implemented to redefine the role of TAFE as a public training provider operating in a competitive skills market, with particular emphasis on:

- **refocussing the capabilities of its workforce to respond more effectively to the skills training needs of the economy**

- **revised and competitive industrial relations arrangements for the TAFE workforce, to address cost pressures in areas such as restrictive attendance time and normal hours, loadings and overtime, and additional leave entitlements.**

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D9   DISABILITY SERVICES

KEY ISSUES

- The Department of Communities, Child Safety and Disability Services (DCCSDS) funds the provision of a range of services to support people with a disability, their families and carers. Some services are delivered directly by DCCSDS, but most are delivered by non-government organisations.

- Queensland has the lowest level of disability funding per capita and the highest expenditure per user across the states. Service provision therefore is focussed predominantly on those with the greatest level of need.

- There is significant unmet demand for disability support services in Queensland. As at 28 September 2012, there were 4,868 people registered with the Government as having unmet needs and an additional 4,197 people with partially met needs.

- The National Disability Insurance Scheme (NDIS) represents one of Australia's most significant policy reforms in human services. The NDIS will establish a contestable market in the provision of disability services, and will provide people with a disability with greater choice, control and certainty about the services they receive.

- The scope and coverage of the NDIS will pose significant funding challenges for Government. Queensland recently proposed a shared funding arrangement which would require additional state funding of $868 million over five years to 2018-19. Service interface issues, both within and between governments, will need to be carefully managed to avoid service gaps, duplication of effort and upward cost pressures.

- Some service providers, such as the government-operated Accommodation Support and Respite Services, may find it difficult to compete successfully in a contestable market under the NDIS due to their high-cost service models.

- Queensland's transition towards self-directed funding is still in its early stages. The Your Life Your Choice initiative will test the concepts and costings underpinning the NDIS, and complement the NDIS launches occurring in five other states.

- The development of contestable markets in the disability sector will create significant challenges for clients and service providers. Effective support and information will need to be provided to people with a disability, their families and carers so that they are able to make informed choices about services they purchase. Non-Government Organisations also will need support in building capability in governance and service delivery.

D9.1 SERVICE PROFILE

The Department of Communities, Child Safety and Disability Services (DCCSDS) funds the provision of a range of services to support people with a disability, their families and carers. These services are provided directly by the department and through non-government organisations (NGOs). The services include:

- accommodation support services
- community support, including therapy, services
- community access and participation services
- respite care services
- information and advocacy services
- case management services.

These specialist disability services are funded jointly by the states and the Australian Government. The National Disability Agreement (NDA) provides the policy framework for the provision of specialist disability services, with funding provided to the states through the National Disability Services Specific Purpose Payment.

Total government expenditure on disability services in Queensland under the NDA has increased significantly in real terms, rising from a total of $604.9 million in 2005-06 to $990.7 million in 2011-12 (Chart D9.1).

Chart D9.1
Real Queensland Government and Australian Government expenditure on disability services under the NDA
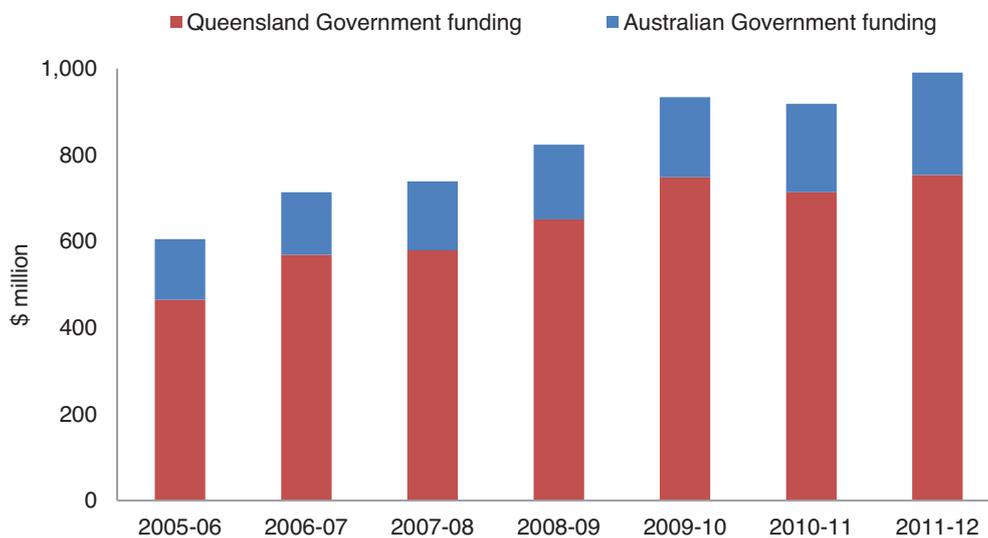
Notes:
- Data excludes expenditure outside of the NDA, such as transport services and psychiatric services for people with a disability

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 14A.5

The NDA was updated in 2012 to reflect new funding responsibilities for the Australian and Queensland Governments as set out in the National Health Reform Agreement (NHRA). Under the NHRA, the Queensland Government has funding responsibility from 2011-12 onwards for basic community care services to people aged under 65 (under 50 for Indigenous people) who live at home and whose capacity for independent living is at risk. Queensland's expenditure on these services in 2011-12 was $132.2 million.[1] Prior to 2011-12, the services were provided under the former Home and Community Care (HACC) program to both people with a disability and the frail aged.

The new arrangements give Queensland funding responsibility for specialist disability services, basic community care services and packaged community and residential aged care delivered under Commonwealth aged care programs for people under the age of 65 years (50 years for Indigenous people). The Australian Government has funding responsibility for aged care services, including basic community care services, and specialist disability services for people over these ages. The new arrangements are being implemented on a budget-neutral basis to 2013-14, with adjustments to be made as needed to the National Disability Services Specific Purpose Payment.[2]

Under the NDA, Queensland contributes proportionally less disability funding than all but one of the other states. Chart D9.2 shows the comparative contributions of Queensland (76.1%) and the other mainland states and the Australian Government. Western Australia contributes the highest proportion (83.2%) and South Australia the lowest (73.6%).

Chart D9.2
Government expenditure on disability services under the NDA,
by source of funding, 2011-12
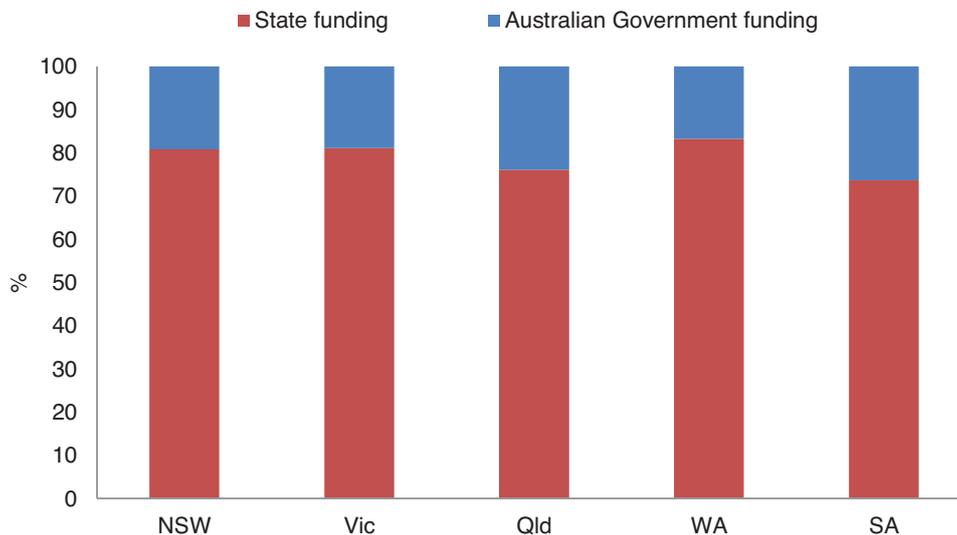
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 14A.6

Despite the overall increase in funding between 2005-06 and 2011-12, Queensland's recurrent expenditure on disability services of $219.50 per capita is the lowest of the states. Chart D9.3 shows that New South Wales had the highest expenditure per capita ($285), followed by Western Australia ($274.50).

Chart D9.3
Government recurrent expenditure on disability services per capita, 2011-12
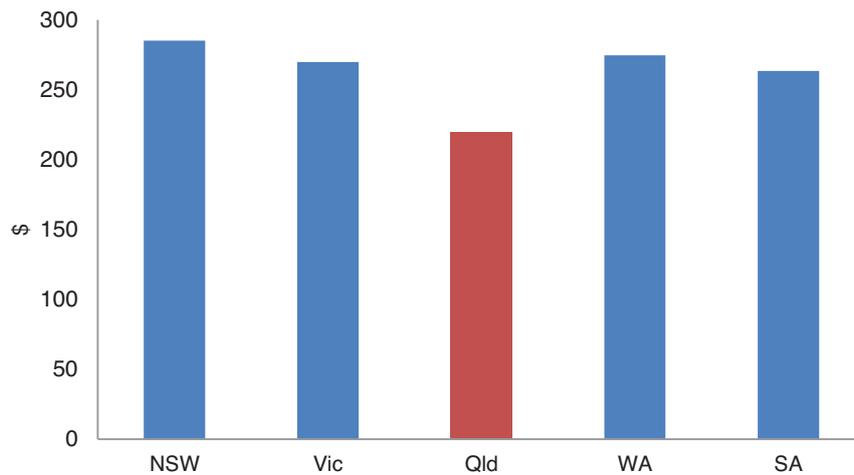
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table F.2

Chart D9.4 shows the proportion of expenditure in 2011-12 on each type of disability service across Australia. The majority of expenditure in Queensland was in accommodation support (59.5%), followed by community access (14.6%) and community support (13.2%).

Chart D9.4
Direct expenditure on disability services by service type, 2011-12
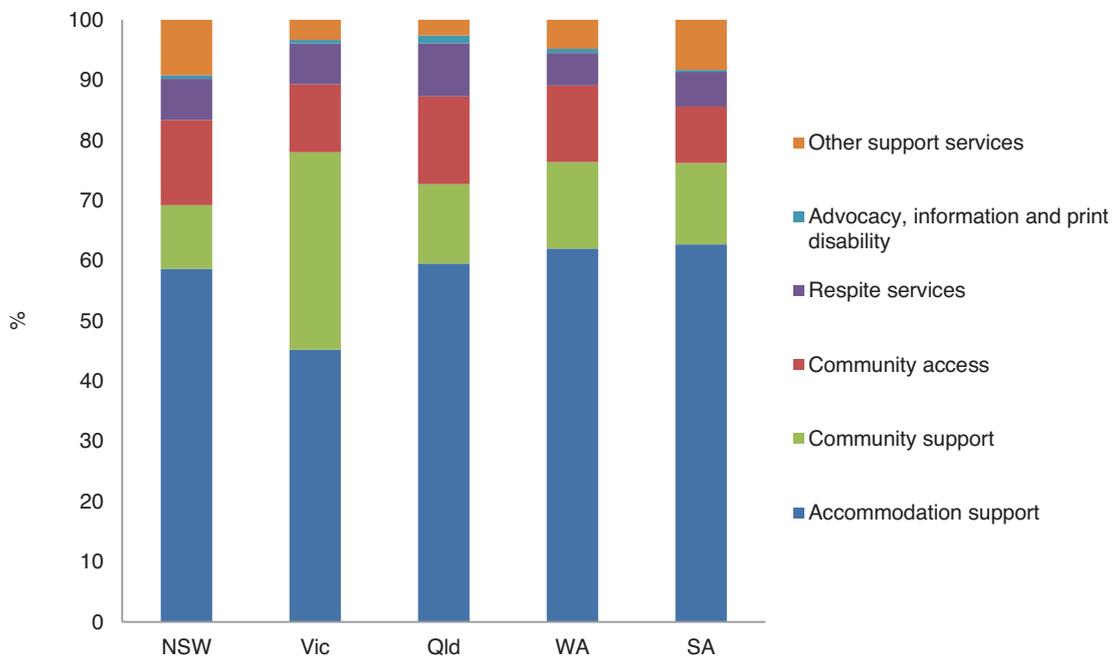
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 14A.9

The distribution of expenditure by service type in Queensland is broadly similar to most other states. However, expenditure in Victoria reflects a different emphasis in two key areas, with that state having the lowest proportional expenditure in accommodation support (45.2%) and the highest proportional expenditure in community support (32.8%).

In 2011-12, Queensland provided specialist disability services support to 25,477 people with a severe and profound disability. There were 37,366 people under the age of 65 who received community care services, of which 8,646 people also received disability services.

The majority of disability support services are delivered in Queensland by NGOs. In 2011-12, 279 NGOs delivered 74% of specialist disability services, at a cost of $651.8 million. There were 19,194 funded NGO service users.

In addition, DCCSDS incurred expenditure of $228.6 million on direct service delivery, with services provided to 13,392 clients. The services delivered by DCCSDS focus mainly on specialist and therapy services, case management, respite care and accommodation support services.

D9.2 COMPARATIVE PERFORMANCE

D9.2.1 Equity

An important equity indicator is the number of people receiving a specific disability support service as a proportion of the total 'potential population' that may require that service at some time. The methodology for calculating the potential population was changed for the *Report on Government Services 2013*, which resulted in a significant reduction in the potential population across Australia.

In Queensland, the potential population reduced from 142,000 in 2009-10 to 102,000 in 2010-11 under the new methodology.[3] Under the new definition, the potential population is the number of people aged 0-64 years who:

- are most appropriately supported by disability services
- require ongoing and/or long-term episodic support
- have a permanent or chronic impairment
- have a substantially reduced capacity in one or more core activities.[4]

Compared with other states, Queensland had the second lowest proportion of the potential population accessing disability support services in 2010-11 (46.9%), just above Western Australia (46.3%), Chart D9.5. Access to services in Queensland is below the Australian average and indicative of the extent of potential unmet demand for disability support services in Queensland. Section D9.3 of this Report addresses this issue in more detail.

Chart D9.5
Proportion of potential population using NDA services – government and non-government service provision

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 14A.13

A total of 81.3% of NDA service recipients in Queensland needed assistance with daily living in 2010-11 (Chart D9.6). This was the second highest proportion of the states, after Western Australia (84.6%) and above the Australian national average of 67.9%. This suggests that support is being targeted to those with the highest level of need.

Chart D9.6
Proportion of users of NDA state delivered services (aged 0-64 years), by severity of disability who need assistance with daily living
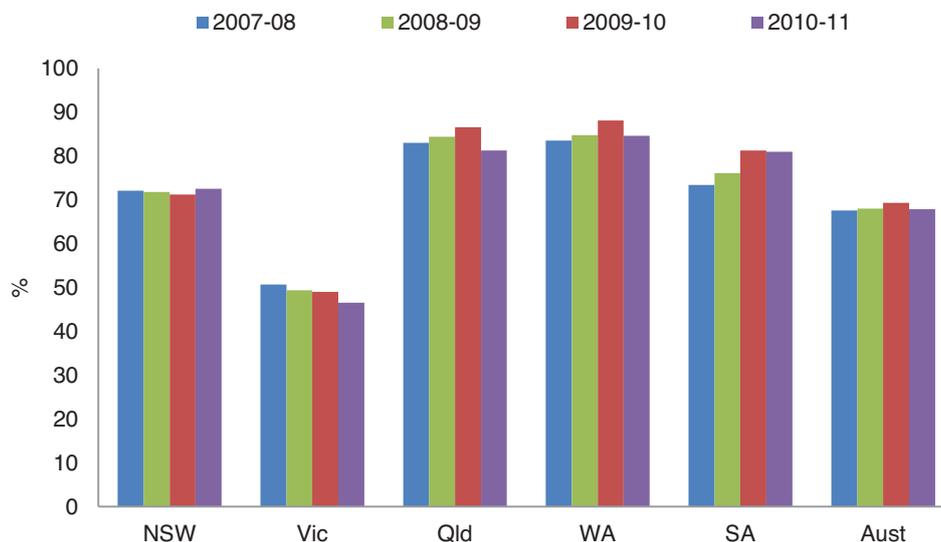
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 14A.28

D9.2.2   Efficiency

Chart D9.7 shows that Queensland had the highest level of expenditure per service user ($37,717) of the states for state-government administered programs. The level of expenditure varies considerably across the states, with Queensland's expenditure more than twice that of South Australia ($17,764) and more than the Australian average of $33,128. As Queensland's expenditure is directed towards people in greatest need, there are fewer clients receiving services. The clients have a relatively high cost per user because of their high support needs.

Chart D9.7
Total estimated expenditure per service user, state government administered programs, 2010-11
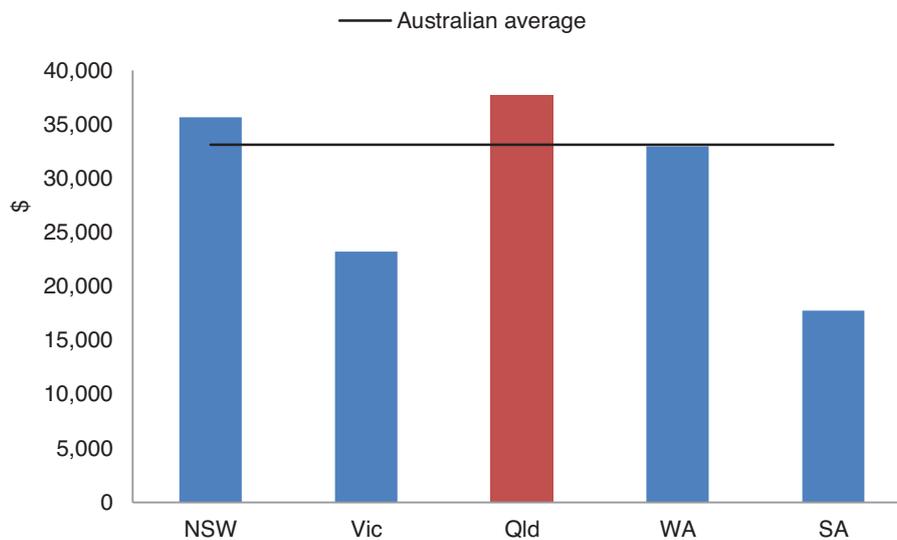
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 14A.84

As shown in Chart D9.8, the proportion of total expenditure used for administration in Queensland in 2011-12 was 7.5%, which is lower than that of New South Wales (8.6%) and Victoria (8.3%). Western Australia had the lowest proportion of expenditure on administration (4.2%) followed closely by South Australia (4.3%).

Chart D9.8
**Administrative expenditure as a proportion of total expenditure**

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 14A.85

In interpreting the above efficiency data, it is important to note some of the factors which underpin the costs of delivery. This includes the scope and complexity of client need, the service model, and the manner in which funding is provided. DCCSDS notes that individualised funding is more expensive to administer than block funding because of the system and staffing requirements needed to manage client-specific funding arrangements.

D9.3 SERVICE DEMAND

Despite the funding increase that has occurred since 2005-06 in Queensland, evidence suggests that there is significant and continuing unmet demand for disability support services. DCCSDS data on unmet and partially met demand demonstrate the extent of the problem.

As at 28 September 2012, there were 4,868 people registered with and assessed by DCCSDS as having unmet needs, and an additional 4,197 people had their assessed need partially met. It is difficult to quantify accurately the cost of addressing in full these unmet and partially met needs. DCCSDS estimates that the combined cost may be in the order of $480 million.[5]

Research commissioned by DCCSDS indicates that Queensland's upward pressure on service delivery demand and underlying cost structures can be attributed to a number of factors, including:

•   an increasing population, with an ageing demographic

•   increased support requirements for Indigenous people, who are more likely to require help with core activities than non-Indigenous people

•   an increase in the number of young people with a disability, including autism spectrum disorders and acquired disability

- reduced availability of informal care, due to ageing carers, changing family structures, and a more mobile population

- increases in NGO wage costs as a result of state and federal wage decisions

- a shift in community expectations, with a desire for tailored disability services that meet the needs of the individual.[6]

These challenges are not unique to Queensland. The Productivity Commission noted in its 2011 report on disability care and support that all states are experiencing increasing demand pressures and rising costs in the provision of disability services.[7]

DCCSDS has responded to these demand pressures through a number of reforms, including the Growing Stronger strategy. Implemented in July 2011, the strategy:

- introduced new ICT-enabled processes for assessing and prioritising client need that support the referral of eligible clients to providers with the required skills and capacity

- strengthened the links to mainstream and informal support services throughout the intake, assessment and referral processes

- implemented a range of client-centred processes, including tailored support plans for clients, regular reviews to assess whether services still meet client needs, and complaint and appeal mechanisms.[8]

The new assessment tools have improved the consistency and transparency with which client prioritisation decisions are made. However, the reforms remain a work-in-progress. DCCSDS notes that further work is still to be undertaken over the next two years to strengthen and simplify the system in the following areas:

- improving the efficiency with which clients are referred to providers for short-term capacity-building responses

- implementing streamlined 'triage' assessments that simplify access to short-term early intervention and prevention services

- increasing the role of NGOs in providing planning, support, brokerage, support linking and case management services

- streamlining ICT and business processes to improve responsiveness to clients.

DCCSDS also has sought to manage demand through improved use of early intervention and prevention strategies, including the provision of support to children and low-level or small amounts of support to other clients. Deployment of these strategies may reduce total government expenditure by avoiding high-cost emergency interventions at a later date, and reducing the risk that children or adult family members with a disability are relinquished to the care of the state.

While the Growing Stronger reforms placed greater emphasis on early intervention, expenditure on specialist disability services in Queensland remains strongly focussed on higher cost interventions. Research commissioned by DCCSDS found that this approach risks a continued reliance on high-cost services, and limited capacity to fund early intervention programs.[9]

The extent of unmet demand highlights the difficulty of re-balancing expenditure towards early intervention, even with the availability of growth funding, which is provided to both DCCSDS and non-government providers.

D9.4 THE NATIONAL DISABILITY INSURANCE SCHEME

The Productivity Commission's inquiry into disability care and support recommended the establishment of a National Disability Insurance Scheme (NDIS) to fund the provision of long-term care for people with a significant disability (see Box D9.1). The NDIS is designed to address the deficiencies of the current system, which the Productivity Commission found was underfunded, fragmented and inefficient, and provided little choice or certainty to people with a disability.[10]

Box D9.1
National Disability Insurance Scheme

The NDIS is designed to provide tailored support to individuals, so that each person can choose their own provider and select the services that best meet their needs. The scheme will provide choice and flexibility to people with a disability and their families, and will effectively establish a contestable market for the provision of disability support services across Australia.

The model proposed by the Productivity Commission will operate at three levels:

• Tier 1: the provision of national insurance arrangements, which will benefit all Australians

• Tier 2: the provision of information and referral services (separate to funded support) for people with a disability and their carers

• Tier 3: the provision of funded individualised support for people with a significant disability.

Under the NDIS, an individual's eligibility to receive Tier 3 funded services will be established using common assessment criteria. No means testing will be undertaken, with entitlements within the set criteria being both universal and portable across all states.

The $7 billion in funding for disability services currently provided by the states and the Australian Government will not be sufficient to fund the NDIS. The Productivity Commission estimated in its report that an additional $6.5 billion per annum would be required. Subsequent analysis undertaken by the Australian Government Actuary indicates that the additional funding requirement is closer to $8 billion.

The Productivity Commission recommended that the NDIS be fully funded by the Australian Government from consolidated revenue, based on a legislated funding formula.

The NDIS will be progressively rolled out via regional launch sites from 2013, prior to full implementation by the end of 2018-19, and subject to agreement between the Australian Government and the states. The scheme will be administered by a statutory independent agency, the National Disability Insurance Agency (NDIA).

The Productivity Commission report also recommended the establishment of a National Injury Insurance Scheme (NIIS) by 2015, to provide fully funded care and support for people with a catastrophic injury. The NIIS would comprise separate, no-fault accident compensation schemes within each state and territory.

The Council of Australian Governments (COAG) signed an Intergovernmental Agreement on 7 December 2012 to develop the first stage of the NDIS and the policy framework necessary for full implementation of the scheme.

Source: Productivity Commission, 2011, Disability Care and Support, Report No. 54, Canberra;
Australian Government Actuary, 2012, National Disability Insurance Scheme Costings – Review by the Australian
Government Actuary, (Report commissioned by Commonwealth Treasury), p. 12, accessed from www.treasury.gov.au
National Disability Insurance Scheme, accessed from www.ndis.gov.au

The NDIS represents one of Australia's most significant developments in human services since the introduction of Medicare. In many respects, the schemes are comparable in scope and cost, with both schemes based on universal access and requiring substantial and potentially open-ended government funding.

Full nation-wide implementation of the NDIS is currently estimated to require funding of more than $15 billion (approximately $20.2 billion in 2018-19 dollars). This is more than double the current level of expenditure on disability support services across Australia.

Modelling undertaken by the Productivity Commission and affirmed by the Australian Government Actuary (AGA) indicates that approximately 411,000 Australians will be eligible to receive support under the NDIS. Of this number, a total of 85,129 people in Queensland in 2012 (aged under 65, or aged under 50 if Indigenous) are expected to be eligible. The AGA has estimated the potential population will increase by 1% per annum.[11]

These figures represent a substantial increase in the number of people who currently receive disability support services. As noted previously, in 2011-12, 25,477 people in Queensland received specialist disability services under the NDA, with an additional net 28,720 people aged under 65 receiving community care services. DCCSDS considers that potentially all of these people will fall within Tier 3 of the NDIS. However, the exact proportion of community care services that may be included as part of Tier 3 services under the NDIS is still subject to negotiations.

In addition to potentially doubling the number of people who receive funded support, the NDIS is also likely to increase the level of support provided to individuals. This is especially the case for people who currently receive only a small amount of disability support assistance in Queensland, and those clients with high needs that are not fully met.

The scope of service provision under the NDIS carries significant potential funding implications for Queensland, depending on the funding model adopted.

The Productivity Commission recommended that the NDIS should be funded in its entirety by the Australian Government from consolidated revenue, in accordance with a funding formula to be established in legislation. This single-source funding model was recommended on the basis that:

- disputes no longer would occur between the states and the Australian Government on the quantum and source of funding, thus creating financial certainty for clients and clear governmental responsibility for funding

- the Australian Government is the only level of government that can sustainably and efficiently raise the revenue required for the scheme

- this would provide full transparency on the costs of the scheme and support high-quality governance.[12]

Rather than the single-source funding model, the preferred approach of the Australian Government is for shared funding arrangements to be negotiated with each state.

The funding mechanism that is ultimately agreed for the NDIS will be critical, as the scheme's universal access and common assessment criteria will limit the ability of jurisdictions to manage demand and therefore costs. Research published by the Centre for Independent Studies noted that it is difficult to manage the costs of universal entitlement schemes, with Medicare Australia, New Zealand's Accident Compensation Corporation, and Victoria's Transport Accident Commission all experiencing annual cost increases well in excess of the consumer price index.[13]

These concerns are particularly relevant due to a number of interface issues that may place upward pressure on costs. In particular, DCCSDS has noted that:

• the NDIS will not meet all the needs of people with a disability, with some mainstream services such as health and education falling outside the scope of the scheme. The scope of services needs to be clearly delineated, and care taken to ensure that mainstream services continue to be accessible.

• it is not clear what funding mechanisms will apply for NDIS clients aged 65 or over who have the option of transitioning to aged care services (which are funded in whole by the Australian Government), but choose to stay within the NDIS. There may be significant differences between aged care services and NDIS services.

• the extent and source of funding for children with a disability who are subject to child protection orders or relinquishment will need to be resolved. Accurately modelling these potential costs is difficult due to incomplete system data on the extent of disability within community care services and in some child protection areas.

These interface issues will need to be carefully managed if the implementation of the NDIS is to avoid service gaps, duplication of effort across the Australian Government and the states, and upward pressure on costs.

Five states, not including Queensland, have agreed to participate in NDIS launches in 2013. These will provide a practical test of the concept and benefits of the scheme, as well as the accuracy of the cost estimates undertaken to date. A formal evaluation of these launches will be undertaken to inform final arrangements.

Queensland is closely involved in planning processes to support the implementation of an NDIS. Victoria and Queensland are leading the National Assessment Tools Project, on behalf of the NDIS Select Council. This project is developing an assessment framework for use in the NDIS, based on existing approaches in Australia and internationally. Queensland's implementation of the Growing Stronger reforms has informed the project, and positions Queensland well for future implementation of NDIS requirements.

The Commission notes that negotiations between the Australian Government and the states on NDIS funding arrangements are continuing, and that the Queensland Government has indicated a preparedness to consider contributing additional funds.

Nevertheless, the Commission supports the reasons and the recommendation outlined by the Productivity Commission for the NDIS to be funded in its entirety by the Australian Government. This is the only sustainable basis for funding an open-ended, national and universal entitlement scheme, especially given the respective revenue raising powers of the Australian and state governments.

If states jointly fund the NDIS, they will incur significant additional pressure on their already limited funding capacity, requiring them to raise substantial additional revenue and/or make expenditure savings in other areas. For example, in December 2012, Queensland proposed a shared funding arrangement which would require additional state funding of $868 million over five years to 2018-19.[14]

Recommendation

97   As recommended by the Productivity Commission, the Queensland Government require the Australian Government to provide full funding of the National Disability Insurance Scheme.

D9.5 SERVICE DELIVERY

DCCSDS is implementing a wide-ranging strategy to support improved disability service provision and to prepare for the introduction of an NDIS. Key aspects of this strategy include:

- improving the efficiency of disability services delivered directly by government

- preparing for greater choice and flexibility in disability services.

These issues are considered below.

D9.5.1   Departmentally delivered disability services

While most disability services are delivered by the non-government sector in Queensland, some services are provided directly by DCCSDS. These services included specialist and therapy services, case management services, respite care services and accommodation support.

Expenditure data provided by DCCSDS indicates that direct service delivery by the department represents, in some areas, a disproportionately high percentage of disability funding. In 2011-12, DCCSDS provided:

- 9.6% of accommodation support services, which accounted for 24.9% of the accommodation support funding

- 74.2% of community support (therapy) services, which accounted for 65.8% of community support funding

- 9.7% of respite services, which accounted for 11.6% of respite funding.

In preparing for the NDIS, transitional steps will need to be taken to maximise client choice and operational efficiency in the delivery of disability services in Queensland.

By 2018-19, it is likely that most if not all funded specialist disability services will be subject to contestable service delivery. Some service providers, such as the government-operated Accommodation Support and Respite Services (AS&RS), may find it difficult to compete successfully in a contestable market under the NDIS due to their high-cost service models. Greater efficiencies will need to be achieved in the delivery of accommodation support and respite care services.

DCCSDS advises that the AS&RS provides services to over 1,000 clients in Queensland. A total of 573 adults received accommodation support services in 2011-12. These services included:

- Long-term accommodation support (24/7) for people to live in group home households. This represents the majority of AS&RS accommodation service provision.

- 'Drop in', in-home living support for people who live semi-independently and receive services during the day. These services are provided on a limited basis to a small number of people in only two regions.

- Transition accommodation services for people who require time-limited crisis or emergency support and may have complex, challenging behaviour requiring seclusion or containment at the purpose-built environments at the DCCSDS site at Wacol. Transition services are provided in four regions in custom-designed accommodation.

The accommodation support component is provided by AS&RS, with therapy and other specialised support provided by other work areas within DCCSDS.

Individuals receiving accommodation support services live in 225 premises across six regions. The Department of Housing and Public Works own 170 of these assets, three are privately owned and the remaining 52 dwellings are owned by DCCSDS.

In 2011-12, AS&RS also delivered centre-based respite care services to a total of 491 adults and children. These services provide a short-term and time-limited break for clients and families for 2-3 nights a month. Service is provided in 11 respite centres owned by DCCSDS.

The AS&RS workforce headcount comprised a total of 1,817 people as at July 2012. Of these, 1,484 were accommodation and respite Residential Care Officers and there were 333 other regional and service centre staff.

Data provided by DCCSDS indicates that AS&RS funding has increased significantly, from $94 million in 2005-06 to $144 million in 2011-12. These funding increases are attributed largely to increases in client support costs, especially in accommodation services, which represent the largest portion of the disability services budget in Queensland. Operational staffing expenditure has also increased due to staff turnover, workforce management costs and enterprise bargaining agreements. It is likely that funding pressures will continue to be experienced.

Service delivery costs per client vary significantly, depending on the type of service being delivered, and the level and complexity of client need. Transition services are typically the most expensive form of service provided, followed by accommodation support, drop-in support and respite care services.

Information provided by DCCSDS confirms that AS&RS is a high-cost service provider. The analysis shows that, in 2011-12, NGO service delivery costs per client across all four service areas were lower than that of AS&RS, regardless of the level of client need. Indeed, NGO service delivery costs ranged from 57% to 86% of the AS&RS costs of delivering a comparable service.[15]

The ability of NGOs to deliver lower-cost services can be attributed in large part to lower award structures and shift arrangements that are more efficient than that of AS&RS. Recent wage decisions will place upward pressure on NGO workforce costs over time.

Beyond these matters, DCCSDS has identified a number of aspects of AS&RS delivery that contribute to their higher costs, including:

- After hours support – rostered staff working to support the service after-hours between 5pm and 9am week days and 24 hours per day on the weekend. Service models for the provision of this support vary significantly across the State.

- Provision of additional support – some clients have complex support needs that require additional support, especially in areas such as mobility, health and behaviour support. These additional support hours are in addition to the approved number of core hours.

- Workforce management issues – an ageing workforce, inefficient staffing structures, no sleepover shift capacity under the award, and high absenteeism rates all result in increased casual employment and overtime payments.

DCCSDS has implemented a number of strategies in an attempt to address these issues. These strategies include strict controls on new admissions, reduced additional support hours, and centralised after-hours management of rosters. While these strategies are expected to achieve efficiencies, they are unlikely to eliminate the difference between government and non-government service delivery costs.

The Commission therefore considers that services currently delivered by the AS&RS should be transitioned to the non-government sector on a managed basis. There are a number of reasons for this position:

- The NDIS will create a contestable market for disability services. It is unlikely that AS&RS will be able to provide a cost-effective service in this market.

- The types of services provided by AS&RS are generally not unique. Many NGOs deliver the same type of services and some use a similar service model.

- Contracting out the services currently provided by AS&RS could create savings, which could be re-invested in additional services to respond to the high levels of unmet demand that currently exist.

The reform priorities of the Queensland and Australian Governments are focussed on principles of client choice and control. These principles should provide a guide for the transitioning of accommodation support and respite services, while noting that the site-specific nature of these services poses particular challenges for the transition.

Based on these principles, clients supported by AS&RS should move to self-directed funding arrangements, with the ability to choose both the services they receive, and the provider who delivers the services. However, this task is likely to be complex, and there may be practical difficulties in moving directly to a 'client choice' model. It may be necessary to design more structured and incremental transition arrangements that take into account the broader reforms of the sector and that provide a platform for the introduction of contestability over time.

On this basis, the transition of AS&RS services to the non-government sector should be undertaken through a formal re-commissioning process that moves clients progressively towards the goal of individual choice and control. The recommissioning process should be supported by performance-based funding arrangements that ensure value for money and protect the interests of clients.

A re-commissioning process will require careful design and sequencing. For respite and drop-in support services, re-commissioning could be undertaken relatively quickly, due to the defined nature of the services and the limited number of respite care sites. For accommodation services, re-commissioning necessarily will be more complex due to the number of service sites and mix of service models currently in place. This is likely to require planning and implementation over a longer period.

The transfer of services to the non-government sector has implications for government infrastructure used in the provision of accommodation support and respite services. Options for addressing these infrastructure matters include the sale, gifting and/or leasing of assets to NGOs.

There are a number of issues to be addressed in re-commissioning the services currently delivered by the AS&RS, including the need to ensure that:

- continuity of care at a commensurate level is provided for all transferred clients, with appropriate consideration of consent issues as required under the *Guardianship and Administration Act 2000*

- client need is appropriately matched with NGO capability, including scope for the provision of additional NGO training and development where required

- future changes in NGO workforce costs are pro-actively managed by Government, including through the use of performance-based contracting

- proper account is taken of the relationship between AS&RS accommodation support services, and the specialist support and infrastructure provided at the Wacol campus. DCCSDS is currently reviewing the future role of the campus.

Any plans to re-commission services currently provided by AS&RS also will need to take into account recent amendments made to the Australian Government's *Fair Work Act 2009*, which extended the application of the Act's 'transfer of business' provisions to the public sector in Queensland. These amendments may affect the workforce costs of NGOs that subsequently enter into funding agreements with DCCSDS to deliver services previously provided by government employees. The broader implications of the legislative amendments to this Act are discussed further in Section E2 of this Report.

In addressing these matters, continuity of care for people with a disability is paramount. Transition arrangements also should aim to support the sector's ongoing access to skilled staff, market-based employment options for AS&RS employees, and the realisation of efficiencies in service provision.

Based on experiences in other jurisdictions and sectors, a number of approaches are available to manage workforce matters. These include the transfer of existing staff as a condition of the contract; the use of labour hire firms by NGOs to access a pool of appropriately skilled staff; and the creation of mutual organisations, whereby government employees involved in service delivery establish new governance arrangements to deliver services under contract to Government.[16] These options each carry benefits and limitations, which warrant further attention.

The Commission acknowledges that the transfer of AS&RS services to the non-government sector may cause concern among stakeholders. While the proposed changes are significant, they are a necessary and important step towards the implementation of an NDIS. Further, the proposed changes will contribute over time to increased choice and improved service access for people with a disability in Queensland.

Recommendation

98   ***In the next three years and prior to the full commencement of the National Disability Insurance Scheme, the Queensland Government transition all services currently provided by the Accommodation Support and Respite Services to the non-government sector through a formal and transparent re-commissioning process that allows for a progressive movement towards client choice and control.***

D9.5.2   Choice and flexibility in disability services

The NDIS will involve profound changes in the way disability services are provided in Australia. A core element of the NDIS reform is the concept of self-directed funding (sometimes referred to as 'individualised funding'). This concept is interpreted and applied differently across jurisdictions, but is taken by the Productivity Commission to include the following elements:

- assessing individual needs and aspirations and allocating resources accordingly
- exercising informed choice
- accessing individualised funding
- choosing a mix of services, within the set funding envelope.[17]

While the NDIS is not due to commence until 2018-19, a significant transition period will be required to ensure that the providers and people with a disability (and their families and carers) are fully prepared for the implementation of the scheme.

Queensland has been making incremental progress towards a client-centred approach to the delivery of disability services for some time. Individualised grant funding for clients was first introduced in 1998-99 and progressively expanded, with some 42.3% of people accessing disability services in 2010-11 receiving an individualised package.[18]

DCCSDS has also implemented a number of funding and regulatory initiatives that have positioned the non-government sector for a contestable market, including:

- Implementing the Growing Stronger reforms (discussed in Section D9.3 of this Report), which introduced consistent assessment and prioritisation processes, tailored client support plans and improved processes to link clients with services.

- Progressively implementing output funding, which has simplified reporting processes, improved client support planning, and clarified the scope, quantum and cost of services to be delivered.[19] These process and information improvements have enhanced the 'system manager' capacity of DCCSDS.

- Progressively implementing, from February 2013, a standardised Human Services Quality Framework for NGOs in receipt of DCCSDS funding. The framework replaced four separate sector-based standards and systems and aims to reduce the administrative and compliance costs of NGOs.[20]

A number of jurisdictions in Australia and internationally are making the transition towards self-directed funding as envisioned under an NDIS. For example:

- United Kingdom – the UK has pioneered self-directed funding. The In Control project now provides personal budgets to around 340,000 people with a disability in England.[21]

- Victoria – individualised support packages of self-directed funding are provided to over 14,000 people. The packages give people the freedom to plan and select the support they need, and include a strong focus on community participation, building informal networks and living as independently as possible.[22]

- Western Australia – over 90% of disability services are provided via individualised funding arrangements. Clients are allocated a specific amount of funding, based on their assessed need. Services are then selected from a program of approved services. The new *My Way* initiative, launched in late 2012, will give clients greater flexibility in the choice of support options.[23]

In early 2013, Queensland began to implement a self-directed funding initiative, Your Life Your Choice, that is similar, but separate, to the NDIS launches. The Your Life Your Choice initiative gives Queenslanders with a disability the option to design and purchase the support services from a provider of their choice.

The initiative uses existing assessment and prioritisation tools developed by DCCSDS, but applies a new mechanism by which to deliver the approved level of funding. This new funding mechanism is being implemented in two phases. In the first phase, around 40 host providers were established to receive funding, with individuals then self-directing how those funds will be used. In the second phase, funding will be provided direct to individuals participating in the scheme. The provision of direct funding to clients requires amendments to the *Disability Services Act 2006*, and until these amendments take effect in early 2013, funding will continue to be distributed to host providers.

To date, approximately 1,300 clients in receipt of specialist disability services funding have been invited to transfer their funding to the initiative, with further client transfers to occur over time. Participants will be able to choose the extent to which they are actively involved in planning their own service provision (Figure D9.1). Clients will have the option of using a portion of their finding to purchase coordination support if they wish.

Figure D9.1
Self-directed support under the *Your Life Your Choice* initiative

Spectrum of Self Directed Support

A person can move across this spectrum depending on what they are comfortable doing, their previous experiences and current situation

The person accepts **full** responsibility for the planning, budgeting and organising of their support. Funding is advanced to the persons bank account

The person accepts **most** of the responsibilities for the planning and organising of their support. The remainder is purchased. Funding may be advanced, reimbursed or held by the Host provider

The person accepts **some** of the responsibilities for planning, budgeting and organising their support. Additional support in these areas is purchased

Source: Department of Communities, Child Safety and Disability Services, Your Life Your Choice: Self-Directed Support Framework, p. 9

Creating contestable markets and introducing individual choice through the NDIS and Your Life Your Choice raises a number of challenges for clients, service providers and the Queensland Government. These challenges include ensuring:

- Clients have the information they need to make informed and confident choices regarding the purchase of services and selection of providers.

- Providers reorientate their service model towards supporting individual choice and control.

- NGOs have the business skills necessary to operate in a contestable market based on efficient pricing and service quality.

- Appropriate safeguards are in place to protect clients from harm and ensure service quality.

- People with a disability have continued access to other mainstream social services, and not just specific disability services.

- DCCSDS progressively aligns assessment tools and other processes used in Your Life Your Choice with NDIS arrangements as they evolve.

In response to these service provider and client issues, DCCSDS is coordinating the provision of a range of education and development activities. The Sector Readiness and Workforce Capacity initiative aims to build NGO skills in business acumen, financial management and client empowerment, and ensure clients and their families/carers understand their roles and responsibilities under Your Life Your Choice. The capacity-building initiative also aims to build sustainable partnerships across the sector to maximise the use of resources.

It is important to note that the take-up of self-directed funding in other states to date has been limited. In Victoria, only 3% of eligible clients decided to self-manage their individual support package funding allocation, with a further 13% using a broker and the vast majority (84%) remaining with their existing service provider.[24]

DCCSDS indicates that preliminary NDIS planning is based on approximately 80% of funding being managed by the NDIA, and 20% being managed directly by people with a disability and their families.

The use of a host provider to coordinate support carries a number of advantages. Under the Your Life Your Choice initiative, the host provider will have responsibility for financial acquittals and reporting, and can also provide assistance to clients as required, including assistance in employing people. These are time-intensive tasks for which some individuals and families may be reluctant to take responsibility. It is therefore anticipated that the take-up of full self-management will be limited until the initiative becomes more established and individuals feel confident about exercising the choices available to them. Even then, the willingness of clients to change provider will depend in part on the availability of information about NGO services and performance, and the administrative ease with which a client can implement the change.

In a large, decentralised state such as Queensland, a move towards more contestable markets may be constrained by a lack of market depth in some areas. For example, in rural and remote areas, provider choice is likely to remain limited, especially in niche areas of support. This is likely to be less of a problem with the transfer of AS&RS, as these services are located primarily in the metropolitan area and major regional centres such as Toowoomba and Townsville, where there is a stronger presence of non-government providers.

If difficulties arise, the Government could give consideration to the establishment of 'provider of last resort' arrangements with NGOs to safeguard access to services in rural and remote areas prior to the commencement of an NDIS. This would depend on an assessment of market depth and the level of service demand at particular locations.

The Commission anticipates that the introduction of a contestable market in disability services will result in some consolidation and rationalisation of NGO providers in Queensland. This is because self-directed funding will place increased emphasis on both efficient pricing and service quality, and clients will make judgements regarding performance and value for money offered by different providers.

Consolidation of the sector is also likely to be accompanied by new governance models. It is anticipated that new partnerships will emerge, based on location, niche services and/or governance expertise. Emerging models include:

- 'Hub and spoke' models, whereby smaller NGOs act as delivery entities, with governance provided by a larger, central NGO. This model allows smaller NGOs to focus on service quality and place-based service delivery, while administrative matters can be dealt with by larger entities with the requisite administrative structures and scale economies. This model provides an alternative to the amalgamation of small entities, especially in regional areas, and may potentially preserve a greater level of diversity and choice in service provision for people with a disability.

- Partnership models, whereby specialised or niche NGOs partner with larger organisations. This allows niche NGOs to retain their independence while drawing on the economies of scale and governance capacity of larger entities.

The nature and extent of change in the disability sector over the next five years will be significant. In this context, it is important that the Government continue to support and monitor the development of the non-government sector's governance capability as part of the move to market contestability in specialist disability services.

Recommendation

99   The Government continue to support and monitor the development of the non-government sector's governance capability as part of the move to market contestability in specialist disability services.

ENDNOTES

1   Information provided by the Department of Communities, Child Safety and Disability Services

2   See Council of Australian Governments, *National Health Reform Agreement,* 2012, pp.53-55; *National Disability Agreement*, 2012, pp.2-5; and *National Partnership Agreement on Transitioning Responsibilities for Aged Care and Disability Services*, 2012. All agreements accessed from www.federalfinancialrelations.gov.au

3   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Productivity Commission, 2013, Table 14A.13, accessed from www.pc.gov.au. Data calculated using the previous methodology can be accessed from Table 14A.13 in the 2012 edition of *Report on Government Services*.

4   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Box 14.7

5   Information provided by the Department of Communities, Child Safety and Disability Services

6   PriceWaterhouseCoopers, Investment Strategy for the Queensland Disability Services Sector, final report, 2010, p. 7, unpublished

7   Productivity Commission, *Disability Care and Support,* Report No. 54, Productivity Commission, 2011, p. 2, accessed from www.pc.gov.au

8   Information provided by the Department of Communities, Child Safety and Disability Services. See also *Growing Stronger: frequently asked questions for service* providers, 2011, accessed from www.communities.qld.gov.au

9   PriceWaterhouseCoopers, Service delivery framework for an integrated community care and disability system, final report, 2012, pp. 92-93, unpublished

10 Productivity Commission, *Disability Care and Support,* p. 2

11 Australian Government Actuary, *National Disability Insurance Scheme Costings,* 2012, p. 7 and p. 25, accessed from www.treasury.gov.au

12 Productivity Commission, *Disability Care and Support,* p. 678

13 A Baker, *The New Leviathan: A National Disability Insurance Scheme,* CIS Policy Monograph 131, The Centre for Independent Studies, 2012, pp. 22-26, accessed from www.cis.org.au

14 Department of Communities, Child Safety and Disability Services, 'Queensland's National Disability Insurance Scheme plan', 2012, accessed from www.communities.qld.gov.au

15 Information provided by the Department of Communities, Child Safety and Disability Services

16 Cabinet Office, *Pipeline of Public Service Mutuals,* 2012, accessed from www.cabinet-office.gov.uk

17 Productivity Commission, *Disability Care and Support*, p. 354

18 Information provided by the Department of Communities, Child Safety and Disability Services. The data relates to people aged 15 to 64 years, and excludes short term interventions, including home modifications, aids and equipment; people receiving psychiatric disability services only; and service users receiving accommodation support in hostels and in small and large residential/institutions (7-20 places; more than 20 places).

19 Department of Communities, *Frequently Asked Questions: Output Funding and Reporting for Organisations Funded Under the Community Services Act,* 2010, p. 1, accessed from www.communities.qld.gov.au

20 Department of Communities, Child Safety and Disability Services, *Human Services Quality Framework*, 2012, pp. 2-3, accessed from www.communities.qld.gov.au

[21]   In Control, 'In Control', 2012, accessed at www.in-control.org.uk

[22]   Department of Human Services (Victoria), *Individual Support Packages Information Sheet,* 2012, p. 1, accessed from www.dhs.vic.gov.au

[23]   Disability Services Commission, 'My Way: a self-directed supports and services project', accessed from www.disability.wa.gov.au

[24]   Health and Community Services Committee, *Public Hearing – Inquiry into the Disability Services (Your Life Your Choice) Amendment Bill*, transcript of proceedings from 8 October 2012, p. 2, accessed from www.parliament.qld.gov.au

D10   CHILD SAFETY SERVICES

KEY ISSUES

- Funding for child safety services in Queensland has increased significantly, from $407 million in 2005-06 to $753 million in 2011-12, a total increase of 85%. In 2012-13, funding is budgeted to be $774 million.

- The number of reports (or intakes) received by the Department of Communities, Child Safety and Disability Services (DCCSDS) increased from 62,496 in 2005-06 to 114,503 in 2011-12, while the number of substantiated cases of harm or risk of harm have decreased over the same period (from 13,184 in 2005-06 to 7,681 in 2011-12).

- Indigenous children are over-represented at all stages of the child protection system, and account for much of the growth in demand for child safety services. In 2012-13, it is estimated that 62% of all Indigenous children will be known to DCCSDS.

- Queensland's performance in child safety is generally comparable with that of other states. However, Queensland's real recurrent expenditure on child safety activities per substantiation is higher than other states.

- Legislative and policy settings incorporate specific compliance requirements, including the requirement – unique to Queensland – that all notifications be investigated. This has contributed to the relatively high level of expenditure in Queensland.

- Recent inquiries in other states have recommended increased emphasis on prevention and early intervention services to reduce the need for higher cost tertiary interventions.

- The Government has established an independent Commission of Inquiry into Queensland's child protection system, which is being undertaken by the Honourable Tim Carmody SC. The inquiry will review and make recommendations on the effectiveness of Queensland's child protection system. It is due to report to the Government in April 2013.

D10.1 SERVICE PROFILE

In Queensland, the Department of Communities, Child Safety and Disability Services (DCCSDS) provides a range of services collectively referred to here as 'child safety' services, of which child protection services form part. Child safety services include:

- child protection services, including functions relating to the investigation of alleged abuse, neglect and/or harm of children and young people

- out-of-home care services, including foster and kinship care

- intensive family support services, including services to families at risk of separation due to protective concerns

- non-intensive family support services, including the provision of support and diversionary services, counselling and active linking and referrals to support networks.

DCCSDS and its Child Safety Services (CSS) unit have the lead role in supporting prevention and intervention services for children, young people and their families. Child safety services aim to ensure a child or young person's immediate protection and ongoing safety and wellbeing. This entails responding to allegations of harm, providing support services to strengthen and support families to reduce the incidence of harm and ensuring children and young people who are unable to live with their families receive stable, safe and secure out-of-home care.

Statutory child safety requirements are set out under the *Child Protection Act 1999* and the Child Protection Regulation 2011. These legislative instruments and supporting policies and guidelines provide the basis for receiving, assessing and investigating information about child safety matters, and addressing the protection needs of the child. Key decision points for Queensland are set out in Box D10.1.

Box D10.1
Key decision points in child safety services

Intake: DCCSDS receives information (from family members, neighbours or staff from health, education or police, etc.) about suspected harm or risk of harm to a child or unborn child. The intake phase is the initial decision-making point. Based on the information at this stage, DCCSDS may record:

- a **child concern report** if the concerns raised suggest that the child is not in need of protection, or

- a **notification** if the concerns raised suggest the child requires protection. The decision to record a notification involves assessing the concerns raised, checking any child protection history and completing other checks, such as seeking additional information from other agencies or professionals. An investigation is then undertaken.

Investigation: Information is gathered to assess whether the child is in need of protection. In Queensland, all notifications must be investigated. Once an assessment is completed, a decision is made about the appropriate outcome for the child and the need for ongoing intervention. There are three possible outcomes:

- **substantiated** - if the investigation confirms that the child has experienced significant harm and/or there is an unacceptable risk of harm.

- **unsubstantiated** - where there is no evidence that the child has experienced significant harm and there is no unacceptable risk of harm. In these cases, the family may be referred to support services to help them to address risk factors that may lead to future harm.

- **no investigation and assessment outcome** - where the investigation has been unable to be commenced or completed due to circumstances beyond the control of CSS and is subsequently closed.

Protection: In cases where the notification is substantiated, a child is considered to require protection if there is a risk of future harm and a parent is unable or unwilling to protect them. Protective interventions may be made under:

- a **Parental Agreement** with parental consent; in most of these cases the child will remain at home.

- a **Child Protection Order** where it is not possible for CSS to work with parental consent to protect a child, in which an application may be made to the Children's Court for a child protection order. A variety of order types can be granted including non-custodial order, short-term custody or guardianship orders and long-term guardianship orders. In these cases, a child may be placed in out-of-home care.

Out-of-home care: A child is placed in out-of-home care as a last resort, when it is not safe for a child to continue to live at home. Where possible, a child will be placed with extended family or kin.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, pages 15.11-15.15; and Department of Child Safety, 2008, 'Child Protection System' flowchart, accessed from www.communities.qld.gov.au

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D10.1.1 Intakes in child safety services

Table D10.1 provides data on the volume of child safety services across the key decision points for 2011-12. In 2011-12, there were 114,503 reports (or intakes). About 22% of reported concerns to DCCSDS were classified as notifications, and therefore required investigations to be undertaken.

Of the 22,894 investigations that were finalised in 2011-12, nearly two-thirds (62.6%) concluded that the child was not in need of protection. Of the one-third (33.6% or 7,681) that were substantiated, 62.7% (or 4,820) involved children that were in need of protection. Emotional harm and neglect comprised the main category of harm (about 77%), followed by physical harm (18%) and sexual harm (5%). Table D10.1 summarises the outcomes of intakes in child safety services during 2011-12.

Table D10.1 Child protection service outcomes, 2011-12	
	Volume
Intake	114,503
Notification/Investigation required	24,823
Investigation finalised:	22,894
• Unsubstantiated	14,342
• Substantiated:	7,681
– Child in need of protection	4,820
• No outcome	871
Investigation not yet finalised	1,929

Source: Department of Communities, Child Safety and Disability Services

Since 2005-06, the total number of reports (or intakes) to DCCSDS has increased by 83%, from 62,496 in 2005-06 to 114,503 in 2011-12, as shown in Chart D10.1. In 2011-12, about one in five intakes (21.7%) resulted in a notification which was subsequently investigated, compared with 2005-06 when over 50% of intakes resulted in a notification.

Chart D10.1
Intakes in child safety services
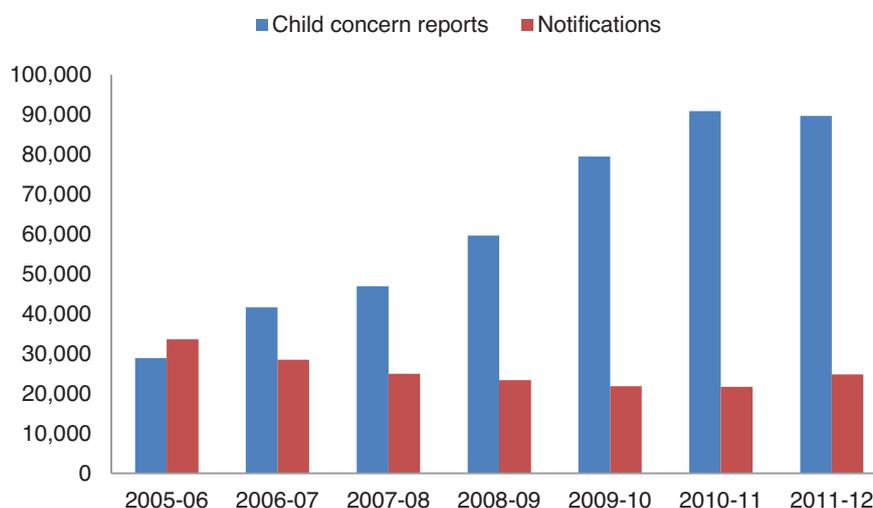
Source: Department of Communities, Child Safety and Disability Services

While the number of intakes is increasing, there are different trends for notifications and child concern reports. Since 2005-06, the number of notifications has declined from 33,612 to 24,823 in 2011-12, a decrease of 26%. However, the number of notifications relating to Indigenous children has increased by nearly 100% since 2005-06, while the number of non-Indigenous children notified decreased by almost 40% over the same period.

In contrast to the trend for notifications overall, the number of child concern reports has been increasing. In 2005-06, 28,884 reports were received by DCCSDS compared with 89,680 in 2011-12, an increase of over 200%.

The increase in the number of child concern reports has meant that a relatively high proportion of children in Queensland are now known to DCCSDS. In 2012-13, it is projected that 24% of all children, or almost one in four, will be known to DCCSDS. For Indigenous children, over three out of five (62%) are projected to be known to DCCSDS.

Table D10.2 shows trends to date and projections for 2012-13 for all children, and Indigenous children as a subset.

Table D10.2 Proportion of children known to DCCSDS			
	2007-08	**2010-11**	**2012-13 (projected)**
Proportion of all children known to DCCSDS (%)	14	19	24
Proportion of all Indigenous children known to DCCSDS (%)	22	40	62

Source: Department of Communities, Child Safety and Disability Services

D10.1.2 Expenditure

Child safety services in Australia are funded primarily by state governments. Funding for these services in Queensland has traditionally been lower than other states. However, expenditure increased significantly following the 2004 Crime and Misconduct Commission (CMC) report on abuse in foster care, *Protecting Children: An Inquiry into Abuse of Children in Foster Care*. In response to the CMC report, reforms to the delivery of child safety services were implemented, including the requirement that all notifications to DCCSDS be investigated and assessed.

Expenditure increased by 85%, from $407 million in 2005-06 to $753 million in 2011-12, as shown in Chart D10.2.

Chart D10.2
Child safety expenditure
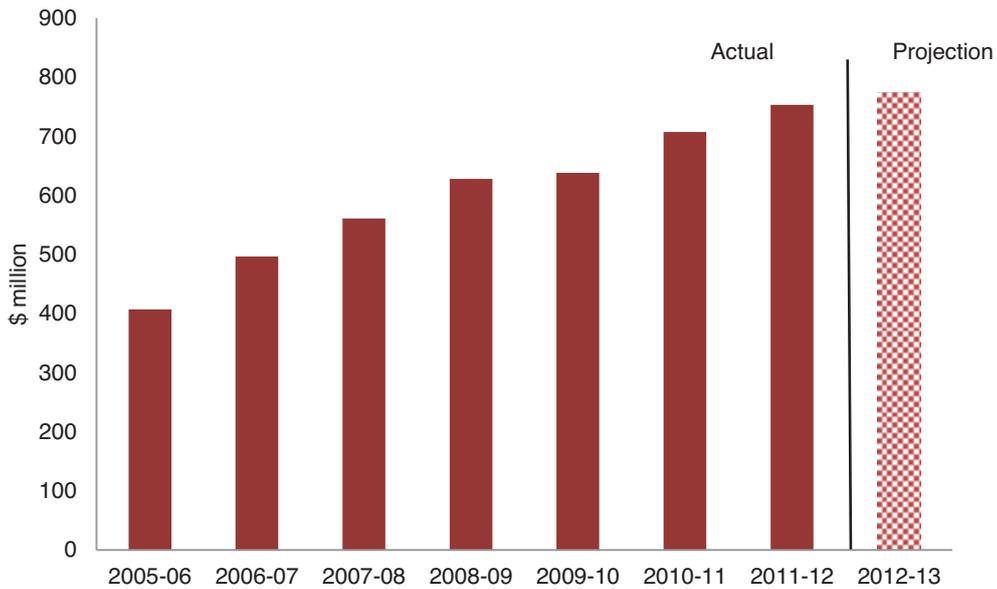
Source: Department of Communities, Child Safety and Disability Services

As shown in Chart D10.3, compared with other states, Queensland has the highest proportion of funding (39.6%) expended on child protection services – services relating to investigation of alleged abuse, neglect, and/or harm. This figure is influenced heavily by Queensland's mandatory investigation model, which limits the ability to redirect funding to other types of service, such as preventative family support.

Chart D10.3
Proportion of expenditure by service type, 2011-12
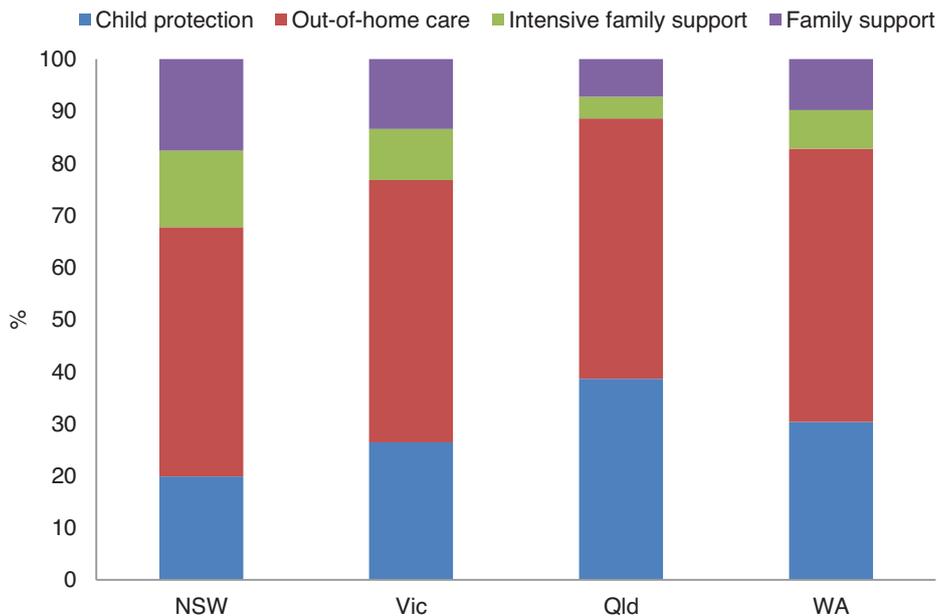
Note: South Australia is not included as its data is incomplete.
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services, 2013, Table 15A.1

Child safety services for the other three categories – out-of-home care, intensive family support services and non-intensive family support services – receive larger proportional funding in New South Wales and Victoria than other states. Out-of-home care services constitute the largest single component of expenditure, representing about half of all expenditure on child safety services. The proportion is 48.9% in Queensland, comparable with other states.

The number of children in out-of-home care in Queensland has been increasing. As at 30 June 2012, 7,999 children were in out-of-home care, an increase of 36% since 30 June 2006. This growth in demand for out-of-home care services has been driven primarily by an increase in the number of Indigenous children requiring protection.[1]

The efficiency of delivering child safety services is measured by real recurrent expenditure on child safety services per output in the various stages of the child protection process (for example, notification, investigation, substantiation). Because of definitional differences between states, efficiency data is more comparable at later stages of intervention.

Recurrent expenditure on all child safety activities per substantiation is shown in Chart D10.4. Queensland's real recurrent expenditure on child safety activities per substantiation ($39,870) is higher than for all states but Western Australia ($40,806), and has risen by over 200% since 2005-06. Again, changes to the legislative framework for the delivery of child safety services, particularly the introduction of mandatory investigation of all notifications, heavily influences these results.

Chart D10.4
Annual real recurrent expenditure on all child protection activities, per substantiation
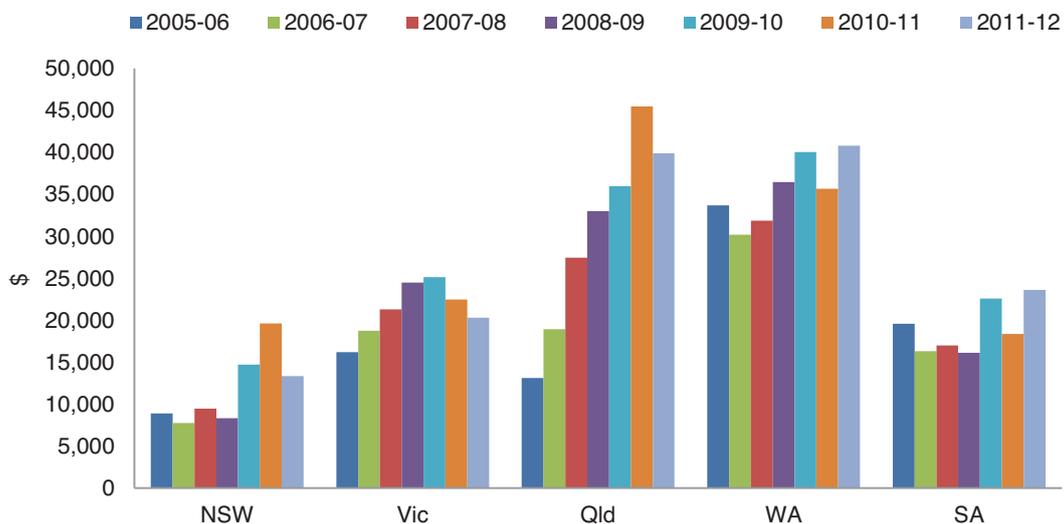
Note: data for this indicator are not directly comparable.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 15A.2

D10.2 COMPARATIVE PERFORMANCE

Queensland's performance in child safety services can be compared with other states using the Productivity Commission's *Report on Government Services.*

The service mix funded within each state varies, with states allocating funds across the range of services: child protection, out-of-home care, and family support services (intensive and non-intensive). The funding allocations reflect the legislative frameworks and policy settings in each state, as well as the level of demand for specific types of service.

It is important to note that there are differences between states in the process for responding to and investigating reported concerns. Consequently, data relating to these processes needs to be interpreted with caution. Generally, data are more comparable for later stages of intervention, where states practise a similar case management approach for offering and providing ongoing intervention.

D10.2.1 Child protection rates

An analysis of the rate of substantiations per 1,000 children aged 0-17 years shows that Queensland's rate of substantiation has decreased from 10.9 per 1,000 children in 2005-06 to 6.5 per 1,000 children in 2011-12, as shown in Chart D10.5. In contrast, the substantiation rate in all other mainland states increased over the same period. However, when compared with the previous two years, Queensland's substantiation rate has increased, a pattern similar to New South Wales, Victoria and Western Australia.

Substantiation rates in Queensland also differ markedly for Indigenous and non-Indigenous children. In 2011-12, the rate was 28.0 per 1,000 Indigenous children, compared with 4.6 per 1,000 non-Indigenous children.

Both Western Australia and South Australia consistently had substantiation rates lower than that of Queensland. Over the past three years, Queensland's performance has been broadly consistent with that of Victoria's.

Chart D10.5
Rate of substantiations
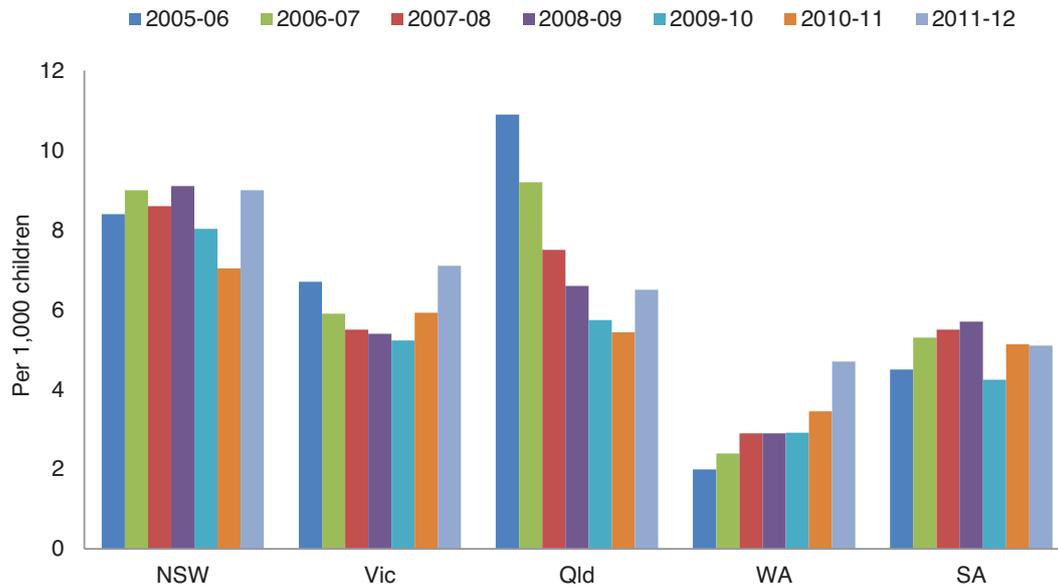
Note: Data for this indicator are not complete or not directly comparable; prior to 2009-10 the data was calculated as the number of children aged 0-16 years; from 2009-10 the calculation was for children aged 0-17 years.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 15A.8

Consistent with other states, Queensland's rate of care and protection orders has increased over the past seven years. In 2011-12, a total of 8.2 per 1,000 children aged 0-17 were on care and protection orders in Queensland, a slight increase on the previous year, as shown in Chart D10.6. Rates varied across other states in 2011-12, ranging from 5.9 per 1,000 children on care and protection orders in Victoria to 9.7 per 1,000 in New South Wales.

Chart D10.6
Children on care and protection orders
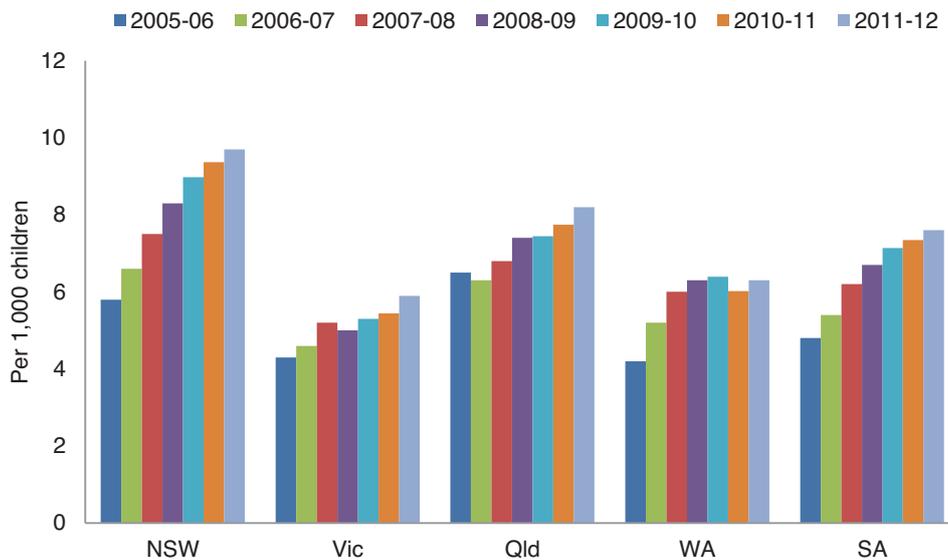
Note: Data for this indicator are not complete or not directly comparable; prior to 2009-10 the data was calculated as the number of children aged 0-16 years; from 2009-10 the calculation was for children aged 0-17 years.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 15A.8

The rate of Indigenous children subject to a protection order is 46.9 per 1,000, which is significantly higher than for non-Indigenous children (5.4 per 1,000). Between 2005-06 and 2011-12, the number of Indigenous children subject to a protection order increased by 102%.

D10.2.2 Investigations and assessments

The time taken to complete an investigation is an important indicator of the effectiveness of child safety services. In Queensland, only one in five investigations (20%) are completed within 28 days, which is lower than any other state, as shown in Chart D10.7. Queensland also has the highest proportion (36.7%) of investigations taking more than 90 days to complete. The high volume of investigations contributes to the timeframes for completion in Queensland.

Chart D10.7
Proportion of investigations completed within specific timeframes, 2011-12
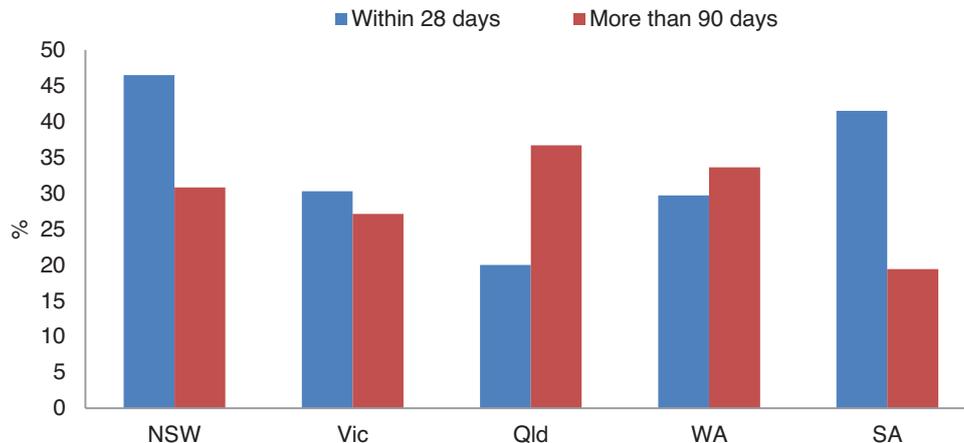
Note: Data for this indicator are not complete or not directly comparable.

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 15A.15

It is critical that investigations accurately assess the risks to children in order to ensure their safety. Two key performance indicators for this are:

- the proportion of children who were the subject of a previous investigation which resulted in a decision not to substantiate, and who were subsequently the subject of an investigation that was substantiated

- the proportion of children who were the subject of a substantiation who were consequently the subject of a further substantiation.[2]

A low or declining rate for these indicators provides a measure of desired outcomes of the child safety system.

On the first indicator, Queensland's substantiation rate following a previous decision not to substantiate has been fairly consistent since 2005-06. Queensland has the second lowest rate among the states, with 9.6% in 2010-11, with only Western Australian performing better with 7% as shown in Chart D10.8.

Chart D10.8
Substantiation rate following previous decision not to substantiate,
within 12 months
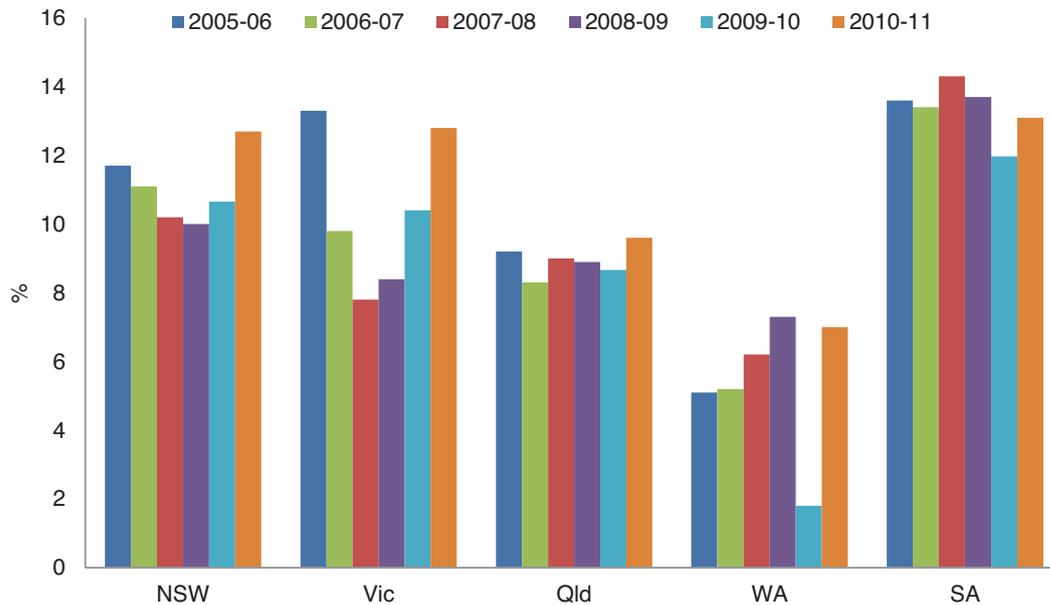
Note: Data for this indicator are not complete or not directly comparable

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 15A.9

On the second indicator, Chart D10.9 shows that in 2010-11, Queensland's substantiation rate following a prior substantiation is 19.0%, slightly below that of New South Wales (19.7%), but above Victoria (10.1%) and Western Australia (8.1%). However, unlike New South Wales, where the rate has been decreasing, Queensland's rate has been increasing since 2005-06.

Chart D10.9
Substantiation rate following prior substantiation, within 12 months
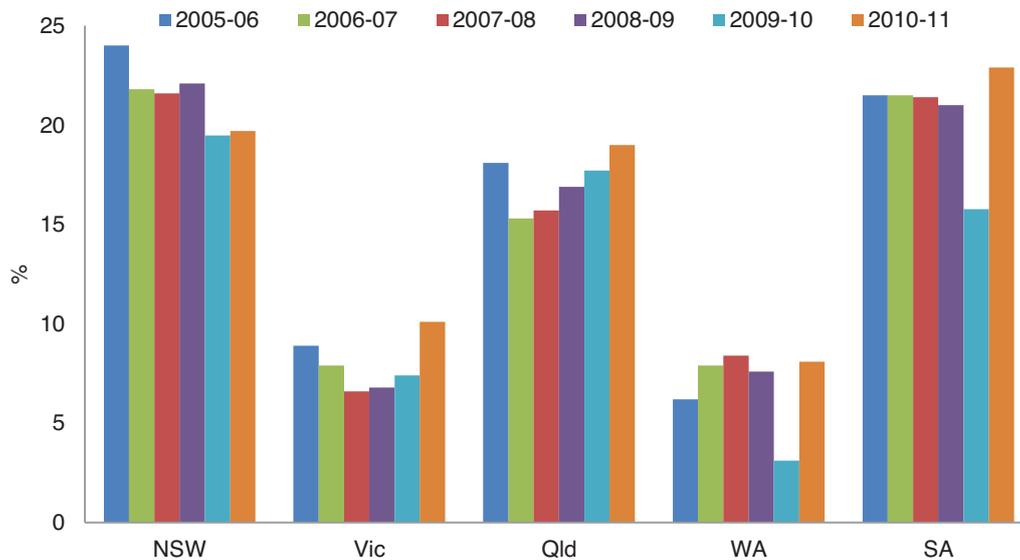
Note: Data for this indicator are not complete or not directly comparable

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 15A.10

This comparative analysis of performance indicates a mixed performance for Queensland in terms of outcomes, and suggests that improvements in cost-effectiveness of service warrant further examination.

D10.3 SERVICE DEMAND

As highlighted by the analysis in Section D10.1.1, child safety services in Queensland face significant pressures. Intakes (or reports) about suspected harm or risk of harm have increased significantly. Reports from health, education and police sources account for about 60% of all intakes and reports from these sources have been increasing.[3]

The 83% increase in the number of intakes since 2005-06 is not associated with an increase in the number or proportion of children requiring intervention. Instead, the number of notifications and the rate of substantiations has been trending downwards over the same period. Resources that are required to undertake an initial assessment could potentially be better utilised in other parts of the child safety system.

There is also the potential for improvement in the rate at which investigations are conducted. Queensland is the only state which investigates all notifications, with other states having additional options available to them, such as referral to family support services. A redirection of resources to early intervention and support services, particularly for at-risk children and/or families, has the potential to provide better outcomes while reducing the longer term requirement for more costly tertiary services.

Resourcing pressures have been significantly affected by policy settings, particularly the requirement since March 2005 that all notifications be investigated and mandatory reporting by health, education and police sources to child safety services. Other demand pressures relate to the interplay of socio-economic risk factors. Indigenous children account for much of the growth in demand, and are over-represented at all stages of the child protection system.

The effective management of demand in child safety services requires the effective management of risk. Queensland's current policy settings aim to reduce risk of harm to children by casting a wide net and investigating all notifications.

Chart D10.10 indicates the proportion of notifications that are investigated in each state. As previously noted, Queensland investigates all notifications. Western Australia investigates about 74.7%, New South Wales investigates 52.7%, while about a quarter of notifications received are investigated in Victoria and South Australia.

Chart D10.10
Proportion of notifications that are investigated, 2011-12
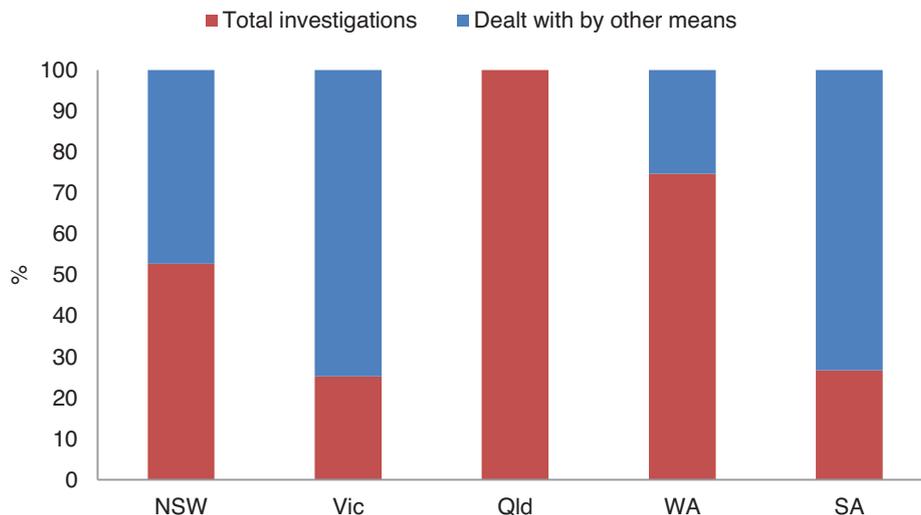
Note: 'Dealt with by other means' includes notifications that were responded to by referral to family services or the provision of advice. This category also includes cases that were previously reported as 'no investigation possible/no action'.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 15A.5

The impact of increased prescription in the practice of social work was analysed by the 2011 Munro Review of Child Protection in the United Kingdom.[4] The review found that limiting response options led to unintended consequences that had a ripple effect through the system. Too much prescription can lead to job dissatisfaction, higher staff turnover, larger caseloads and reduced contact time with children. It reduces the scope for child protection workers to exercise professional judgment in responding to individual circumstances which over the longer term leads to lower quality outcomes for children and families.

The Munro Review advocated greater flexibility in child safety systems to better respond to the full range of circumstances presented. The Review stated:

"In the case of child protection this implies that, because the variety of needs is very high, a similarly wide scope in the nature of any interventions is required to identify in what areas help is necessary and what support services should be offered."[5]

Apart from Queensland, other states have the flexibility of options to refer families to a range of support services, without undertaking a formal investigation. Any move away from a mandatory investigation model would require a number of system safeguards, including a range of secondary services that support prevention and early intervention.

To better manage risk and deal with demand, DCCSDS has introduced a number of initiatives, including:

- Helping Out Families trial to provide coordinated support services to families who have been referred to Child Safety Services (but do not meet the threshold for notification). This is designed to reduce the escalation of these families into the child safety system. Early indications from the Helping Out Families trial are that the initiative is reducing the rate of re-reporting to DCCSDS.

- Child Protection Referrers' Guide trial designed to assist DETE and Queensland Health staff to be more discerning in reporting children to a service, including early intervention services with partner agencies.

- Development of alternative responses to notifications, including funding non-government organisations to undertake intensive family support in lieu of investigation.

- Increasing referrals of families to Indigenous Family Support Services as an early intervention strategy to reduce over-representation of Indigenous children in the child safety system.

DCCSDS is placing particular emphasis on working more closely with parents to care for their children at home under Parental Agreements, rather than resorting to more expensive court orders and out-of-home care services. Of the 10,963 children subject to ongoing intervention as at 30 June 2012, 80% were subject to a child protection order while 20% were subject to an intervention with a Parental Agreement.[6]

DCCSDS is also providing more intensive support, including increasing levels of respite and therapeutic services, to families of children with a disability and extreme challenging behaviours.

The Commission notes the efforts of Child Safety Services in pursuing these initiatives to improve cost effectiveness, and considers that it is desirable for DCCSDS to continue to pursue further cost efficiencies with a view to ensuring the effectiveness and sustainability of child safety services.

D10.4 COMMISSION OF INQUIRY

In July 2012, the Government established the Queensland Child Protection Commission of Inquiry (the Carmody Inquiry), led by the Honourable Tim Carmody SC. The Carmody Inquiry will identify reforms for implementation over the next decade. The Inquiry's terms of reference provide for the review of:

- progress in implementing the recommendations by the 1999 Forde Inquiry into the abuse of children in Queensland institutions and the 2004 Crime and Misconduct Commission inquiry into the abuse of children in foster care

- child protection legislation, including the *Child Protection Act 1999* and relevant parts of the *Commission for Children and Young People and Child Guardian Act 2000*

- the effectiveness of Queensland's child protection system, including the adequacy and efficiency of resourcing, the government response to children and families in the system, tertiary child protection interventions, and the transition of children through the system

- the effectiveness of child protection monitoring, investigation, oversight and complaint mechanisms

- the adequacy of any government response and action taken by government to allegations of child sexual abuse in youth detention centres.[7]

The Carmody Inquiry is due to report by 30 April 2013.

Recommendation

100 In view of the Carmody Inquiry, with its comprehensive terms of reference, the Commission makes no specific recommendations on changes to the delivery of child safety services in Queensland. However, the Commission encourages the Carmody Inquiry to consider, in addition to service quality, the cost effectiveness of various policy options for the delivery of child safety services in Queensland.

ENDNOTES

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1   Information provided by the Department of Communities, Child Safety and Disability Services

2   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Productivity Commission, 2013, p. 15.53, accessed from www.pc.gov.au

3   Information provided by the Department of Communities, Child Safety and Disability Services

4   Department for Education (United Kingdom), T*he Munro Review of Child Protection: Final Report, A Child Centred System*, 2011, accessed from www.education.gov.uk

5   Department of Education (United Kingdom), *The Munro Review of Child Protection: Final Report, A Child Centred System*, p. 138

6   Information provided by the Department of Communities, Child Safety and Disability Services

7   *Commissions of Inquiry Order (No. 1) 2012*, accessed from www.childprotectioninquiry.qld.gov.au

D11 POLICE SERVICES

KEY ISSUES

- The Queensland Police Service (QPS) provides a 24-hour service response that is subject to ongoing demand pressures. Demand is difficult to quantify and manage, due to the vagaries of criminal activity, the multi-faceted nature of policing, increased legislative requirements and the provision of services by QPS to support the functions of other agencies.

- Queensland's recurrent expenditure per person on police services is mid-range among the five mainland states. Funding per person increased on average by 2.5% per annum between 2006-07 and 2011-12.

- There are significant limitations associated with the use of simple police-to-population ratios as a basis for police resourcing. More flexible, risk-based resourcing strategies will be essential in managing increased demand for police services. This includes the better integration and balancing of workforce and infrastructure needs.

- There is scope to improve operational efficiency through the use of alternative models of service delivery, including civilianisation and contestability processes, for roles that do not require the use of police powers.

- Workforce management arrangements require modernisation, especially in regard to the deployment of sworn police officers. Restrictive workforce practices limit the ability of the QPS to use flexible resourcing strategies, such as time-limited taskforces, to respond rapidly and effectively to emergent need.

- An important feature of a modern and efficient police service will be an increased emphasis on ICT infrastructure, including mobile and digital services. This will involve a shift away from traditional service delivery models that have been based on the location of police stations, geographic policing regions and investment in physical infrastructure.

- Queensland has a relatively high stock of police assets compared with other states, even allowing for regional dispersion considerations. This suggests that some rationalisation or consolidation of assets may be warranted, especially for underutilised assets which may not accord with future resourcing priorities.

D11.1 SERVICE PROFILE

The Queensland Police Service (QPS) provides a 24-hour police response across the State. It delivers a range of services, including:

- preventing, responding to, investigating and solving crime
- managing public order and safety
- undertaking traffic enforcement and road safety initiatives
- coordinating the management of disasters and policing major events

- providing services to support the functions of other agencies, such as the Department of Community Safety and the Department of Transport and Main Roads.[1]

The QPS is funded primarily by the Queensland Government, with small contributions from user charges, Australian Government revenue and other miscellaneous sources. Real recurrent expenditure by the QPS has increased from $1,514 million in 2006-07 to $1,871 million in 2011-12, a real increase of 23.6% (Chart D11.1).

Chart D11.1
Real recurrent expenditure
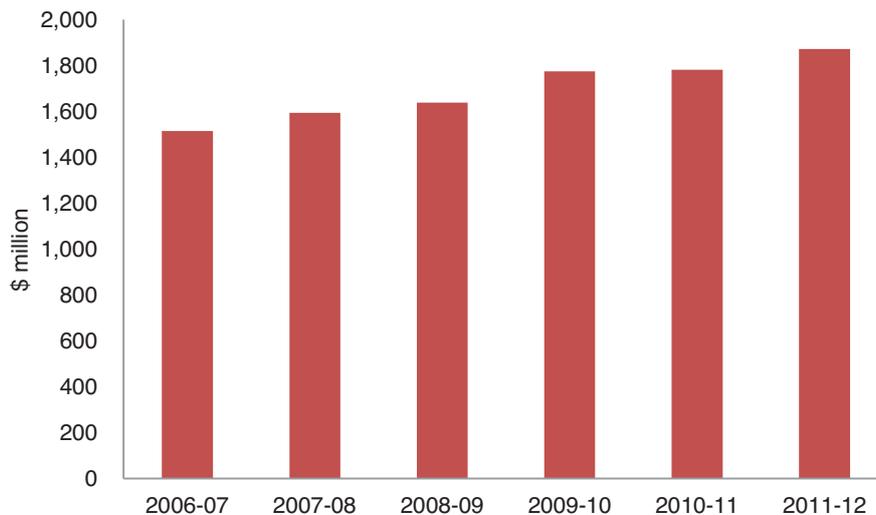
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 6A.10

As at 30 June 2012, there were 15,082 staff in the QPS, of which 10,695 were sworn police officers and 415 were recruits in training.[2] The 2012-13 Queensland state budget provided for an additional 1,100 front-line police over four years. A total of 200 existing police will also be redeployed to the frontline over the same period.

The QPS announced new structural arrangements in January 2013. Key elements of the proposed new arrangements include:

- reducing the number of regions from eight to five, and reducing the number of districts from 31 to 15

- establishing four distinct areas of operation: regional operations; specialist operations; strategy, policy and performance; and corporate support

- reducing the number of commissioned officers by up to 110, to be replaced by the same number of police officers at lower levels and reducing the number of staff member positions by up to 212

- centralising some functions as part of a resource management model that focuses on place and case management.[3]

The proposed changes are due to take effect in July 2013.

D11.2 COMPARATIVE PERFORMANCE

D11.2.1 Staffing

The QPS had a total of 325 police staff per 100,000 people in Queensland in
2011-12. Of these, 290 police staff per 100,000 population were operational.[4]
Operational police staffing rate in Queensland is the second highest across the
mainland states, after South Australia (320 police per 100,000 population). It is also
higher than the Australian average of 268 per 100,000 population. Chart D11.2 sets
out trends in operational staffing across the mainland states.

Chart D11.2
Trends in operational police staff numbers
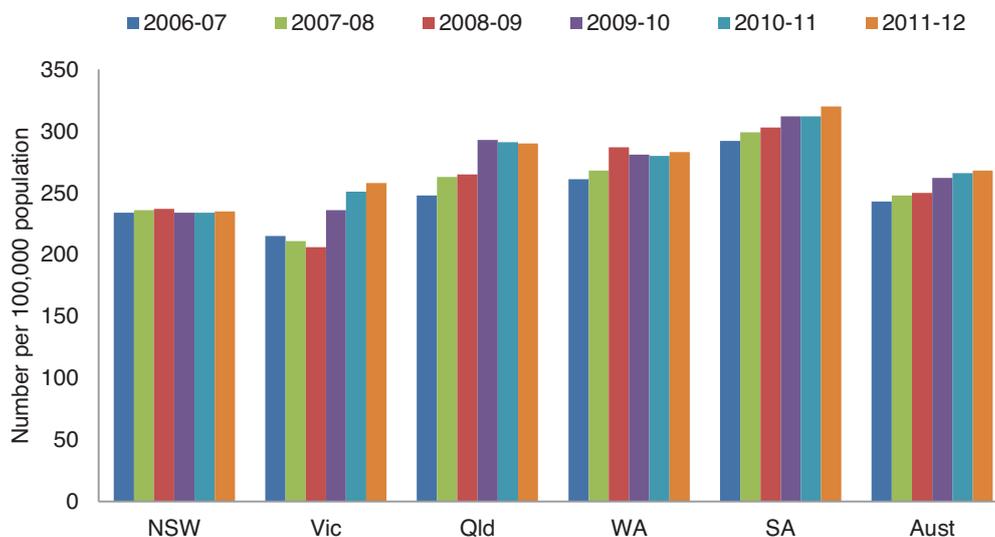
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table CA.5; see also Report on Government Services 2012, Table CA.5

Chart D11.2 shows that the geographically larger states tend to have higher
operational staffing levels than the smaller, more densely populated states.

There are a number of limitations associated with the use of police-to-population
ratios as a resourcing mechanism. These are discussed later in Section D11.4.

D11.2.2   Outcomes

The QPS focus on crime prevention means that the rate of crime is closely
monitored. The following section outlines Queensland's comparative performance
for selected major crimes against people (armed robbery and sexual assault) and
selected major property crimes (motor vehicle theft and unlawful entry with intent
involving the taking of property).

The data is based on crimes reported to police. The data must be interpreted with some caution due to differences in data compilation practices across the states, and because some crimes are not reported to police.[5] Crimes such as manslaughter and abduction have not been included in this analysis because of their low rate of occurrence and the variability in rates caused by small year-to-year changes in the number of reported offences.

In 2011, Queensland recorded a rate of 19.3 armed robberies per 100,000 population (Chart D11.3). This was the lowest rate of armed robbery across the mainland states by some margin. Every state, except Victoria, experienced a decrease in the rate of armed robberies from 2010.

Chart D11.3
Recorded crime – armed robbery

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.25

As shown in Chart D11.4, Queensland's reported rate of sexual assault declined between 2010 and 2011, from 93.9 to 85.1 assaults per 100,000 population. Despite this decrease, Queensland had the highest rate of sexual assault across the states.

The QPS notes that care must be taken in interpreting crime data relating to sexual offences, as offences that occurred many years ago are still being reported to police. Offences of a historical nature are counted in the period in which they were reported, rather than when they occurred, so it is not possible to link data movements directly to a change in the level of victimisation.[6] Further, the QPS has observed that Queensland has higher rates of historical reporting than other states.

Chart D11.4
Recorded crime – sexual assault

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.25

Chart D11.5 shows that Queensland had the lowest reported rate of motor vehicle theft across the states in 2010 and 2011, with a rate of 203 and 201 thefts per 100,000 population respectively. All states experienced a slight decrease in the rate over this period.

Chart D11.5
Recorded crime – motor vehicle theft

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.26

The rate of unlawful entry with intent involving the taking of property was similar in Queensland to most other states, with 670 cases per 100,000 population being reported in Queensland in 2011 (Chart D11.6). Queensland's rate is similar to that of both South Australia (675) and New South Wales (649), with Western Australia experiencing a much higher rate than other states.

Chart D11.6
Recorded crime – unlawful entry with intent, involving
the taking of property

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.26

As part of the National Road Safety Strategy, the QPS has placed significant emphasis on reducing the annual road toll in Queensland. The number of road deaths per 100,000 registered vehicles has decreased in Queensland from 11.8 in 2005-06 to 8.0 in 2011-12 (Chart D11.7). [7] However, the rate rose by 0.4 per 100,000 registered vehicles between 2010-11 and 2011-12. Other states show a downward trend over this period, and this is reflected in the decline in the Australian average over this period.

Chart D11.7
Road deaths
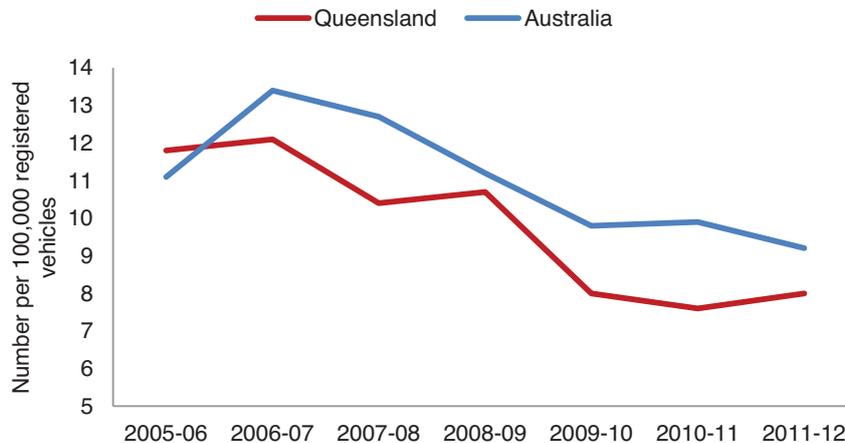
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.36

D11.2.3   Efficiency

As shown in Chart D11.8, Queensland's real recurrent expenditure of $414 per person in 2011-12 ranks in the mid-range compared with other states – it is higher than Victoria and South Australia, but lower than New South Wales and Western Australia. Between 2006-07 and 2011-12, Queensland's real recurrent expenditure on police services per person increased by an average of 2.5% per annum. This was higher than the national average increase of 1.9%, and also higher than the increases in both New South Wales (2.0%) and Victoria (0.9%).[8]

Chart D11.8
Real recurrent expenditure per person on police services
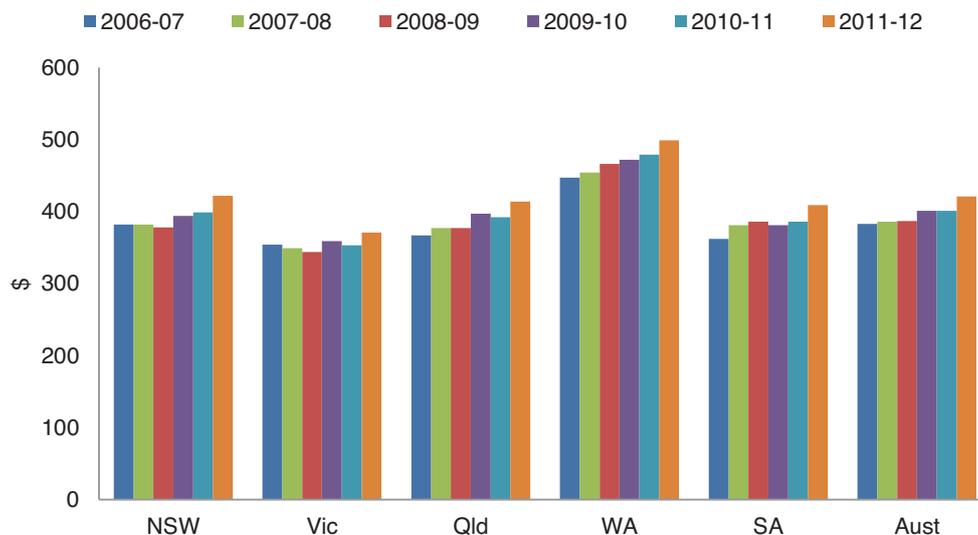
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.10

D11.3 SERVICE DEMAND

Demand for police services is influenced by a range of factors, including trends in the rate of crime and the broadening of QPS legislative responsibilities over time. Together, these factors have contributed to an increase in demand for policing services, which the QPS does not expect will abate. These matters are briefly considered below.

D11.3.1 Crime rates

Charts D11.3 to D11.6 inclusive presented information on crime rates for selected crimes against people and property crimes. Information from the QPS *Annual Statistical Review 2011-12* indicate that crime rates in Queensland are trending downwards over the longer term. In the period from 2002-03 to 2011-12:

• the rate of offences against the person decreased by 19%
• the rate of offences against property decreased by 30%
• the overall crime rate decreased by 17%.[9]

Despite this long-term downward trend, Queensland's rate of crime increased between 2010-11 and 2011-12. There was a 2% increase in the rate of total offences against the person, a 6% increase in the rate of total offences against property, and a 6% increase in the rate of total other offences (this includes Weapons Act offences, good order offences, stock related offences, traffic offences and other matters).[10]

Year-to-year statistical movements should be interpreted with some caution. A range of factors can affect the crime rate, with the rate of property offences in particular having some relationship with broader economic trends such as the level of unemployment. Specific policing strategies, such as a focus on traffic-related matters or anti-social behaviour, may also affect the rates of other offences. These factors need to be considered when assessing service demand.

A decrease in the crime rate does not necessarily translate into a decrease in the resourcing pressures placed on the QPS. An important aspect of policing is the prevention of crime which can, by itself, be resource intensive. New and expanded legislative responsibilities have also contributed to increased demands for service.

D11.3.2 Legislative and regulatory responsibilities

The QPS provides a 24 hours a day, seven days a week service across the state. The functions of the QPS under section 2.3 of the *Police Service Administration Act 1990* include (but are not limited to):

- preserving peace and good order
- preventing and detecting crime
- administering the criminal code and other legislative powers and responsibilities
- providing services and rendering assistance in emergency and other situations, as is reasonably sought and/or expected by the community.[11]

These functions bring into scope a wide range of activities, especially in regards to community expectations and requests for assistance. Managing service demand in this context requires both prioritisation and judgement.

The QPS currently administers a total of eleven Acts, including the *Police Powers and Responsibilities Act 2000,* the *Police Service Administration Act 1990,* and other Acts, for example, legislation relating to public safety, child protection, prostitution, terrorism, weapons, summary offences and the Australian Crime Commission.

QPS advises that demands on policing resources have increased in response to expanded legislative and regulatory responsibilities, especially in areas such as public safety and community concern. For example, the *Police Powers and Responsibilities Act 2000* has expanded significantly in scope over time. The former Service Delivery and Performance Commission, in its 2008 review of the QPS, noted that the legislation when first enacted in 1997, contained 138 sections with two schedules. By 2008, it contained 864 sections with six schedules.[12] A further five sections have subsequently been added to the Act.

The design of some legislative and regulatory instruments has also resulted in incremental increases in demand for policing services. One such example is the Australian National Child Offender Register (ANCOR) (Box D11.1).

Box D11.1
Australian National Child Offender Register (ANCOR)

Under the *Child Protection (Offender Reporting) Act 2004*, offenders who have committed serious offences against children are required to register their personal details and whereabouts with police. The register supports the compliance management and monitoring of offenders, and is part of the national legislative scheme.

Since the national scheme commenced on 1 January 2005, the number of offenders to be monitored has grown significantly. At the end of its first year of operation, there were 851 registered offenders in Queensland. By 30 September 2012, this had increased to 3,860 registered offenders.

Monitoring of offender compliance with the scheme occurs at the district policing level, and is supported by the Child Protection Offender Registry (CPOR) within the State Crime Operations Command. CPOR provides ongoing investigative, intelligence, administrative and operational support to the regions.

CPOR staffing has increased over time, from nine staff in January 2005, to 17 staff in October 2012. While the number of sworn staff in CPOR (three) has not increased in this period, the number of intelligence officers has doubled (from three to six) and the number of registry/administrative staff has almost tripled (from three to eight). Additionally, a sworn officer was allocated to each of the eight regions in February 2011 to assist in the management of the scheme.

With the structural changes to the QPS announced in January 2013, an additional 12 positions are to be allocated to CPOR at the district level. These new resources will supplement the eight positions created at the regional level in 2011.

Source:
- *Information provided by the Queensland Police Service*
- *Queensland Police Service, Child Protection (Offender Reporting) and Other Legislation Amendment Bill 2010, accessed from www.legislation.qld.gov.au*
- *Queensland Police Service, Overview of the proposed changes to the structure and governance of the Queensland Police Service, 2013, accessed from www.police.qld.gov.au*

The expansion in police powers and responsibilities reflects the growing expectations of the community for police assistance on a broad range of social issues, such as children at risk from family violence and the consequences of alcohol abuse, illicit drug use and mental illness. The services provided by the QPS to address these matters contribute to the prevention of crime and a safer community, but as is clearly shown by the ANCOR example, can be resource intensive.

D11.3.3 Service calls

An important measure of service demand is the volume of calls made directly to police by telephone, including calls to Triple Zero and Policelink, the latter being the 24-hour telephone contact centre (131 444) for the reporting of non-urgent police matters, such as break and enters, stolen vehicles, property damage, and stealing.

As shown in Chart D11.9, the number of calls made to Triple Zero in Queensland has increased in the five years to 2012. In 2008, a total of 471,348 Triple Zero calls were received. This declined to 449,837 in 2010, before steadily increasing to 529,417 in 2012. Over the five year period, there has been a 12.3% increase in calls.

Chart D11.9
Triple Zero Calls
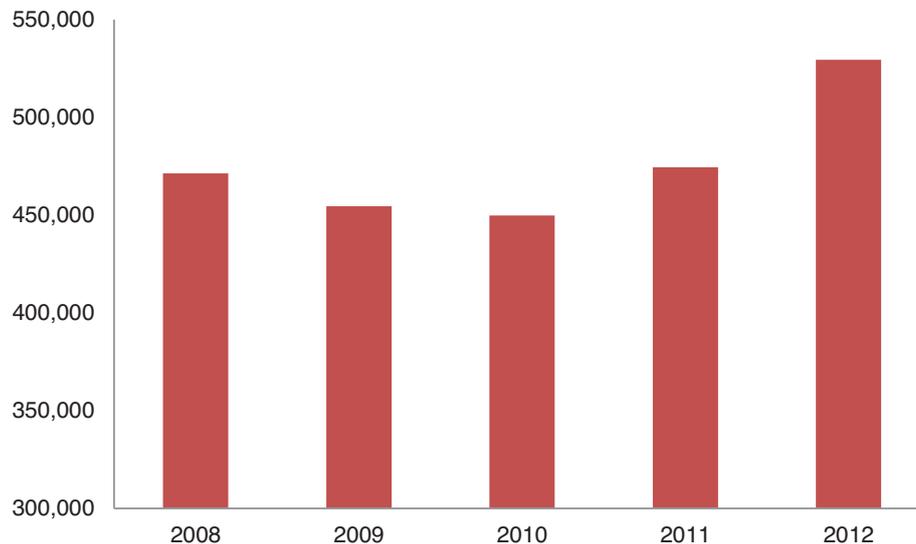
Source: Queensland Police Service

QPS analysis of Triple Zero data suggests that around half the calls received do not require an immediate police response. An analysis of Triple Zero calls received at the Brisbane Police Communications Centre during a one-week period in December 2011 found that:

- 4% of calls from the public required an immediate urgent response

- 40% of calls from the public required an immediate (non-urgent) response

- 46% of calls from the public could be managed through other communications channels, such as Policelink, or did not require a QPS response

- 10% of calls were redirected from Policelink (6%) and emergency service agencies, such as the Queensland Ambulance Service and the Queensland Fire and Rescue Service (4%).[13]

The data indicates a need for improved community education programs regarding the appropriate use of Triple Zero. It also suggests that Policelink has not been as effective as first anticipated in prioritising and managing demand.

Launched in August 2010, the Policelink contact centre for non-urgent matters aimed to reduce the number of calls made to Triple Zero by 30%, and free up 260,000 resource hours. Neither of these goals has been achieved. However, the number of non-urgent Triple Zero calls to the Brisbane Police Communications Centre has decreased by 52%, from 233,366 in 2009 to 112,020 calls in 2012 (Chart D11.10).

Chart D11.10
Non-urgent calls to Brisbane Police Communications Centre
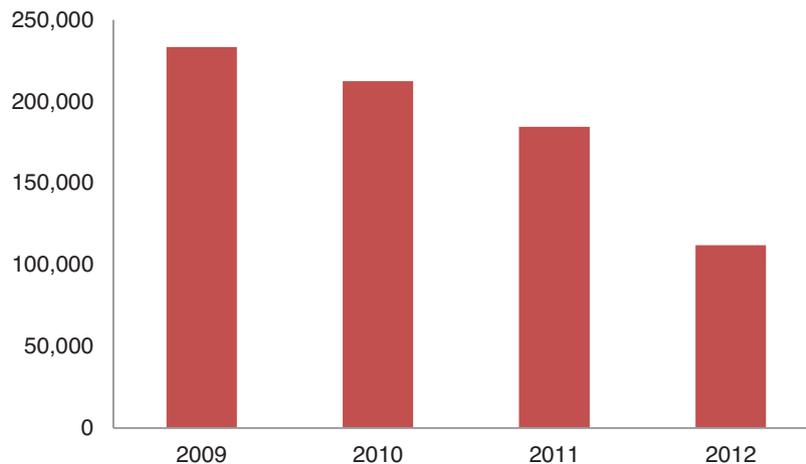
Source: *Queensland Police Service*

The QPS estimates that non-emergency phone calls made to Policelink and other police contact numbers will increase by between 5% and 6% per annum. However, research commissioned by the QPS estimates that these call volumes could increase by up to 20% if routine non-emergency Triple Zero calls currently taken by Police Communication Centres across the state were received by Policelink.[14]

The underutilisation of Policelink, and the need for improved community awareness about the appropriate use of contact options available to them, is therefore an area for further improvement, to enable a more efficient deployment of resources.

Measurement of the volume of calls for service provides a limited picture of actual operational demand and the resourcing implications of demand. Quantification of the time and resources required to undertake the police work that flows from a service call is complex. Calls for service, and especially those channelled through Triple Zero, tend to focus on dispatch, response management and incident management.

The time and resources required to resolve each call for service as an end-to-end process can vary significantly, depending on the nature of the incident reported. With the exception of data on call handling time and the staffing of Police Communications Centres and other contact points, there is no straightforward or reliable basis to predict or measure the resources subsequently required for individual calls for service.

The measurement of demand has improved through the use of new information and communication technology (ICT) enabled systems that capture, manage and report on demand. These systems include computer-aided dispatch and other data recorded in the Queensland Police Records and Information Management Exchange (QPRIME) system. It is expected that future technology improvements will continue to deliver better quality data about the nature and quantum of service demand.

D11.4 POLICE RESOURCING STRATEGIES

D11.4.1 Risk factors

Resourcing to meet QPS service demand is informed by a range of data sources, including population trends. It is anticipated that future population growth will be concentrated in the south-east corner of the State, and in other regions experiencing economic growth, for example, where there are major resource projects.

Successive governments have based QPS resourcing decisions primarily on the police-to-population ratio. This ratio is measured as the number of police staff per 100,000 population and, as noted earlier, is a national indicator that is reported annually in the *Report on Government Services*. Successive Queensland governments have sought to achieve a level of resourcing consistent with ensuring a police-to-population ratio at or above the national average.

The use of simple police-to-population ratios as a resourcing tool is problematic for several reasons. First, the national average ratio is affected by resourcing decisions in other states, even though they may be subject to different demand factors and operating contexts. For example, the national average ratio will be affected by recent decisions to increase police resourcing in New South Wales and Victoria.

Second, the police-to-population ratio does not take into account a range of factors, including geographic distance, transient tourist populations or the needs of remote Indigenous communities. The measure is also less meaningful in the context of operational efficiencies created by ICT and civilianisation initiatives. All of these factors may vary significantly across states.

Resourcing decisions also need to take into account the incidence of crime, which can vary significantly across regions. As shown in Chart D11.11, the rate of reported offences against property in 2011-12 varied from 3,980 per 100,000 persons in the North Coast region to 6,615 per 100,000 persons in the Northern region. Regional resourcing needs can therefore differ markedly, and use of a simple police-to-population ratio may create unrealistic expectations about the level of resourcing required.
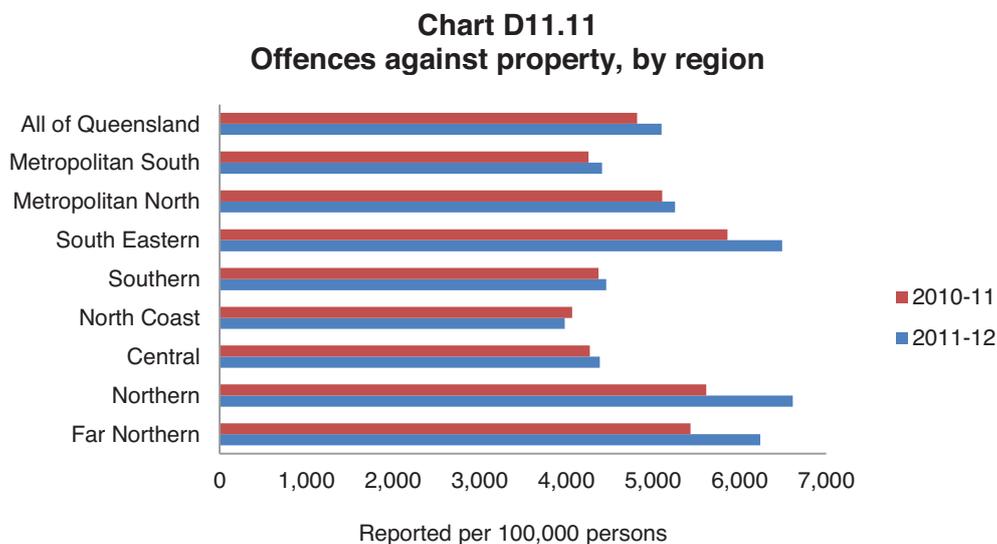
Chart D11.11
Offences against property, by region

Source: Queensland Police Service, Queensland Police Service Annual Statistical Review 2011-12, p. 54

The rate of offences can also change within a region from year to year. For example, the rate of property offences in the Northern region increased by 18% between 2010-11 and 2011-12.

Finally, the nature of service demand also needs to be taken into account. For example, not all service calls require the use of police powers. The QPS estimates that more than 20% of telephone calls made to police relate to community assistance matters that could be managed by civilian staff.

In summary, there are limitations in the use of simple police-to-population ratios as a resourcing tool for policing functions. The QPS is considering options for a more tailored and comprehensive approach to resource planning and allocation, including the introduction of long-term, evidence-based Regional Service Plans. The Commission considers that this approach has merit, on the basis that resourcing allocations will:

- use crime and traffic data, demographic trends, socio-economic profiles and geographic information to assess current and projected resourcing needs

- use risk-based approaches to prioritise resourcing in areas of high demand.

A move to a risk-based resourcing approach along these lines would also create opportunities for the QPS to expand and better utilise its current Operational Performance Review (OPR) process. To date, the OPR process has been used to assess performance and the effectiveness of resourcing strategies at the district level, with a particular focus on District Officers. The QPS is undertaking initial work to build a more comprehensive performance management strategy that benchmarks regions, districts and divisions, as well as commands, branches and units. Expanding the scope of OPR would strengthen current arrangements considerably, and should be further progressed.

D11.4.2   Flexible resourcing strategies

As with other areas of service delivery across Government, the QPS needs to apply resourcing strategies that are responsive to changing patterns of demand. Resourcing strategies should prioritise and allocate resources to meet emergent need, be supported by an appropriate mix of workforce and infrastructure assets, and be enabled by ICT systems that drive efficiency and high performance. This requires greater flexibility in the deployment of resources than is currently available to the QPS.

It is clear that a flexible resourcing approach will require continued investment in mobile and digital services, possibly in place of additional physical infrastructure. In Australia and internationally, police forces have already implemented digital communications systems and in-vehicle computer platforms that have improved the productivity, safety and performance of police services. Examples of the use of mobile data and ICT-enabled policing in Western Australia, Victoria and the United Kingdom are highlighted in Box D11.2.

Box D11.2
ICT-enabled policing and use of mobile data

Victoria

In 2005, the Victorian Police implemented a wireless communications network called the Mobile Data Network (MDN) that allows police officers (and ambulance officers) to access information and complete tasks from in-vehicle touchscreen computers. Developed in partnership with Motorola and the Victorian Department of Justice, the MDN:

- uses GPS technology to locate and despatch vehicles
- provides access to police databases, such as vehicle registrations
- allows administrative tasks to be completed via the in-car computer.

Western Australia

The Police Metropolitan Radio Network (PMRN) project established a mobile data service, encrypted digital radio network and automatic vehicle location (AVL) system. The mobile data source allows encrypted information, such as vehicle and firearm registrations, to be provided to an officer in the field. The AVL applies GPS technology to locate police vehicles for the purposes of in-field tasking.

United Kingdom

The UK implemented Airwave, a digital radio service that now operates in England, Scotland and Wales. The system replaced analogue systems and offers secure encrypted communication, as well as provision for mobile data applications.

The UK has also invested in hand-held mobile devices such as Blackberrys and mobile fingerprint checking devices. This program was the subject of a National Audit Office report, which found that benefits varied significantly across different UK police forces, especially in regard to process improvements, additional time spent out of the station and cashable savings. The audit reported that, on average, police officers using mobile devices spent an additional 18 minutes out of the station per shift.

Source: www.radiocomms.com.au; www.partnerships.vic.gov.au; www.npia.police.uk;
and National Audit Office, 2012, Mobile Technology in Policing, www.nao.org.uk

For the QPS, there are opportunities to improve productivity through mobile computer-aided dispatch tasking, remote QPRIME data entry, e-ticketing and biometric scanning. ICT systems will also create opportunities for new and more seamless ways of interaction between the police and the community. This includes web-based provision of information to the QPS by members of the community and greater use of social media, which was used to great effect during the 2010-11 flood disaster in Queensland. QPS previous and current investments in ICT infrastructure are discussed in more detail later in Section D11.7.

A transition towards mobile and digital platforms will change the service model for policing. It is likely that there will be less focus on station-based operations and greater focus on in-the-field tasking and operations. In turn, this may influence the design, location and number of police stations in the future, with opportunities to create different types of service points that better reflect the needs of local communities. Options to be explored may include:

- self-service kiosks in shopping centres (with one already in place in Brisbane)
- mobile police stations in resource-based communities
- policing hubs in metropolitan and regional centres.

There are also opportunities to co-locate some policing infrastructure with emergency services infrastructure, including ambulance and fire stations and communications centres. Joint infrastructure planning is anticipated to deliver a number of benefits, including more efficient investment and, over time, greater opportunities for the integration of technology and service responses. The co-location of emergency services infrastructure is considered in more detail in Section D13 of this Report.

Greater utilisation of mobile and digital platforms by the QPS will require a shift away from more traditional resourcing strategies based around the location of police stations, and the deployment of staff on a district and regional basis. This will require a more flexible approach to workforce management.

The use of taskforces is a case in point. Increased use of taskforces would give the QPS the ability to dedicate resources to priority issues for specific periods of time. Taskforces are often used for site-specific work requiring specialist skills, such as a homicide investigation, or in response to crime trends that require additional resourcing to be shifted temporarily to particular locations to address specific needs.

There are currently around 1,000 sworn officers and civilian staff deployed in this manner, including detectives, forensic staff and general duties police officers. This is an effective model, but its application is limited due to industrial and workforce constraints, which are discussed later in Section D11.6. Greater flexibility to deploy taskforce-based resources would improve the ability of the QPS to respond to emergent need.

The Commission notes that the QPS plans to increase its use of taskforce operations as part of the new governance arrangements to take effect in July 2013. More flexible resourcing strategies will be essential in managing increased demand for police services. This includes investing in a suitable mix of human resources, physical assets and ICT infrastructure to give the QPS the capability and flexibility to address expected future growth in demand.

> ### *Recommendation*
>
> **101   Resourcing decisions for the Queensland Police Service:**
>
> - **be based on a comprehensive analysis of risk factors, rather than simple police-to-population ratios**
>
> - **support the application of police service models that are flexible and efficient in managing demand, and make use of modern ICT tools**
>
> - **achieve better integration of workforce and infrastructure needs.**

D11.5 SERVICE DELIVERY

D11.5.1 Civilianisation and contestability

Over a long period of time, sworn police officers in the QPS have been used in a range of roles that do not require the use of police powers or the specialised skills that police officers acquire through training. The QPS first began to address this issue following the 1989 Fitzgerald Inquiry, through a process of civilianisation.

Since then, many roles formerly undertaken by sworn officers are now undertaken by general (civilian) staff, including roles in human resources, accounting, policy and administration. More technical and specialised roles in communications, vehicle maintenance, and radio and electronics have also been subject to civilianisation.[15]

The transfer of these roles to general staff has meant that police officers can be deployed to operational policing, where their training and experience can be utilised most cost effectively. Civilianisation also allows the QPS to recruit staff in specialised areas, and often at a lower overall cost because of the absence of regular operational police training requirements. In other cases, civilianisation may also provide QPS with greater flexibility to retain staff in specialised roles such as computer forensics, which are highly valued in the private sector.

There is no active civilianisation process currently in place in the QPS. However, the QPS has identified a number of areas where further civilianisation could potentially occur. These roles include:

- support to court services, including (but not limited to) prosecutions staff, legislative development roles, and the quality assurance of briefs of evidence

- management roles in police watch houses

- technical support functions, such as maritime technicians

- client service roles, such as the staffing of enquiry counters at police stations.

The Commission notes that there are a number of other areas where civilianisation or contestability could be further explored, including mobile traffic camera services and traffic control activities such as wide load escorts.

Both New South Wales and Victoria have outsourced the delivery of traffic camera operations. The 'back office' aspects of these roles have already been civilianised in Queensland, including roles relating to the installation, maintenance, calibration and operation of red light cameras, fixed speed cameras, speed and other measurement devices. Fixed digital cameras are managed remotely, which has created some efficiencies, and allowed savings to be redirected towards camera and site maintenance activities.

The feasibility of outsourcing police-operated traffic camera functions should be tested through a competitive market tendering process. It should be possible to establish a contestable market for the private provision of these services in south-east Queensland, while market analysis and testing will be required to establish feasibility in other parts of the State.

There may also be opportunities to civilianise or outsource traffic control functions currently performed by the QPS. The extent to which police officers are used to control traffic is determined on a case-by-case basis, depending on the complexity and risks associated with the traffic management plan required. While traffic control services are provided by police on a fee-for-service basis, they are nevertheless an unnecessary distraction for police officers who could be utilised more effectively in front-line policing activities.

There are already other options for the provision of these services. The Department of Transport and Main Roads conducts accreditation programs for traffic control work, including stop–go roadwork services. There is scope to expand the use of private accredited providers through a contestable market process, so that the QPS can scale back the use of police officers for these non-core services.

The primary consideration in determining whether to progress civilianisation and/or contestability processes is the extent to which cost efficiencies can be achieved. In assessing this matter, the effect of civilianisation and outsourcing on total QPS resourcing needs to be taken into account, to ensure that measurable savings are achieved.

Recommendation

102   The Queensland Police Service adopt alternative models for service delivery, including civilianisation and/or competitive market tendering processes for roles which need not be done by sworn officers, including:

- *traffic control services, including wide-load escorts*
- *mobile traffic camera services*
- *court support, technical support, watch house and client service roles.*

D11.5.2   Service integration across agencies

The QPS provides support to a number of agencies to provide more integrated and accessible services to the community. However, this adds to police resourcing pressures and can result in service duplication. Specific examples are:

- providing transport-related services on behalf of the Department of Transport and Main Roads (DTMR), including driver licensing, registration, motor vehicle inspection and driving test services

- providing prisoner transport services on behalf of the Department of Community Safety (DCS), including transport between watch houses, correctional facilities and courts.

The delivery of transport-related services by the QPS is an important service in rural and remote areas of the State, and supports road safety outcomes in these areas. However, there are 62 police stations providing these services that are within 30 kilometres of a DTMR customer service centre or a Queensland Government Agent Program (QGAP) office.

This represents a duplication of effort that diverts resources away from operational policing. There may be scope to rationalise the provision of some transport-related services on a case-by-case basis, especially where a DTMR or QGAP is located less than 30 kilometres away. The increased use of online services may also reduce the level of demand for face-to-face services. Decisions to consolidate services in these areas should be informed by consultation with key stakeholders.

As part of its 24-hour service model, the QPS also contributes significant resources to the transport of prisoners. The QPS estimated the resourcing costs associated with these activities at almost $3.5 million in 2011-12, although QPS advises that this may be an under-estimate, as not all prisoner processing activities were covered. There are opportunities to achieve efficiencies in this area through the use of alternative models of service delivery, which do not rely on the utilisation of police resources. These are discussed in detail in Section D12 of this Report.

Inter-agency cooperation is one of several issues to be considered as part of a portfolio review of the State's police and emergency services announced in November 2012. The review is investigating the operational capabilities of the QPS and DCS (comprising Queensland Ambulance Service, Queensland Fire and Rescue Service, Emergency Management Queensland and Queensland Corrective Services). The review will be completed in mid-2013, and should inform the development of more specific strategies for achieving efficiencies and improving outcomes in the area of inter-agency service integration.

D11.6 WORKFORCE MANAGEMENT

Police forces in Australia and internationally are increasingly turning their attention to the management frameworks and employment conditions required to drive efficient and effective policing. The recent UK Winsor review of police staffing found that:

> "… *police pay and conditions have developed a degree of rigidity and a distance from modern management instruments and practices. These inhibit the ability of the police service to adapt to the changing needs of the public and the demands properly made of the police".*[16]

In Queensland, requirements established under the Queensland Police Service Determination 2010 (the certified agreement) create challenges for workforce management. These requirements have limited the ability of the QPS to manage its workforce, operationalise its resources to meet demand and remunerate staff at an appropriate level. For example:

- Schedule 6, clause 6.1 of the certified agreement limits the ability of the QPS to laterally appoint ex-members and interstate police officers to ranks above Constable pay point 1.5 (equivalent to a base pay of $60,952 as at 1 July 2012). Depending on experience, appointments may be made at even lower salary levels. These requirements limit the recruitment of highly skilled officers with appropriate levels of experience and add to recruitment and training costs. It is noted that Western Australia, for example, has greater flexibility and discretion to employ interstate officers based on their experience.

- Schedule 9, relating to sick leave bank arrangements, aims to assist police officers who cannot work due to a chronic and/or long-term medical condition and who have exhausted all their sick leave benefits. The schedule provides for the payment of consolidated allowances (for example, operational shift allowance) for the first 26 weeks that an employee is accessing the sick leave bank. However, these provisions have created a disincentive for officers to enter into rehabilitation placements, and therefore limit the ability of the QPS to manage long-term absences.

- Schedule 1, Part 4 provides for rostering within and/or across districts, with the objective of maximising workforce flexibility. However, achievement of this objective is constrained by prescriptive and inflexible rostering conditions. For example, there are detailed requirements regarding the rostering of weekend shifts. Work in locations that require travel in excess of 40 km from an officer's current residence is limited to one roster period every six months unless mutually agreed.

- The Operational Shift Allowance (OSA) is paid under the certified agreement in lieu of shift and weekend penalty rates, public holiday rates, and annual leave loading. The OSA is calculated as 21% of an employee's base salary, where the person works in operational shift positions. With changing patterns of weekend work, QPS has not been able to determine readily whether the OSA reflects actual work patterns.

The certified agreement also includes a number of low-value transfer expense provisions that are better suited to policy documents than industrial determinations. These include entitlements regarding the transport of pets and/or plants for transferred officers, and overnight accommodation and meal entitlements while en route. While these matters are not of a material nature, they nevertheless illustrate the prescriptive nature of the certified agreement.

System improvements such as an electronic rostering system will be necessary before matters such as the OSA can be properly addressed. However, as a first step, it would be desirable to simplify the nature and conditions of the certified agreement so that system changes are more straightforward.

Greater workforce flexibility is essential to enable the QPS to deploy resources efficiently and effectively as part of more mobile and responsive service delivery models of policing. This will require the removal of restrictive work practices from future certified agreements, especially where they constrain the capacity of managers to shift resources rapidly to meet changes in policing demands.

The Commission notes that implementation of the proposed new structure and governance arrangements in July 2013 will assist in achieving greater workforce flexibility. This is especially the case with greater use of taskforces and the implementation of a staff rotation system in a number of work areas (rather than a transfer system).[17] These changes will play an important role in changing the way the QPS manages its human resources.

Recommendation

103   The Queensland Police Service modernise its workforce management arrangements by:

- *creating greater flexibility in district-level rostering*
- *removing barriers to the lateral appointment of ex-members and interstate police officers*
- *reforming sick leave bank entitlements to promote timely rehabilitation*
- *revising operational shift allowance arrangements to ensure they reflect actual work patterns.*

D11.7 ASSET MANAGEMENT

Capital expenditure on police assets in Queensland has varied significantly in the past seven years, increasing from $106.9 million in 2005-06 to a peak of $224.9 million in 2008-09, before declining to $139.7 million in 2011-12 (Chart D11.12).

**Chart D11.12
Capital expenditure**
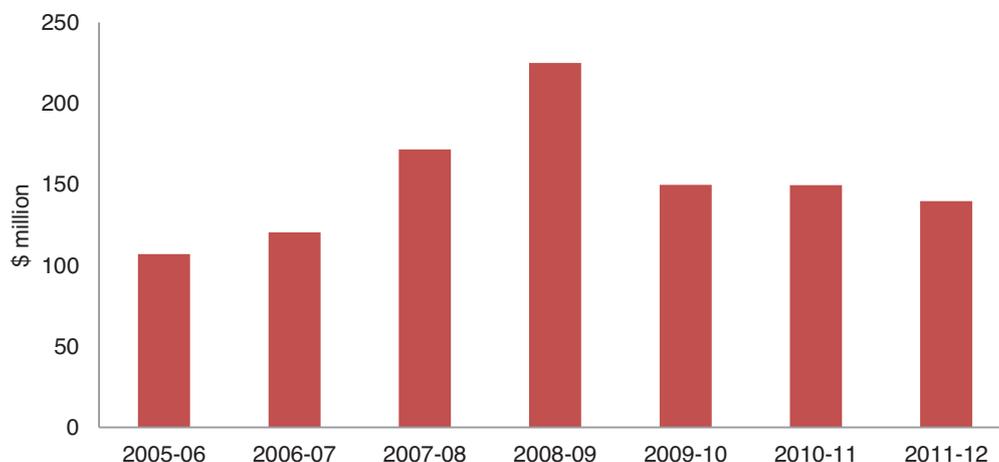
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.3; see also Report on Government Services 2012, Table 6A.3

As shown in Chart D11.13, assets held by the QPS in 2011-12 were valued at $1,857.1 million. The total value of assets has increased by 57.4% between 2005-06 and 2011-12.

Chart D11.13
Total value of police assets
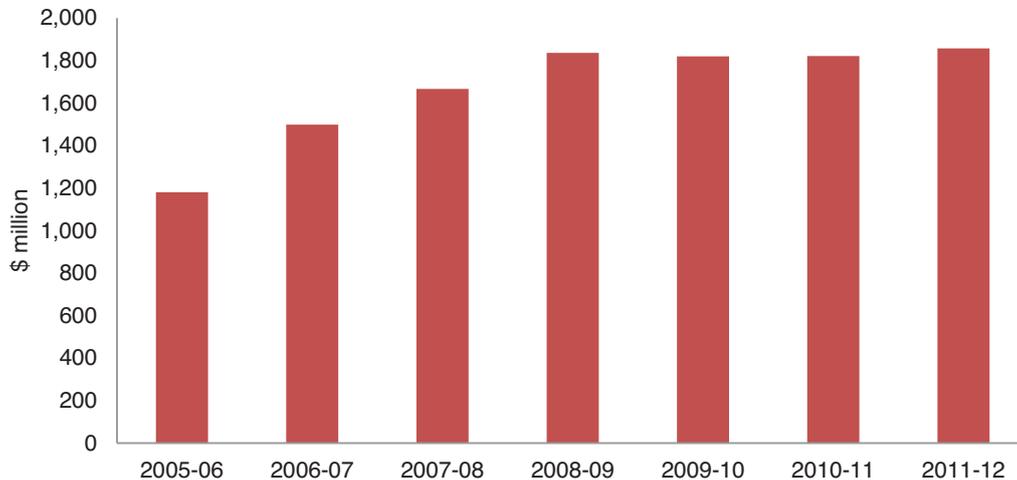
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 6A.3; see also Report on Government Services 2012, Table 6A.3

Queensland's level of assets is higher in absolute terms than any other state, including the more populous states of New South Wales and Victoria, as shown in Chart D11.14. Queensland's fixed asset stock of $1,857.1 million compares with $1,635.7 million in New South Wales and $1,272.4 million in Victoria.

Chart D11.14
Police assets, 2012
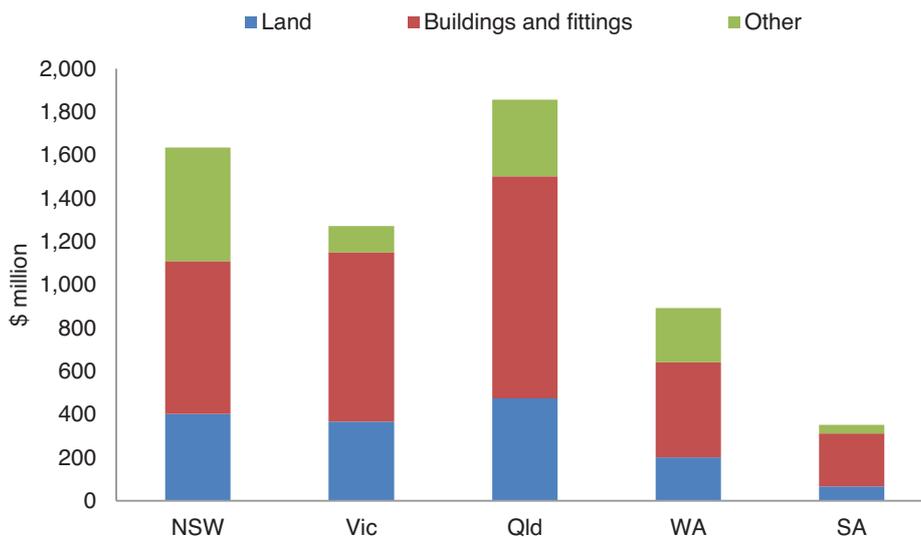
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Tables 6A.1-5

On the basis of assets per FTE employee, the differences are even more pronounced. As shown in Chart D11.15, Queensland has assets per FTE employee of $126,574, some 29.7% higher than the Australian average of $97,587.

Chart D11.15
Police assets per employee, 2012
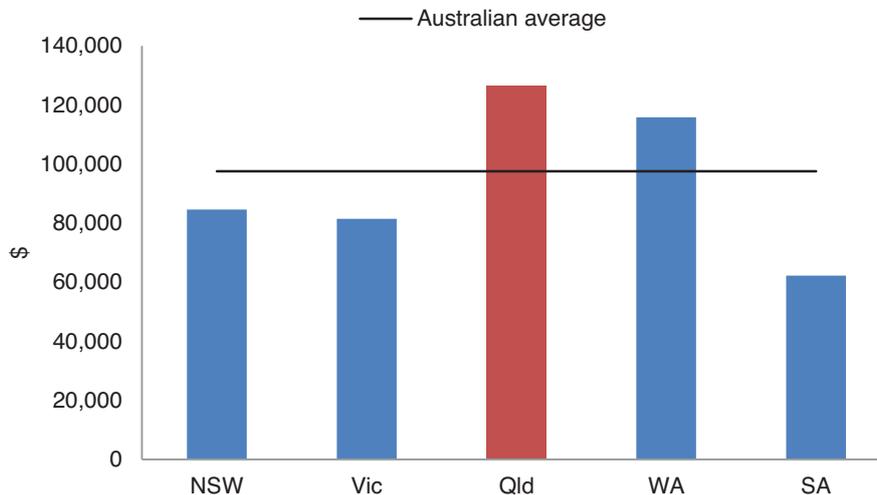
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Tables 6A.1-8

A number of factors may contribute to Queensland's comparatively high level of police assets, including:

- the state's geographic size and decentralised population

- QPS ownership of employee accommodation and police aircraft assets (the latter of which is under review by Government)

- legacy issues, including police stations that continue to operate despite population changes that diminish the need for a police presence, and difficulties in disposing of underutilised assets.

The large asset base creates significant and ongoing maintenance costs for the QPS. Some rationalisation and consolidation of assets may be warranted. This is especially the case for underutilised assets, particularly where they do not accord with future resourcing priorities. There may be opportunities to review the appropriateness of the asset base with the reduction in the number of regions and districts as part of the current structural changes in the QPS.

Infrastructure investment decisions are informed by annual plans considered by the Strategic Capital and Assets Committee in the QPS. Decisions on whether to close existing stations are informed by a range of factors, including:

- population trends over an eight-year period
- crime trend data and calls for service data, both over a three-year period
- proximity to other police divisions
- placement history of officers at relevant locations

- financial impact of maintaining divisions
- potential impact on the community.

As noted earlier, some policing infrastructure may be able to be co-located with emergency services infrastructure in the future, which may reduce future infrastructure costs. This issue is explored in more detail in Section D13 of this Report. The increasing use of mobile data capability will also provide opportunities for more 'portable' station infrastructure, such as in areas with large scale mining activities.

ICT is an increasingly important area of infrastructure investment. Since 2006, the QPS has made large-scale investments in new technology to deliver more integrated, efficient and effective services. These new technologies include:

- QPRIME, which replaced over 234 legacy systems and created a single source of high quality information. QPRIME also captures information from the Department of Justice and Attorney-General regarding finalised court outcomes, bail, adjournments and orders.

- A new computer-aided dispatch (CAD) system, known as QCAD, which records and manages calls for service received from Triple Zero and general phone lines. QCAD is designed to support the efficient management of calls for service, improve response times, and better distribute workloads across Police Communication Centres.

- The development of a new weapons licensing management system, integrated with QPRIME, which was launched in late 2012. Clients can submit and pay for applications for new licences and permits using a secure online facility.

- The trialling of mobile services, including in-car cameras, that provide officers with real-time operational information in the field. The in-car camera technology that digitally records the number plates of cars is designed to gather evidence for 'evade police' offences, and may reduce the number of police pursuits. This will in turn improve community safety and provide data to support more efficient investigation and prosecution processes.[18]

In addition, the proposed Government Wireless Network will provide a digital radio voice and narrowband data communications network for use by the QPS and the Department of Community Safety. A competitive tender process is being coordinated by Projects Queensland, within Queensland Treasury and Trade, to select a private sector proponent to design, construct, finance, operate and maintain the network.[19]

Future investment in police infrastructure needs to be responsive to modern police service delivery needs, especially emerging resourcing priorities and more flexible and mobile forms of service delivery. This will require an infrastructure strategy that considers the appropriate balance between:

- workforce and infrastructure investment
- investment in physical infrastructure and ICT infrastructure
- investment in new assets and rationalisation, consolidation and maintenance of existing assets.

Achievement of the appropriate balance will require careful assessment and judgment, to achieve greater long-term responsiveness and efficiency of overall policing resources.

Recommendation

104   *The Queensland Police Service rationalise and consolidate its existing capital stock, particularly in relation to under-utilised assets, and possible co-location with emergency service assets, as part of a broader infrastructure strategy that is more responsive to modern police service delivery needs.*

ENDNOTES

1   Description of services based primarily on key strategies included in the *Queensland Police Service Strategic Plan 2012-16*, accessed from www.police.qld.gov.au

2   Queensland Police Service, *Annual Statistical Review 2011-12*, 2012, accessed from www.police.qld.gov.au

3   Queensland Police Service, *Overview of the Proposed Changes to the Structure and Governance of the Queensland Police Service,* 2013, pp. 30-31, accessed from www.police.qld.gov.au

4   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Productivity Commission, 2013*,* Table CA.5, accessed from www.pc.gov.au

5   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* pp. 6.29-6.30

6   Queensland Police Service, *Annual Statistical Review 2011-12*, p. 10

7   For the purposes of annual reporting, the QPS reports on road fatalities per 100,000 population measure. The QPS 2011-12 annual report notes that Queensland recorded 6.01 fatalities per 100,000 population in the 2011 calendar year, which was the second lowest rate recorded in Queensland for a calendar year since accurate records commenced in 1952.

8   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 6A.10

9   Queensland Police Service, *Annual Statistical Review 2011-12*

10 Queensland Police Service, *Annual Statistical Review 2011-12*

11 *Police Service Administration Act 1990* (Qld)*,* accessed from www.legislation.qld.gov.au

12 Service Delivery and Performance Commission, *Report on the Service Delivery and Performance Management Review of the Queensland Police Service*, 2008, p. 46, accessed from 'tabled reports', www.parliament.qld.gov.au

13 Queensland Police Service, Brisbane Police Communications Centre Evaluation of Triple Zero Calls for Service, 2012, unpublished

14 The Consultancy Bureau Pty Ltd, Review of the Queensland Police Service Communications and Service Delivery Response Environment, 2012, unpublished

15 Service Delivery and Performance Commission, *Report on the Service Delivery and Performance Management Review of the Queensland Police Service*, p. 67

16 TP Winsor, *Independent Review of Police Officer and Staff Remuneration and Conditions.* Part 1 Report, 2011, p. 16, accessed from www.review.police.uk

17 Queensland Police Service, *Overview of the Proposed Changes to the Structure and Governance of the Queensland Police Service,* p. 130

18 Queensland Police Service, *Annual Report 2010-11*, 2011, p. 44, accessed from www.police.qld.gov.au

19 Queensland Treasury and Trade, *Government Wireless Network Project: Expression of Interest,* 2012, accessed from www.treasury.qld.gov.au

D12   CORRECTIVE SERVICES

KEY ISSUES

- Queensland's prisons are comparatively efficient in their operation. In 2011-12, Queensland's net operating expenditure per prisoner per day was lower than other states. Similarly, Queensland had the lowest operating expenditure per offender (probation and parole) per day of any state.

- The size of Queensland's prisoner population has been relatively stable over the past seven years. In contrast, the number of people receiving probation and parole services increased by 26.3% between 2005-06 and 2011-12.

- The corrective services sector has limited options at its disposal to manage service demand. Prisoner numbers are influenced by a range of factors, including rates of crime, sentencing practices, parole board decisions and the effectiveness of programs to reduce recidivism.

- In Australia and internationally, jurisdictions are exploring the use of outcomes-based funding mechanisms to incentivise reductions in recidivism. These funding models use partnerships across the non-government sector to inject additional funds and redirect investment towards prevention and early intervention.

- Queensland has been an early leader in Australia in the private operation of prisons. Introducing contestability has supported improvements in operational efficiency in both public and privately managed prisons.

- Prison operations are supported by the delivery of a range of ancillary services. Current service delivery models for prisoner transport and other ancillary services may not represent the best possible value for money.

- The cost of capital investment in new and refurbished infrastructure is very high. New infrastructure requirements need to be continuously reviewed, as the main factors affecting future prisoner numbers are largely outside the control of QCS, and are often difficult to predict.

- It is not clear that asset maintenance arrangements delivered under a centrally managed service level agreement maximise value for money for Queensland.

D12.1 SERVICE PROFILE

Queensland Corrective Services (QCS) within the Department of Community Safety (DCS) has responsibility for corrective services in Queensland. These services include:

- custodial services, which provide for the humane containment, supervision and rehabilitation of offenders in correctional centres

- probation and parole services, which support the supervision and rehabilitation of offenders in the community.

Based on data in *Report on Government Services 2013,* the real net operating expenditure on prisons in Queensland was $422.8 million in 2011-12 (Chart D12.1).
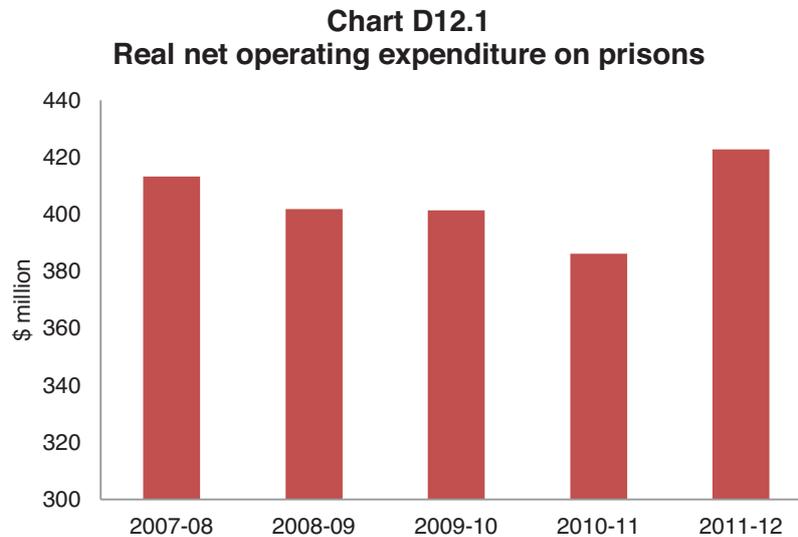
Chart D12.1
Real net operating expenditure on prisons

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.39

As shown in Chart D12.1, there can be some variability in operating expenditure from year to year. DCS advise that the increase in costs that occurred in 2011-12 relate to the costs associated with increased employee expenses, the decommissioning of Borallon Correctional Centre and the commissioning and operation of new and expanded infrastructure at the South Queensland Correctional Centre and Lotus Glen Correctional Centre.

Real net operating expenditure for community corrections has increased steadily over time, rising from $54.2 million in 2007-08 to $76.4 million in 2011-12 (Chart D12.2).

Chart D12.2
Real net operating expenditure on community corrections
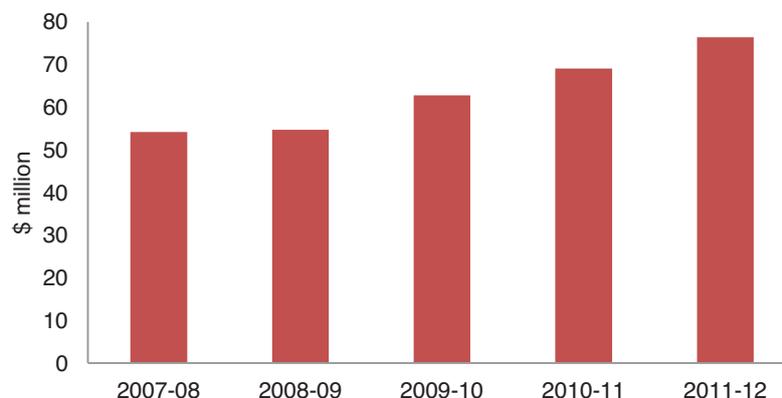
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.42

The average number of prisoners and offenders has shown markedly different trends. As shown in Chart D12.3, Queensland had an average daily prison population of 5,650 people in 2011-12. The average population has remained relatively stable in the seven years to 2011-12, rising from 5,449 in 2005-06.

Chart D12.3
Average daily prisoner population
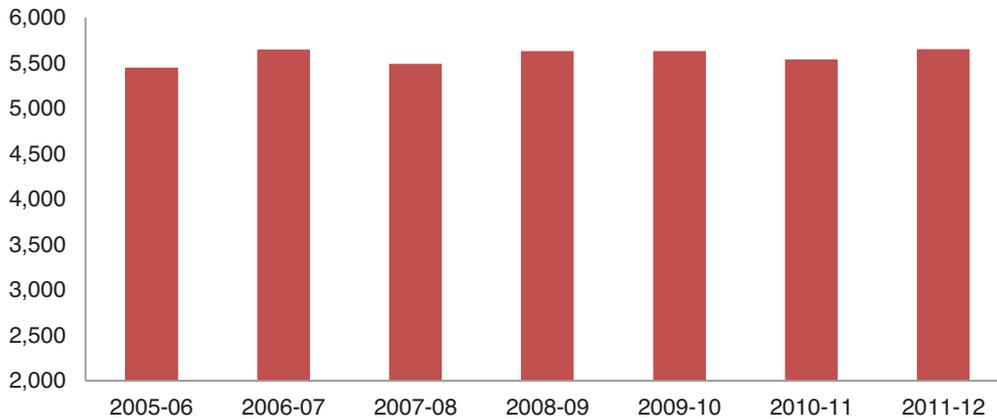
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.39; see also Report on Government Services 2011, Table 8A.39

In 2011-12, 92.1% of the average daily prisoner population was male. Aboriginal and Torres Strait Islander people are over-represented in the prison population, accounting for some 29.5% of prisoners.[1]

In contrast to the prisoner population, the community corrections offender population has steadily increased over time. The average number of people receiving probation and parole services rose from 12,024 in 2005-06 to 15,181 in 2011-12 (Chart D12.4), an increase of 26.3%. During this period, the number of offenders peaked at 15,502 in 2010-11.

Chart D12.4
Average daily community corrections offender population
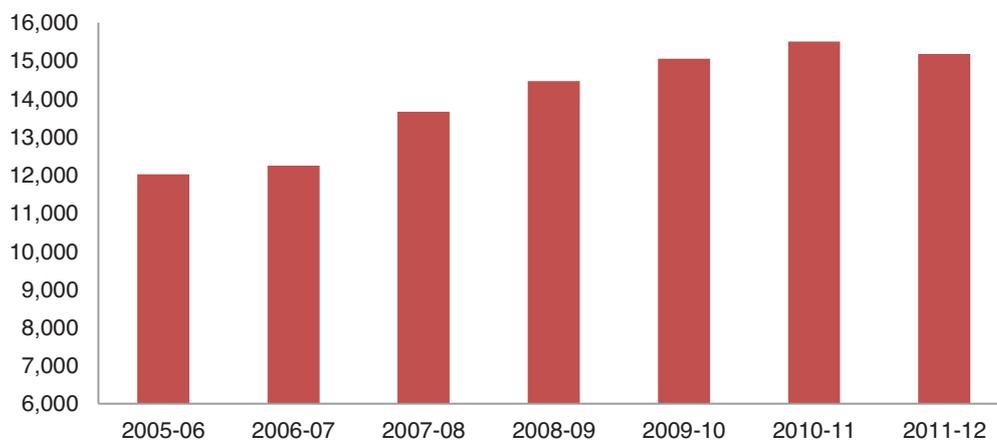
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.42; see also Report on Government Services 2011, Table 8A.42

The increase that occurred during this period can be attributed largely to the commencement of the *Corrective Services Act 2006*, which introduced a new probation and parole model. Under the new model, all current and future prisoners must be either in custody or under supervision in the community for the full duration of their sentence. The requirement that prisoners subject to early release continue to be supervised in the community has resulted in an increase in the number of people subject to community corrections.

Corrective services are delivered at a number of facilities across the State. As at 30 June 2012, there were 14 custodial facilities operating in Queensland, including two privately managed prisons.[2] Probation and parole services were provided at 48 offices.[3]

QCS employs a range of frontline and other staff in the delivery of its services. As at 30 June 2012, there were 3,326 full-time equivalent staff, including 2,681 frontline, 626 support and 19 corporate services personnel.[4]

D12.2 COMPARATIVE PERFORMANCE

Queensland's comparative performance in corrective services can be assessed using data reported in the *Report on Government Services 2013.* The data below uses 2007-08 as the base year for analysis, as earlier data are unavailable.

Cross-jurisdictional data indicates that Queensland's prisons are operating on a comparatively efficient basis (Chart D12.5). Real net operating expenditure per prisoner per day was the lowest of all mainland states, at $204.86 in 2011-12. The next lowest was South Australia ($211.44) and New South Wales ($212.31).
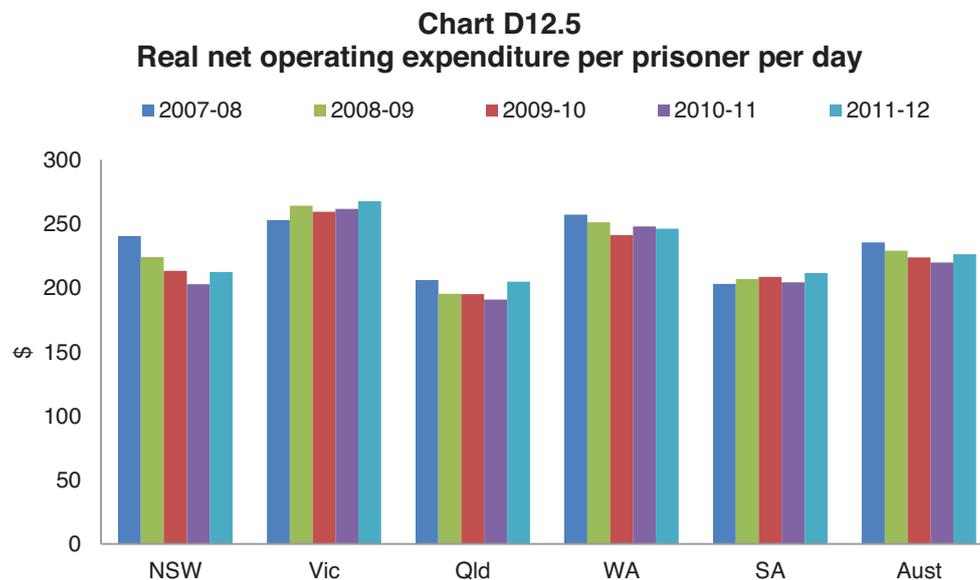
Chart D12.5
Real net operating expenditure per prisoner per day

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 8A.9

The costs associated with community corrections are much lower than the costs of imprisonment. In the community corrections sector (Chart D12.6), Queensland also had the lowest real net operating expenditure per offender per day of any mainland state in 2011-12. Queensland's costs ($13.78) were less than one-third of Western Australia ($42.62), and have remained the lowest across the mainland states since 2007-08.
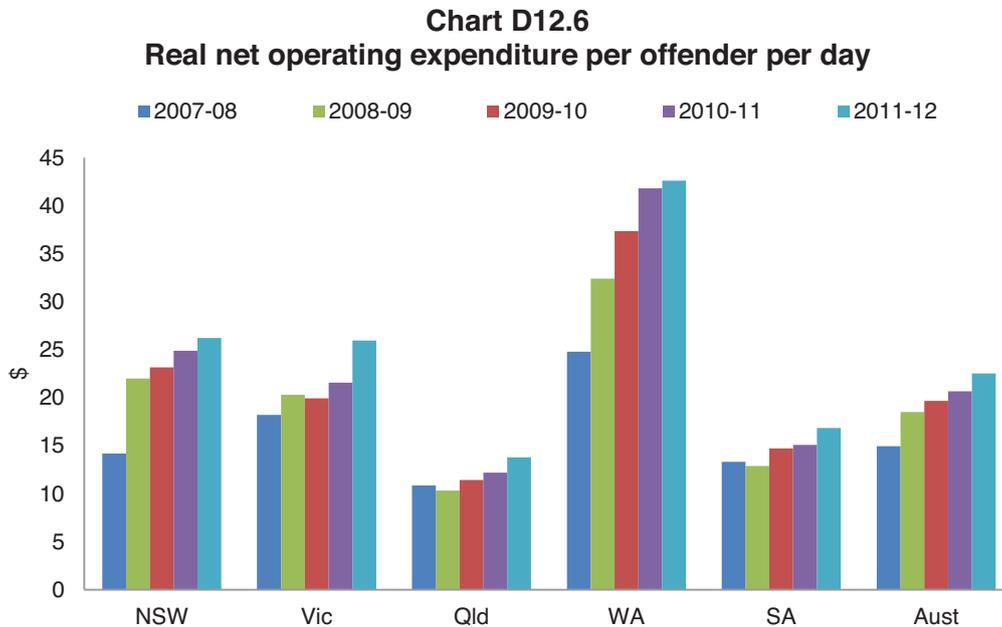
Chart D12.6
Real net operating expenditure per offender per day

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.11

Data suggests that Queensland has more efficient staffing levels in community corrections than other jurisdictions. In 2011-12, there were 30.5 offenders per operational staff member, and 115 offenders for non-operational staff (Chart D12.7). In both cases, these were the highest ratios of all states.

A contributing factor is Queensland's use of risk-based approaches to manage offenders. This enables tailored and scalable resourcing decisions to be made based on the level of risk to the community. The approach includes the use of biometric technology for identity verification (through finger scanning) in probation and parole services, as well as the use of GPS technology to monitor and track some offenders subject to continuing supervision orders. This is a cost-effective approach, as it reduces the amount of direct supervision required, and frees up resources for managing higher-risk offenders.

Chart D12.7
Community Corrections offender-to-staff ratio, 2011-12
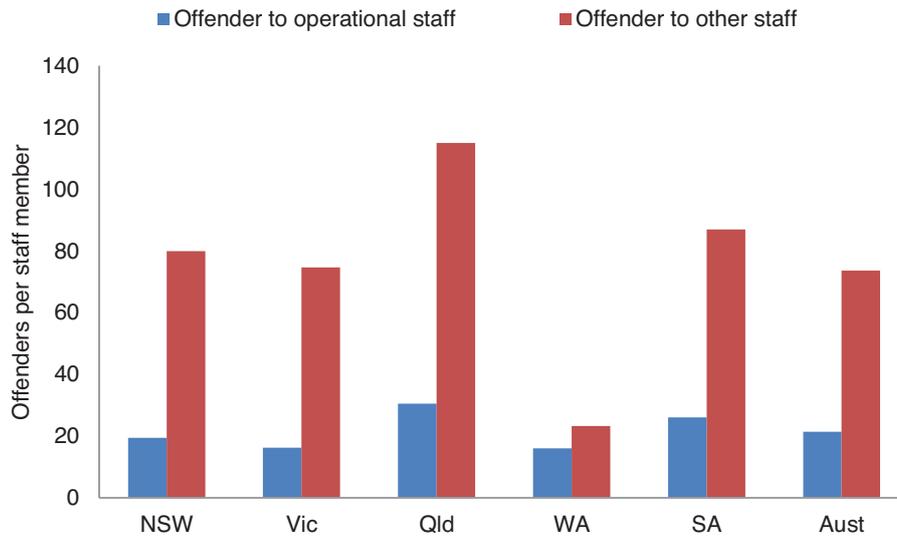
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.22

Queensland's imprisonment rate is mid-range among the mainland states. In
2011-12, there were 161.5 prisoners in Queensland per 100,000 adults, down from
175.7 in 2005-06 (Chart D12.8). The imprisonment rate was highest in Western
Australia (260.9), and the lowest in Victoria (111). In interpreting these results,
legislative provisions for offences and sentencing practices in other jurisdictions must
be taken into account.

Chart D12.8
Imprisonment rate
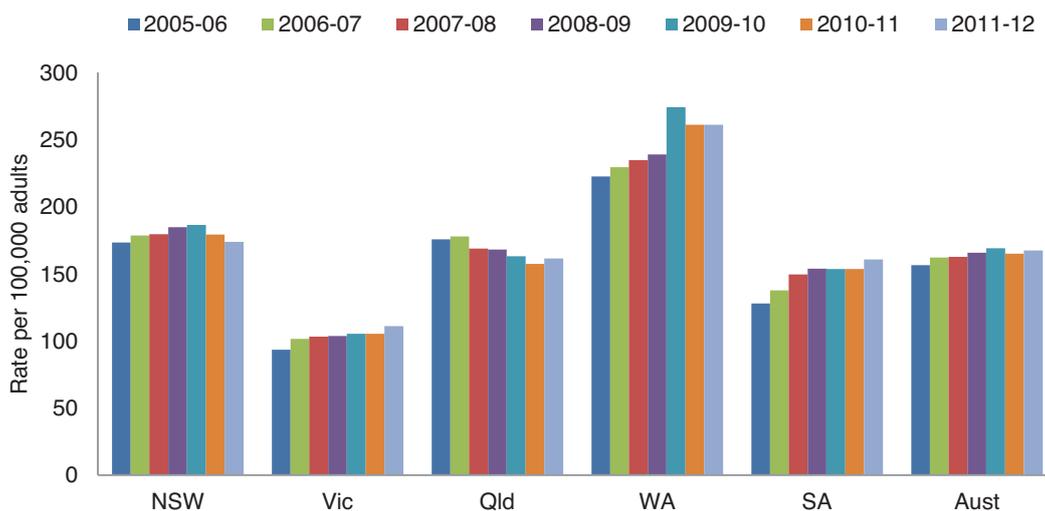
Note: The population figures used are people aged 17 years or over for Queensland and
people aged 18 years or over in the other jurisdictions, reflecting the age at which persons
are remanded or sentenced to adult custody.

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.5; see also Report on Government Services 2011, Table 8A.5

In contrast, Queensland's community corrections rate (offenders per 100,000 adults) has been the second highest of the five mainland states in the seven years to 2011-12 (Chart D12.9). In 2011-12, there were 434 offenders subject to community supervision per 100,000 adults. This is an increase from 387.7 in 2005-06. Again, this increase in Queensland can be attributed in large part to the impact of legislative changes relating to parole and probation.

Chart D12.9
Community corrections rate

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 8A.5; see also Report on Government Services 2011, Table 8A.5

Many prisons include on-site prison industries that have the dual purpose of providing prisoners with employment skills, and creating a revenue stream to offset operating costs. In 2011-12, 75.5% of the eligible prisoner population in Queensland participated in employment (Chart D12.10). Of these, 31.4% worked in commercial industries and 44.1% in service industries. Of the mainland states, Victoria had the highest proportion (88.9%) of eligible prisoners participating in employment programs.

Chart D12.10
Proportion of prisoners in employment 2011-12
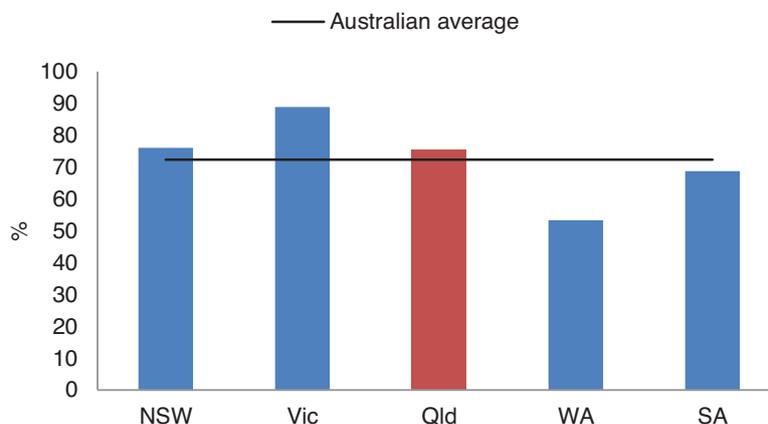
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 8A.20

In response to changes in the external economic environment, QCS modified its service model for prisoner industries so that its operations better reflect demand for production. These changes will see the operating hours of prison industries in five correctional centres reduce from seven days to five days a week. The changes may reduce the proportion of prisoners in employment in 2012-13.

Education and training is an important component in improving the employment and reintegration prospects of prisoners. As shown in Table D12.1, the percentage of eligible prisoners in Queensland that participated in education and training (26.5%) in 2011-12 is lower than that of the other mainland states. Queensland had the highest proportion of prisoners enrolled in higher education, but also had the lowest proportion enrolled in vocational education and training.

Table D12.1 Prisoner education and training, 2011-12 (%)					
	NSW	**Vic**	**Qld**	**WA**	**SA**
Pre-certificate Level 1 courses	3.5	5.2	5.8	0.6	21.0
Secondary school education	14.1	0.8	1.4	0.1	0.1
Vocational education and training	21.2	32.6	18.8	30.4	25.0
Higher education	0.9	2.4	3.4	1.6	0.3
Percentage of prisoners in education	**35.3**	**37.2**	**26.5**	**31.8**	**46.4**

Note: Percentage of total prisoners in education may not equal the sum of percentages for each education category, as an individual may be participating in more than one type of education course.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 8A.21

The *Report on Government Services 2013* does not report data on training program completions, so comparisons across jurisdictions cannot be made. However, DCS reports that some 87% of prisoners who commenced a vocational education and training course in Queensland completed the program in 2011-12, an increase of 5 percentage points on the 2010-11 result.[5] The high completion rate is a positive result, and consideration should be given to expanding participation in education and training programs, especially given their linkage to future employment opportunities.

D12.3 SERVICE DEMAND

The corrective services sector has limited options at its disposal to manage service demand. Prisoner numbers are influenced by a range of factors, including:

- rates of detected crime and prosecution
- sentencing practices, including mandatory sentencing requirements and use of diversionary strategies
- legislative and policy changes
- parole board decisions
- the effectiveness of programs to reduce recidivism
- the efficiency of courts in progressing cases
- the level of prisoner 'churn' as determined by the above factors.

The interplay of these factors and their effect on prisoner numbers is complex. Moreover, QCS has limited capacity to influence most of these factors.

A key factor in the level of demand for corrective services is the rate of recidivism. As shown in Chart D12.11, the proportion of Queensland's released prisoners who returned to prison under sentence within two years rose from 27.6% in 2005-06 to 37.7% in 2011-12. Queensland had the second highest proportion of prisoners in this category in 2011-12, behind New South Wales (42.5%). While Queensland's 2011-12 performance is still below the Australian average (39.3%), the increase that occurred in Queensland in the seven years to 2011-12 was in contrast to the general downward trend seen in a number of states over the same period.

Chart D12.11
Prisoners released who returned to prison under sentence within two years

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table C.5; see also Report on Government Services 2011, Table C.3

As required under section 266 of the *Corrective Services Act 2006*, QCS provides a range of programs and services that support the welfare and rehabilitation of prisoners and their reintegration into the community upon release from custody. These programs include:

- high risk offender programs that target sexual offending, violent behaviour and substance related offending

- specific programs for Aboriginal and Torres Strait Islander people, targeting family violence and substance abuse delivered in correctional centres and through probation and parole

- custodial offender services, including chaplaincy services, Elder's visitation services, visitor transport services and playgroups for children of incarcerated female prisoners

- reintegration programs, including transitional programs and services that are tailored in accordance with the level of recidivism risk, and are designed to provide accommodation and other forms of reintegration support

- community programs, which are designed for offenders under a community supervision order, and may include programs addressing substance abuse and sexual offending, programs for Aboriginal and Torres Strait Islander people and general assessment and referral services.

Queensland's recidivism rate is of concern. Notwithstanding the implementation of these programs, the increasing rate of recidivism in Queensland indicates there is a need to explore alternative initiatives to rehabilitate and reintegrate prisoners into the community.

A number of jurisdictions are piloting innovative outcomes-based funding models to reduce recidivism. The most well-established example is the United Kingdom's Social Impact Bonds, which were introduced in 2010 at Peterborough Prison. Since then, similar outcomes-based funding mechanisms for prisoner rehabilitation programs are being considered in the United States and in Australia.

Social impact bonds operate as a partnership between government and the non-government sector. The model uses private sector finance and the social program expertise of not-for-profit entities to achieve improved outcomes in complex and high cost areas of service delivery.

In the case of corrective services, the bonds provide a funding mechanism for programs with a goal to drive improvements in recidivism. The funding is provided by private institutional investors to not-for-profit entities, which then deliver programs in support of that goal. The programs incorporate performance indicators that have been negotiated and agreed by Government, financiers and the not-for-profit entities.

The bonds operate on the premise that, if the agreed goals are achieved, government spending on high-cost prison services should decrease. If this is the case, Government then is able to use a portion of the savings to provide investors a return on their investment, based on performance. In this way, the use of private finance provides Government with an innovative way to shift the focus towards prevention and early intervention, and reduce the rate of imprisonment in the longer term.

As a first case in Australia, the New South Wales Government has announced a pilot of Social Benefit Bonds (SBBs) as a way of driving improved results in foster care and recidivism (see Box D12.1).

Box D12.1
Social Benefit Bonds in New South Wales

The New South Wales Government is piloting a new financing mechanism called Social Benefit Bonds (SBBs) to achieve outcomes in the community services sector.

The pilot includes three projects focussed on improving foster care and reducing recidivism among young offenders:

• The Benevolent Society, with Westpac Corporation and the Commonwealth Bank of Australia, will develop a $10 million bond to support 550 families over five years to reduce the number of days children spend in foster care.

• UnitingCare Burnside will develop a $10 million bond to work with children up to five years of age and their parents over seven years to reduce the number of days children spend in foster care.

• Specialist funding organisation, Social Finance, will work with Mission Australia and private prisoner operator, the GEO Group Australia, on a $7 million bond to assist 500 young adult repeat offenders for up to six years.

Organisations participating in the pilot will develop the bonds over a six-month period. A formal agreement will then be negotiated with the government that includes clear performance objectives and the performance standards required to receive payment.

The SBB initiative is administered by the Treasury Department in New South Wales.

Source:
• *NSW Government, 2012, 'Social Benefit Bonds Trial in NSW', accessed from www.treasury.nsw.gov.au*
• *The GEO Group Australia Pty Ltd, 2012, 'Media release: GEO Selected to Provide Australia's First Social Benefit Bond', accessed from www.thegeogroupinc.com.au*
• *Whitbourn, Michaela, 2012, 'Westpac, CBA embrace social bonds'. Australian Financial Review, 20 March 2012, http://afr.com/p/national/westpac_cba_embrace_social_bonds_myi01zs3Mzr2EVCbfTJrkM*

Funding based on the achievement of results in itself is not a new concept; it has been used for some time in both Australia and the United Kingdom in the provision of employment services. What distinguishes SBBs from previous outcomes-based initiatives is the use of private finance and its ability to achieve savings to redirect effort towards prevention and early intervention.

While SBBs are a promising funding mechanism, they should be progressed with caution. Experience to date in the UK indicates that a number of challenges are associated with SBBs, including the need for:

• evidence-based program design
• clear and measurable performance indicators, with results able to be independently verified and attributed to specific interventions
• expertise in procurement and contracting
• partnerships comprising entities that have the necessary experience and history of performance, to build investor confidence and deliver value for money.[6]

Given the high economic and social cost of incarceration to the Government and community, innovative service delivery responses should continue to be pursued.

International and interstate experience provides a strong foundation for Queensland to explore more innovative ways of managing demand on the custodial system through reducing recidivism.

Recommendation

105   The Government evaluate international and interstate experience with a view to adopting successful models and innovative ways of reducing recidivism.

D12.4   CONTESTABILITY

The concept of privately managed prisons is well established in Queensland. In 1988, the final report of the Commission of Review into Corrective Services in Queensland (the Kennedy Review) recommended that the private sector assume a greater role in prison management. The Borallon Correctional Centre became Australia's first privately managed prison when it commenced operation in 1990. The facility continued to operate under private management until its decommissioning in 2012, which occurred as part of a broader strategy to modernise the State's custodial facilities. The decommissioning occurred in conjunction with the opening of the new Southern Queensland Correctional Centre at Gatton.

The decision to privatise the operation of Borallon Correctional Centre was made in the context of broader public sector management reforms, including the introduction of competition to improve the efficiency of service delivery. There were also a number of sector-specific factors that supported the introduction of privately operated prisons, including:

- the ability of the private sector to provide services in some areas more cost effectively than the public sector

- workforce management and industrial issues within prisons

- the need for greater innovation in service models and improvement in custodial programs.[7]

There are currently two privately operated prisons in Queensland: Arthur Gorrie Correctional Centre (commissioned in 1994 and operated by GEO Group Australia) and the Southern Queensland Correctional Centre at Gatton (commissioned in 2012 and operated by Serco Australia Pty Ltd, which previously managed Borallon). The two facilities collectively accounted for 22.9% of prisoners in Queensland as at June 2012 (Table D12.2).

As set out in Table D12.2, private prisons operate in all mainland states of Australia, albeit in small numbers. Victoria had the highest proportion of prisoners managed by a private prison operator in Australia (32.5%), with Queensland having the second highest proportion.

Table D12.2 Correctional custodial facilities, 30 June 2012					
	NSW	Vic	Qld	WA	SA
Total number of correctional custodial facilities	49	14	14	14	9
Number of privately operated prisons	2	2	2	1	1
Percentage of prisoners in privately operated prisons	15.2%	32.5%	22.9%	20.8%	8.3%

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Tables 8A.1 and 8A.2

The privatisation of prisons in Australia and internationally has resulted in a large body of research on the efficiency and effectiveness of their operations. Experiences in the UK, in particular, indicate that the introduction of contracting has reduced prison operating costs, improved operational transparency and accountability, and resulted in a more positive and humane culture within prisons.[8]

Based on their experience to date, QCS estimates that the cost of privately operated prisons is about 10% below the cost of operating prisons in the public sector.[9] Workforce management costs are a key point of difference between public and privately operated prisons. Lower administrative costs and offender expenses also have contributed to the lower cost base in the private sector.

A comparison of operational costs across correctional facilities is complex, as all facilities have their own distinguishing features. DCS notes that a number of factors affect efficiency, including:

- Design factors:
    - the size of the facility, with larger facilities generally more efficient than smaller facilities
    - the age of the facility, with newer facilities typically featuring more efficient architectural design that require less staff to manage

- Service model factors:
    - the function of the facility (for example, remand) and level of security or supervision required
    - the cost of ancillary functions undertaken at the facility (for example, health services)
    - service needs arising from the profile of the prisoner population (for example, Aboriginal and Torres Strait Islander and female prisoners; specialised programs to reduce recidivism)

- Revenue and return factors:
    - revenue generated by prison industries
    - return on investment for privately operated prisons, including any performance incentives for improved efficiency and effectiveness

- Other operational factors:
    - the occupancy rate
    - industrial and policy settings relating to workforce management
    - utility costs and other overhead expenses.

Taking these various factors into account, experience to date indicates that greater efficiencies can be achieved by private operation of correctional facilities. The Commission considers that the management of all correctional facilities in Queensland should be progressively opened to contestable arrangements, to assess whether private management provides a better value for money solution.

With contestability, it is not always the case that private management will provide better value for money. The 'threat of competition' provided by contestability can encourage greater innovation and efficiency from a public provider. This could result in a mix of public and private providers for the management of correctional facilities, as has tended to be the case in other jurisdictions.[10]

In adopting greater contestability, issues of market concentration need to be considered. The private management of prisons in Australia and internationally is dominated by a small number of highly experienced providers. To ensure the continued efficiency of operations, procurement processes would need to ensure that a single provider does not dominate the market in any one location.

There are also opportunities to drive improvements in performance through innovative procurement and contracting approaches. One option would be to combine the competitive tendering of prison operations with community supervision operations. Managing these services under a single integrated contract would create a more holistic end-to-end service continuum, with increased scope for better outcomes. For example, an integrated contract should offer greater scope to develop innovative solutions to reduce recidivism.

Recommendation

106   *The management of all correctional facilities in Queensland be progressively opened to competitive tendering processes, where there is a contestable market, to ensure that the best value for money outcomes are achieved.*

The introduction of competition in the delivery of ancillary services was first raised in the Kennedy Review in 1988. Since then, the experiences of other jurisdictions, as well as in other sectors, indicate that a number of ancillary services could also be subject to competitive tendering processes where the private sector can provide a comparable service on a value for money basis. These services include, but are not limited to:

- psychological and counselling services
- business development services for prison industries
- 24-hour electronic monitoring of offenders
- rehabilitation programs to offenders addressing the causes of criminal behaviour
- offender drug and alcohol testing services
- prison catering services
- court services, including the escort of prisoners within court complexes.

Where the operation of correctional facilities remains in public hands, the Commission considers that market capacity should be assessed at a state-wide and regional level to determine the feasibility of contracting out the provision of these ancillary services to alternative cost-effective suppliers.

There is also scope to apply competitive tendering processes to prisoner transport services. This issue is considered separately and in more detail in Section D12.6 of this Report.

Recommendation

107   *Where the operation of correctional facilities remains in public hands, market capacity be assessed at a state-wide and regional level to determine the feasibility of contracting out the provision of ancillary services to alternative cost effective suppliers, including:*

- *psychological and counselling services*
- *business development services for prison industries*
- *24 hour electronic monitoring of offenders*
- *rehabilitation programs to offenders addressing the causes of criminal behaviour*
- *offender drug and alcohol testing services*
- *prison catering services*
- *court services (for example, escorting prisoners within a court complex).*

D12.5 Asset Management

As shown in Chart D12.12, prison capital expenditure in Queensland totalled $126.5 million in 2011-12. Capital expenditure can vary significantly from year to year, in line with costs associated with the construction and refurbishment of prison infrastructure.

Chart D12.12
Capital expenditure on prisons
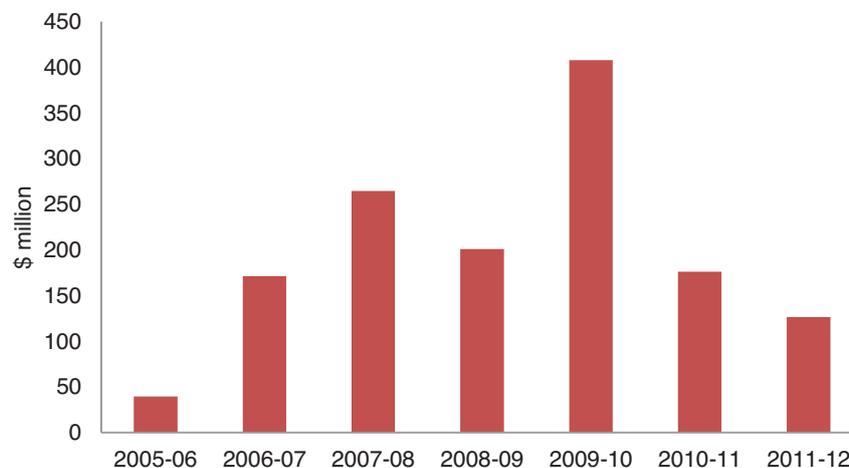
Source: Queensland Treasury and Trade

In the past seven years, capital expenditure peaked in 2009-10, at $407.5 million. This expenditure was due primarily to construction of the Southern Queensland Correctional Centre.

D12.5.1   Infrastructure utilisation and planning

Strategic asset management plays a critical role in the efficient delivery of corrective services. Prison infrastructure requires both forward planning and efficient management, and maintaining an appropriate link between infrastructure capacity and service demand. As at 30 June 2012, Queensland had 14 custodial prisons with a total design capacity of 6,655 places and a prisoner population of 5,650.[11]

QCS seeks to deliver efficiencies by operating the minimum number of prisons necessary to safely manage prisoner numbers. These efficiencies are achieved through:

- maximising utilisation

- reducing duplication and overheads associated with the operation of multiple gatehouses, kitchens and other resource-intensive prison functions

- providing opportunities to realise the value of land and associated buildings and equipment on decommissioned or closed facilities.

The utilisation of corrective facilities is an important measure in assessing efficiency. The *Report on Government Services 2013* notes that efficient resource management is generally characterised by utilisation percentages that are less than, but approaching, 100%. QCS aims to achieve a utilisation rate of between 85% and 95% for both secure and open facilities. This goal has been achieved consistently for secure facilities since 2008-09, with utilisation at 90.2% in 2011-12. The utilisation of open (low security) facilities remains below the range, and has trended downwards from 79.0% in 2005-06 to 53.3% in 2011-12 (Chart D12.13).

Chart D12.13
Facility utilisation trends
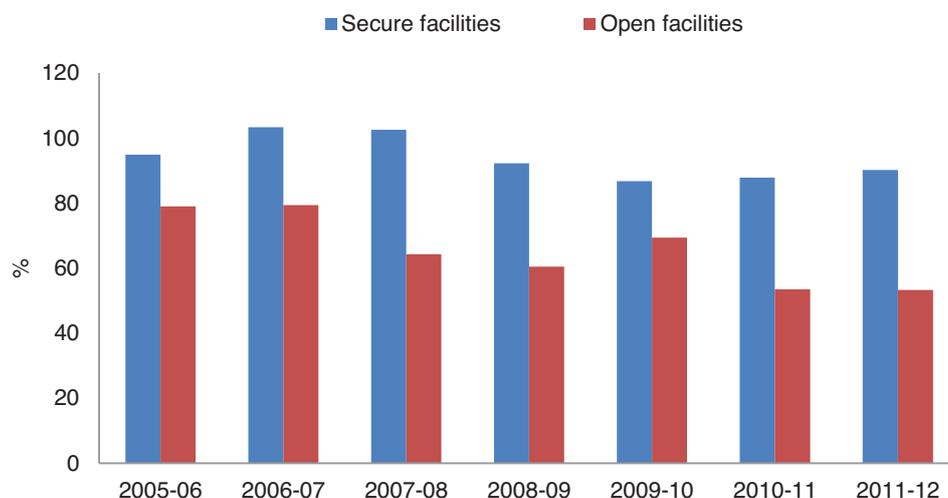
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 8A.41; see also Report on Government Services 2011, Table 8A.41

Some system capacity is required so that physical infrastructure and operational arrangements have the flexibility required to accommodate unplanned changes in prisoner numbers and operating environments. Nevertheless, the significant spare capacity in low security facilities carries a cost to Government in the form of maintenance of underutilised assets. Given the opportunity cost of this surplus capacity, opportunities for achieving better utilisation should be pursued.

The utilisation of existing facilities also needs to be taken into account in planning for new infrastructure. QCS undertakes comprehensive infrastructure planning on an annual basis. The planning process takes into account a range of factors, including prisoner numbers, Queensland's population growth and alternative low and high growth scenarios based on different assumptions about sentence length. A six year planning horizon is used, so that adequate time is available if required to arrange financing and construction of new infrastructure.

On an annualised basis, current projections indicate that the prisoner population will increase by 9.6% over six years, to 6403 prisoners by 2018.

Chart D12.14 shows the annualised forecast growth rate, as well as low and high growth scenarios. These are plotted against the built and commissioned prison capacity, to show the relationship between prisoner numbers, and the ability of existing infrastructure to accommodate any increase.

Chart D12.14
Prisoner population – trends and projections
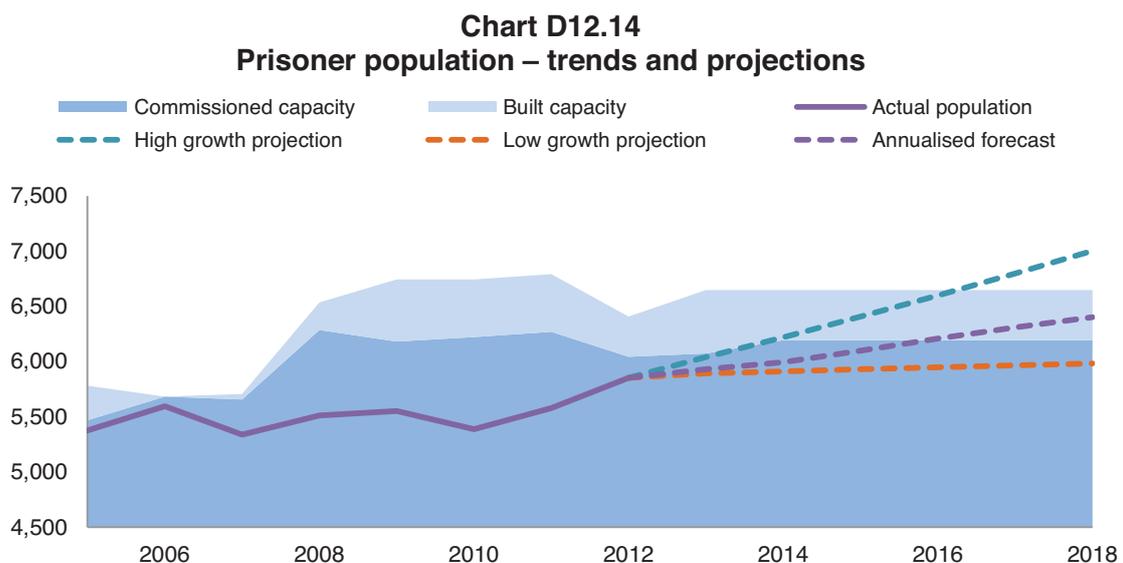
Note: Forecast prisoner numbers have been smoothed on an annual basis to remove monthly fluctuations

Source: Department of Community Safety; and Commission of Audit

As shown in Chart D12.14, high and low growth scenarios for the prisoner population present very different consequences for future service demand and infrastructure requirements. On an annualised basis:

- Under a low growth scenario, the prisoner population would increase by 3.0% over six years (about 174 prisoners). The low growth scenario would require a number of new or enhanced initiatives to be implemented, including (but not limited to) greater use of community-based orders and improved programs to reduce recidivism.

- Under a high growth scenario, the prisoner population would increase by 20.3% (about 1184 prisoners). Factors which may contribute to this scenario include increased rates of crime and imprisonment, and an increase in the number of offences that have a legislative non-parole period, and more conservative decision making by parole boards.

The forecast as depicted does not show the projected trends for male and female prisoners, and the ability of existing infrastructure to accommodate gender-specific increases in the prisoner population. The QCS note that there are emerging infrastructure pressures for the female prisoner population in both the southern and northern parts of the state.

As shown in Chart D12.14, QCS estimates that at the upper end of the forecast, existing infrastructure would need to be expanded or recommissioned, and high level growth beyond 2016 would require a new facility to be constructed. Table D12.3 shows the options available to meet prisoner population increases, and their associated estimated costs.

Table D12.3 Infrastructure options to support prisoner population growth		
Location (additional beds)	**Estimated capital cost (total)**	**Estimated operational cost (per annum)**
Double up arrangements (multiple locations) (50)	Nil	$1.5 million
Woodford Correctional Centre fully commissioned (304)	Nil	$11 million
Lotus Glen Correctional Centre fully commissioned (312)	Nil	$15 million
Capricornia Correctional Centre Expansion (138)	$200 million	$8 million
Borallon Correctional Centre Recommissioned (492)	$250 million	$30 million
Southern Queensland Correctional Precinct – new infrastructure (1,000)	$450 million	Subject to market testing

Source: Department of Community Safety

As shown in Table D12.3, the capital and operational costs associated with meeting the high growth scenario are significant. In the event additional infrastructure capacity is required in the south-east corner of the State, options considered by the QCS to date include the recommissioning of Borallon Correctional Centre (at an approximate cost of $250 million), or the construction of a new prison in the Southern Queensland Correctional Centre precinct at Gatton (at an approximate cost of $450 million). The high cost of recommissioning Borallon reflects the need to install modern security systems and create suicide-resistant cells.

The costs of investment in new and refurbished infrastructure are high. New infrastructure requirements need to be continuously reviewed, as the main factors affecting future prisoner numbers are largely outside of the control of QCS, and are often difficult to predict.

D12.5.2   Maintenance arrangements

DCS data indicates that repair and maintenance expenditure on correctional centre and probation and parole assets in 2011-12 was $39.1 million. There has been some variation in expenditure from year to year, as shown in Chart D12.15. The main contributing factors were bringing the new Southern Queensland Correctional Centre on line, and significant asset maintenance work undertaken at the Lotus Glen Correctional Centre.

Chart D12.15
Repairs and maintenance expenditure – correctional centres and probation and parole assets
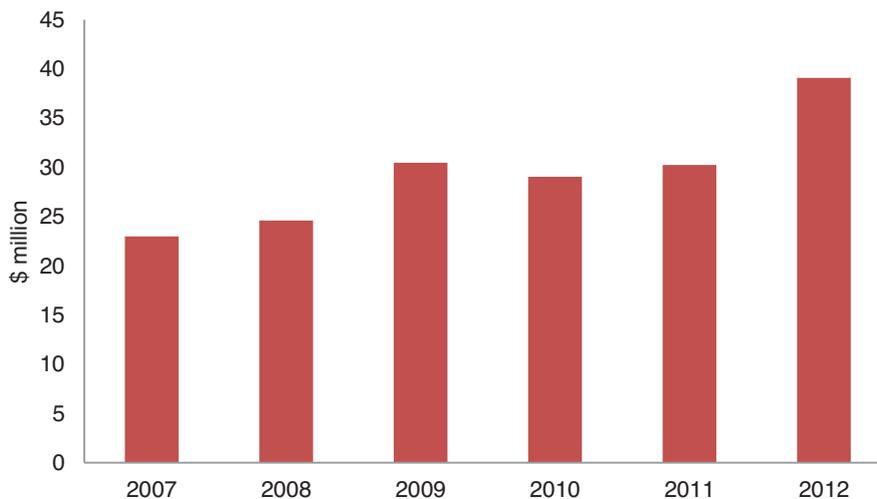
Source: Department of Community Safety

Maintenance work on correctional facilities and probation and parole assets traditionally has been performed by QBuild under a centrally managed service level agreement. Under these arrangements, a five-year maintenance agreement was entered into for each facility.

It is not clear that the services of QBuild represent value for money. In any case, the Government is scaling back QBuild operations, which provides an opportunity to actively explore alternative options as existing arrangements conclude.

DCS has undertaken preliminary work to review its contractual arrangements for the maintenance of a number of correctional facilities, including plans for an open tender process to maintain the Southern Queensland Correctional Centre.

The Commission considers that competitive tendering of maintenance arrangements should be extended to all correctional facilities remaining in public hands, as current contracts expire, provided that this represents a better value for money outcome.

> ### *Recommendation*
>
> **108   Where the operation of correctional facilities remains in public hands,
>   maintenance arrangements for each corrective services facility in
>   Queensland be subject to competitive tender processes as current
>   contracts expire, with a view to contracting alternative cost effective
>   suppliers offering a better value for money solution.**

D12.6   PRISONER TRANSPORT SERVICES

DCS has primary responsibility for the provision of prisoner transport services
between correctional facilities and courts. However, the Queensland Police Service
(QPS) also provides prisoner transport services in support of DCS operations,
especially for transport to and from watch houses, prisoners in rural and remote
locations and transportation using police aircraft.

In 2011-12, DCS expended approximately $11.8 million on prisoner transport and
escort services.[12] In addition, QPS expended an estimated $3.5 million on prisoner
transport services, as shown in Table D12.4. QPS advises that expenditure data
was drawn from an analysis of 70% of prisoner processing activities and may
consequently underestimate its total expenditure on this service.

Table D12.4 Prisoner transport, annual costs to QPS in 2011-12	
Queensland Police Service vehicles	$471,096
Queensland Police Service airwing	$245,021
Prisoner meals	$1,262,458
Officer hours	$1,519,019
Total	**$3,497,594**

Source: Queensland Police Service

Current arrangements for the transportation of prisoners place additional pressure on
operational policing. The QPS has estimated that around 34,390 officer hours are
used in the provision of prisoner transport services each year. Under current safety
standards, each transport requires at least two officers who are operational first
response officers and/or officers with current training in this area.

There has been previous consideration of the issue of coordination of prisoner
transports between agencies. In its review of the QPS in 2008, the former Service
Delivery and Performance Commission identified a number of operational practices
that contributed to the problem, including:

•   limited use of videoconferencing facilities in courts

•   the application of set hours for accepting prisoners into corrective service
     facilities, which do not reflect the business hours on which courts operate

- safety issues for police officers and prisoners, as a consequence of limited police training in the management of prisoners, and the unsuitability of watch houses to hold prisoners for extended periods.[13]

While the use of videoconferencing is permitted under part 6A of the *Justices Act 1886,* and videoconferencing facilities are available in many courts, the facilities have not always been well-utilised by judicial officers. This matter is discussed in more detail in Section D16 of this Report.

The times during which correctional facilities will receive prisoners are restricted, and can preclude the acceptance of prisoners after 4pm, and as early as after 2pm in at least one facility. As a result of these restricted timeframes, prisoners can have overnight and weekend stays in a watch house before and after court appearances.

Under section 6 of the *Corrective Services Act 2006*, prisoners can be held at police watch houses by the QCS for up to 21 days. The QPS has noted that this practice is not conducive to staff or prisoner safety as watch houses are unable to provide the same services and amenities as prisons in areas such as exercise and sport, medical services, visitor access and showering. These arrangements are particularly difficult for newly sentenced prisoners with no experience of incarceration, and/or individuals experiencing mental illness. Additionally, long stays in watch houses limit the ability of police to risk-manage watch house prisoner numbers.

Some strategies to reduce the amount of police officer hours involved in prisoner transports and the number of prisoner overnight stays in watch houses would require changes to industrial arrangements to:

- change rostering schedules at correctional facilities, and extending the times during which correctional facilities can receive prisoners

- adopt new service models for prisoner transports (for example, more frequent transports to 'hub' watch houses).

A further strategy is to provide prisoner transport services through competitive tender. This would free up valuable police resources that are currently being diverted from operational policing roles. Other jurisdictions have contracted out the provision of these services, including Victoria and Western Australia.

To avoid the Government incurring increased costs, funding for an outsourced prisoner transport function would need to be found from departmental budget savings. Also, there would need to be appropriate contractual safeguards and oversight arrangements, for example, to ensure security and prisoner safety are not compromised. In regional areas, capacity for outsourced provision of prisoner transport services may be more limited, but market testing should be undertaken.

Expanded use of videoconferencing represents the most simple and cost-effective way of reducing prisoner transport numbers and costs in the short to medium-term. Subject to the expansion of videoconferencing, competitive tendering processes should be adopted for residual prisoner transport services.

Recommendation

109   Subject to the expansion of videoconferencing, competitive market tendering processes be adopted for the delivery of residual prisoner transport services, especially in south-east Queensland.

ENDNOTES

1 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Productivity Commission, 2013, Tables 8A.1 and 8A.2, accessed from www.pc.gov.au

2 The facilities as at 30 June 2012 were: Arthur Gorrie Correctional Centre (privately operated), Brisbane Correctional Centre, Brisbane Women's Correctional Centre, Capricornia Correctional Centre, Lotus Glen Correctional Centre, Maryborough Correctional Centre, Southern Queensland Correctional Centre (privately operated), Townsville Correctional Centre, Wolston Correctional Centre, Woodford Correctional Centre, Darling Downs Correctional Centre (subsequently closed), Numinbah Correctional Centre, Palen Creek Correctional Centre, and Helena Jones Correctional Centre.

3 Department of Community Safety, *Annual Report 2011-12*, 2012, p. 7, accessed from www.dcs.qld.gov.au

4 Information provided by the Department of Community Safety, based on workforce data definitions used by the Queensland Government. These definitions may differ to those definitions used in the *Report on Government Services*.

5 Department of Community Safety, *Annual Report 2011-12*, 2012, p. 17

6 D Hutchison, 'Social Impact Bonds: Perspectives from the UK Experience', presentation to the inaugural Social Finance Forum, 26 September 2012, Sydney, accessed from www.csi.edu.au

7 J Kennedy, *Commission of Review into Corrective Services in Queensland,* Final Report, 1988, pp. ii-xii and pp. 88-94, accessed from www.dcs.qld.gov.au

8 G L Sturgess, 'The Sources of Benefit in Prison Contracting', in *Delivering Justice: The role of the public, private and voluntary sectors in prisons and probation* (ed), published by the Criminal Justice Alliance, 2012, pp. 38-39, accessed from www.criminaljusticealliance.org

9 Information provided by the Department of Community Safety

10 G L Sturgess, *Diversity and Contestability in the Public Service Economy,* NSW Business Chamber, 2012, p. 96, accessed from www.nswbusinesschamber.com.au

11 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 8A.39

12 Steering Committee for the Review of Government Service Provision, 2013, *Report on Government Services 2013*, Table 8A.39

13 Service Delivery and Performance Commission, *Report on the Service Delivery and Performance Management Review of the Queensland Police Service,* 2008, p. 48, accessed from 'tabled reports', www.parliament.qld.gov.au

D13   EMERGENCY MANAGEMENT

KEY ISSUES

- The emergency management sector includes the Queensland Fire and Rescue Service (QFRS), the Queensland Ambulance Service (QAS) and Emergency Management Queensland (EMQ).

- Compared with other states, QFRS performs favourably in terms of efficiency, prevention and response. Queensland had the second lowest number of fire incidents per 100,000 people and the lowest per person expenditure on fire services in 2011-12. Queensland also had the second fastest state-wide response times to structure fires.

- Queensland's response times for ambulance services generally compare favourably with other states, but costs are relatively high. QAS has the highest per person expenditure on ambulance services in Australia and the highest FTE ambulance staffing by population.

- The management of demand across the emergency management sector is challenging due to demographic trends, socioeconomic factors and the unpredictable nature of some types of service demand. As such, risk-based approaches to managing demand are required to ensure service delivery is both financially sustainable and responsive to need.

- The value of capital assets in some areas of the emergency management sector is significant. Closer collaboration in capital planning across the sector should create efficiencies, especially through the co-location of communications and station-based infrastructure.

- There are opportunities for improved efficiency in service delivery through better integration and contestability of some services. These are approaches that have been adopted successfully in other states.

- The continuation of some commercial activities undertaken by QAS and QFRS is difficult to justify. This is especially the case where the service operates in a highly competitive market, the businesses are not operating profitably and/or where the activity is not essential for sustaining core service delivery capability to the public.

D13.1 SERVICE PROFILE

The emergency management services sector comprises three specific areas of the Department of Community Safety (DCS):

- Queensland Fire and Rescue Service (QFRS) responds to structure fires, provides rescue services, supports disaster management responses and works with stakeholders to manage fire risk and improve community safety.

- Queensland Ambulance Service (QAS) responds to emergency and routine calls for service, provides pre-hospital patient care and transport, coordinates aero-medical services and provides transport to, from and between health facilities.

- Emergency Management Queensland (EMQ) delivers services relating to disaster management and helicopter rescue, and works with local government to deliver the volunteer-based State Emergency Service.

D13.1.1   Fire and rescue services

Fire services expenditure in Queensland has increased in real terms over time, from $413.1 million in 2005-06 to $517.0 million in 2011-12. This is a real increase of 25.2% (Chart D13.1).

Chart D13.1
Real fire service expenditure
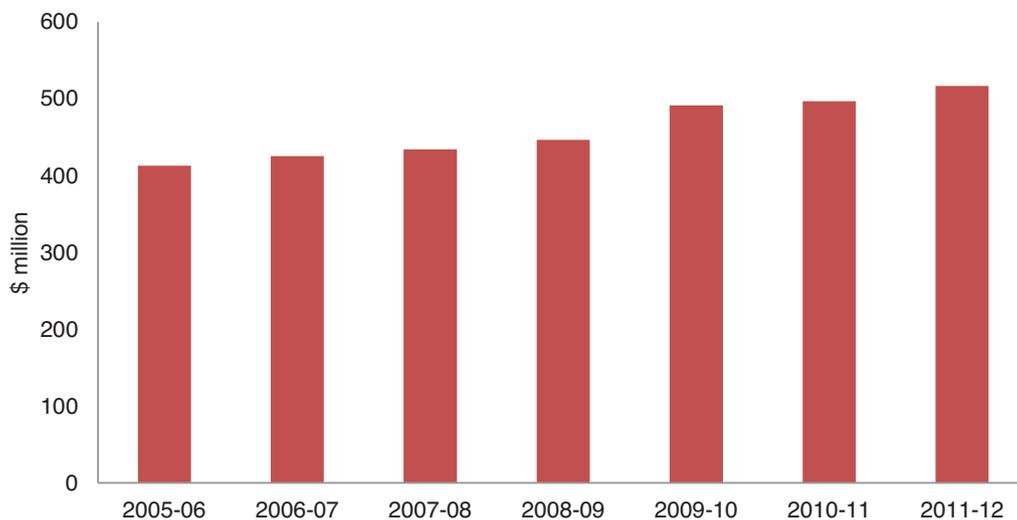
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.28

Funding for fire services is derived from a variety of sources, with the majority (66.0%) sourced from fire levies on property owners in 2011-12. A further 21.6% was sourced from the Queensland Government, 10.6% from user charges, 1.0% from the Australian Government and 0.7% from miscellaneous revenue.[1]

There are two fire service levies in place, the application of which is determined in part by location:

- The Urban Fire Levy (UFL) is paid by property owners within prescribed fire levy areas, with contributions set under the Fire and Rescue Service Regulation 2011. The UFL is collected via local government rates notices, on behalf of the Queensland Government.

- The rural fire brigade receives significant funding from the UFL; however, a rural fire levy is applied to property owners in approximately 30 local government areas. The levy amount varies significantly across local governments, due to different risk factors and the capacity of households to pay in sparsely populated local government areas. Rural fire brigades may also undertake their own fund raising activities.

Queensland's fire and rescue services are provided by full-time and auxiliary fire fighters in urban and regional areas. Volunteer fire fighters provide services in rural areas.

In 2011-12, there were 3,003 full-time equivalent (FTE) employees in QFRS, including 2,577 (85.8%) in frontline roles.[2] Assets held by QFRS include 242 urban fire and rescue stations, and 420 rural fire stations.[3] Additionally, there are around 34,000 volunteer rural firefighters that collectively service around 93% of the State.[4] The brigades deliver a range of services, including fire mitigation, prescribed burning, volunteer training, community awareness and education.

The Queensland Government announced a review into the Rural Fire Service in Queensland in September 2012, which will consider a range of matters, including its appropriate functions, structure, funding, risk management, and cooperation with the State Emergency Service at the local level. The review is due for completion in February 2013.[5]

D13.1.2   Ambulance services

As shown in Chart D13.2, expenditure on ambulance services in Queensland has increased in real terms, from $400.6 million in 2005-06 to $567.2 million in 2011-12. This represents a real increase of 41.6%.
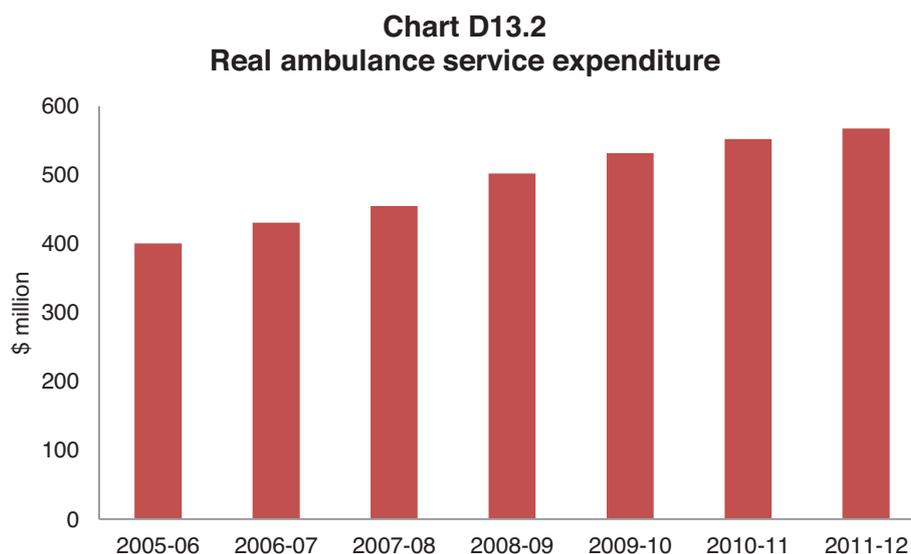
Chart D13.2
Real ambulance service expenditure

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.42

Ambulance funding is derived from a number of sources. A total of 78.4% of funding was sourced from the State Government in 2011-12, with the remainder received from inter-hospital transport fees (11.8%), other transport fees (7.0%) and other miscellaneous revenue (2.8%).[6]

The high proportion of State Government funding reflects the decision to fund ambulance services primarily from consolidated revenue from 1 July 2011. Prior to this, in the period between 1 July 2003 and 30 June 2011, ambulance services in Queensland were funded through a Community Ambulance Cover (CAC) levy that was applied to electricity accounts.

QAS delivers services from a range of locations across the State. In 2011-12, there were 266 ambulance stations in Queensland, as well as seven communication centres.[7] The QAS had a total of 3,895 FTE salaried personnel, of which 84.3% worked in operational roles.[8] Additionally, there were approximately 360 honorary ambulance officers (community first responders, ambulance attendants and drivers) who volunteer to provide assistance in specific rural, remote and isolated communities. These volunteers operate from 25 honorary ambulance stations and 30 first responder locations around the State.[9]

D13.1.3   Emergency management services

In 2011-12, expenditure by EMQ amounted to $106.4 million.[10] A total of $117.5 million is allocated for emergency management services in 2012-13.[11]

Funding for emergency management services is sourced from contributions from the Queensland Government, the Australian Government, user charges and other revenue.

As shown in Chart D13.3, some 83% of revenue for 2012-13 is expected to be sourced from the Queensland Government. A further 14% is sourced from the Australian Government, and the remainder from other revenue (2%) and user charges (1%). There is no emergency services levy.

Chart D13.3
Funding sources for Emergency Management Services, 2012-13
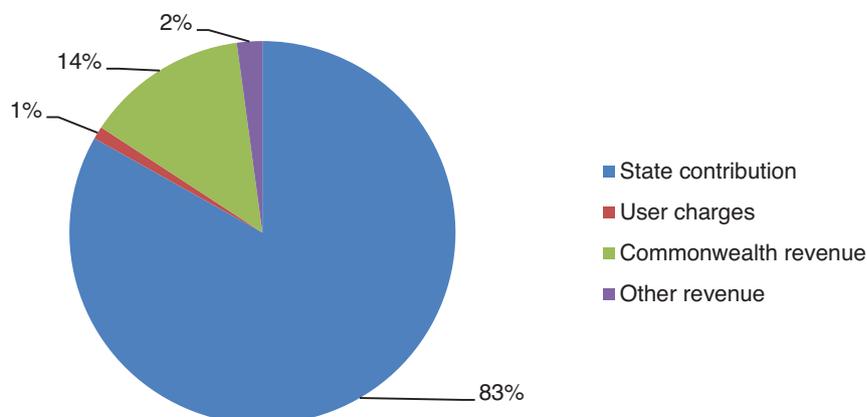
Source: Queensland Government, State Budget Papers 2012-13: Department of Community Safety Service Delivery Statement, p. 10

The Australian Government provides natural disaster funding to states through the Natural Disaster Relief and Recovery Arrangements (NDRRA). Under the NDRRA funding arrangements, the State meets the total cost of all disaster recovery related expenditure in a financial year up to a defined lower threshold. The Australian Government contributes 50% of the costs between the lower threshold and an upper threshold, and 75% of expenditure in excess of the upper threshold. The thresholds are based on State revenue. For 2012-13, the lower threshold for Queensland is $94.4 million and the upper threshold is $165.2 million. The calculation includes costs incurred during the year for both current and previous disasters.

In 2011-12, Queensland received $2.9 billion in cash payments from the Australian Government under the NDRRA. The majority of payments were made in response to widespread flooding in January 2011.[12]

State Emergency Service resourcing is a shared responsibility between the state and local governments. Under these arrangements:

- The State Government provides training, equipment and policy support to the State Emergency Service. Major equipment, such as flood boats, is gifted through EMQ to local governments.

- Local governments provide the land on which State Emergency Service infrastructure is located. Maintenance and running costs of equipment are met by local government or supported through grants and subsidies.

- Operational capability is provided by local government. Modest allowances and reimbursements are paid to volunteers for approved out-of-pocket expenses.[13] Some local governments, such as Brisbane City Council, remunerate volunteers based on length of continuous service.

EMQ operates aero-medical and rescue services from bases located in Brisbane, Townsville and Cairns. The fleet includes five helicopters and operates on a 24 hour per day basis. The services provided by the EMQ Helicopter Rescue are included in a review of government aviation services.

As at 30 June 2012, there were 305 FTE employees at EMQ, comprising 173 frontline and 132 support personnel.[14] Additionally, there were around 5,400 active State Emergency Service volunteers in Queensland.[15]

D13.2 COMPARATIVE PERFORMANCE

D13.2.1 Fire and rescue services

The number of fire incidents attended by QFRS in Queensland per 100,000 people in 2011-12 was the second lowest of the states (427), behind Victoria (381) (Chart D13.4). Although the rate of fire incidents in other states has generally trended downwards between 2007-08 and 2011-12, this has not been the case in Queensland.

Chart D13.4
Fire incidents attended by fire service organisations per 100,000 population
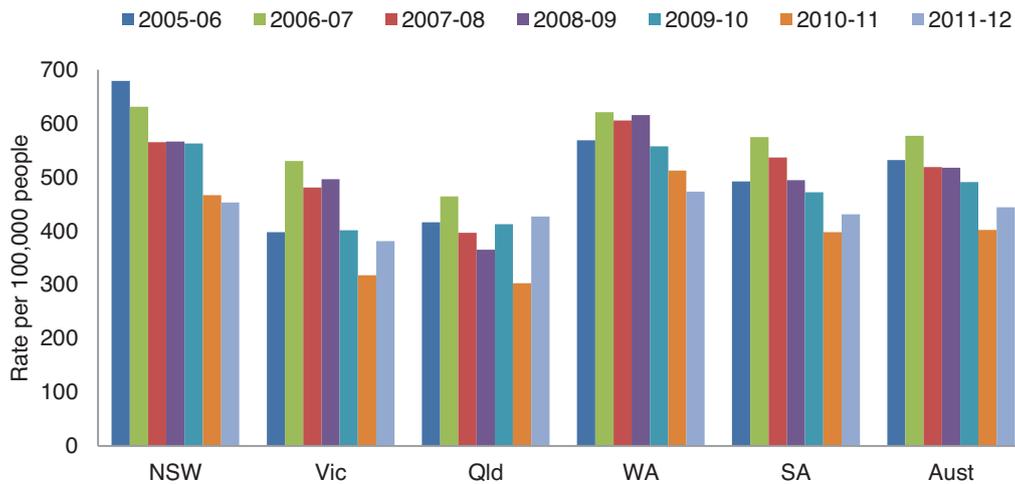
■ 2005-06 ■ 2006-07 ■ 2007-08 ■ 2008-09 ■ 2009-10 ■ 2010-11 ■ 2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.13

A key performance indicator for fire services is the response time to structure fires. This data must be interpreted with some caution, due to differences in population, distance, staffing and dispatch systems across jurisdictions.[16]

Chart D13.5 shows that, state-wide, 50% of fires in Queensland were responded to in 7.3 minutes or less (50th percentile) and 90% were responded to in 11.3 minutes or less (90th percentile). These results are close to Victoria and better than New South Wales and Western Australia.

Chart D13.5
State-wide response times to structure fires, 2011-12

■ State-wide 50th percentile ■ State-wide 90th percentile
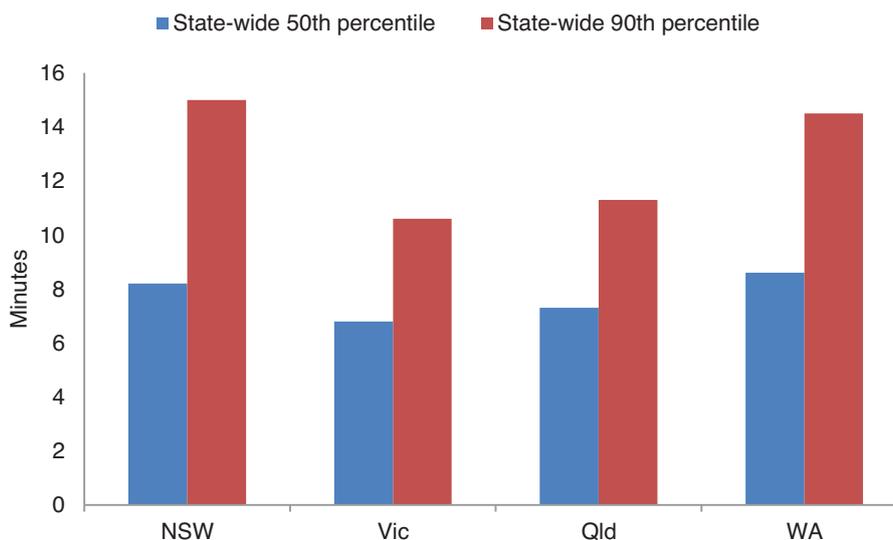
Note:
• Response times include call processing time
• Data including call processing time not available for South Australia

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.25

The level of geographic remoteness can significantly affect response times. Chart D13.6 demonstrates that Queensland's response time (50th percentile) was the second fastest in major cities (7.2 minutes), and the fastest in inner and outer regional and remote areas.

Chart D13.6
Response times to structure fires by remoteness (50th percentile), 2011-12
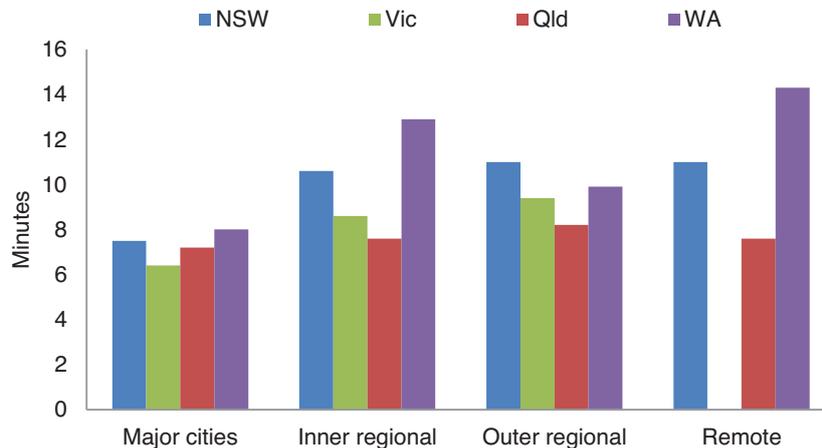
Note:
• Response times include call processing time, 50th percentile
• Data not available for South Australia. There are no remote areas in Victoria.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 9A.25

Queensland also performs comparatively well in its response times for the 90th percentile. For this indicator, Queensland has the second fastest response time in major cities (10.5 minutes, after Victoria's 9 minutes), and the fastest response time in inner and outer regional areas and in remote areas.

As shown in Chart D13.7, Queensland's per capita expenditure on fire services was the second lowest of all mainland states in 2005-06 and the lowest between 2006-07 and 2011-12. During this seven-year period, Queensland's per capita expenditure rose in real terms from $102.16 in 2005-06 to $114.57 in 2011-12.

Chart D13.7
Real expenditure per capita by fire service organisations
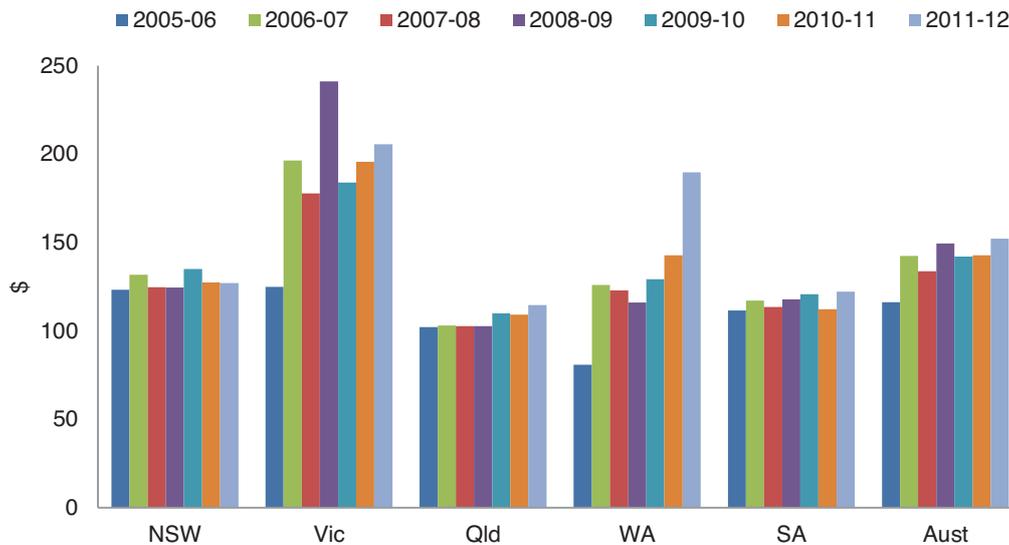
■ 2005-06 ■ 2006-07 ■ 2007-08 ■ 2008-09 ■ 2009-10 ■ 2010-11 ■ 2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.28

As previously noted, Queensland had 34,000 fire-fighting volunteers in 2011-12. This number includes volunteer rural firefighters and volunteer operations support personnel in rural areas. There were 746 fire-fighting volunteers per 100,000 people in Queensland (Chart D13.8). This rate is significantly lower than in other states, including Western Australia (1,167 per 100,000 people), Victoria (1,029 per 100,000 people) and New South Wales (964 per 100,000 people).

Queensland's comparatively low per capita expenditure on fire services and lower rate of fire volunteering is broadly reflective of Queensland's risk profile for fire events. Queensland's long-term risk profile for fire and other natural hazards is discussed in Section D13.3.

Chart D13.8
Volunteers in fire service organisations
2011-12
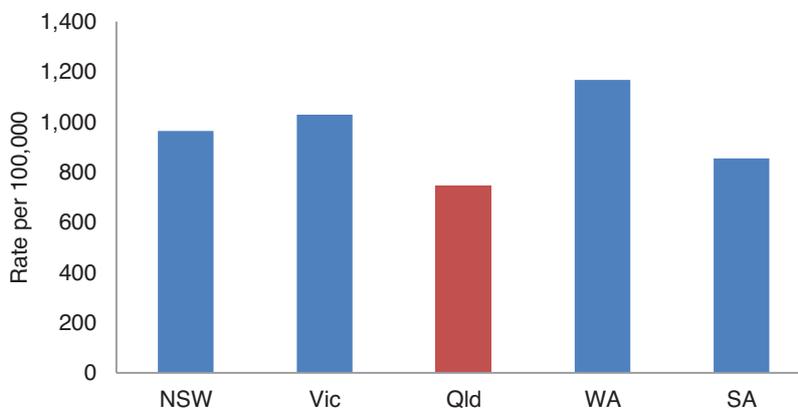
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.3; Commission of Audit

D13.2.2   Ambulance services

Demand for ambulance services reflects a number of factors, including the number of ambulance incidents, responses and patients. These categories are defined by the Productivity Commission as follows:

- ambulance incident – an event that results in one or more responses by an ambulance service

- ambulance response – a vehicle or vehicles sent to an incident (there may be multiple responses/vehicles sent to a single incident)

- ambulance patient – a person assessed, treated or transported by the ambulance service (patients are not always transported).[17]

Chart D13.9 shows that Queensland had the highest number of incidents, responses and patients per 1,000 people of all the mainland states in 2011-12. Trend data indicates this pattern is maintained across all three categories in the five years to 2011-12.

Chart D13.9
Ambulance incidents, responses and patients, 2011-12
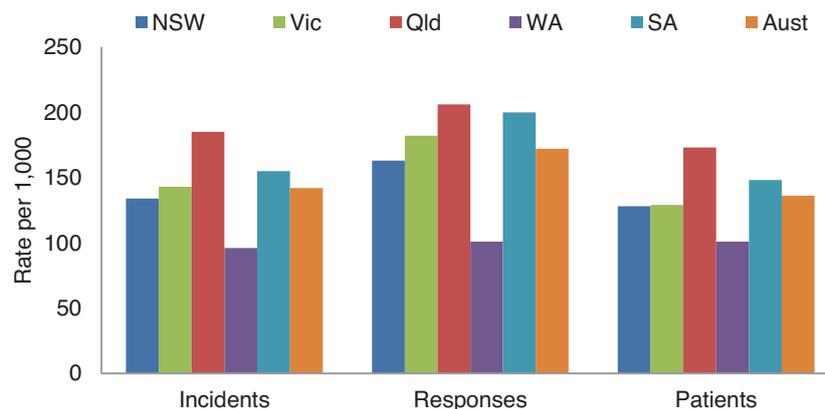
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.31

A number of population, demographic, socio-economic and policy factors may have contributed to the above results. These and other factors affecting demand for emergency and urgent responses are discussed in Section D13.3.

Ambulance response times reported in the *Report on Government Services* are measured by the time within which the first responding ambulance resource arrives at the scene of an emergency in a Code 1 situation (that is, responses to a potentially life threatening situation using warning devices).[18] Data on ambulance response times should be interpreted with some caution, for the same reasons noted previously in relation to response time data for structure fires.

Chart D13.10 shows that response times in Queensland are better than, or comparable with, other states in 2011-12. For state-wide services, 50% of calls in Queensland were responded to in 8.3 minutes or less and 90% of calls were responded to in 17.0 minutes or less. These were the fastest rates of all mainland states. For metropolitan services, QAS responded to 50% of calls in 8.5 minutes or less (faster than the other states) and responded to 90% of calls in 15.7 minutes or less, which is similar to Western Australia and South Australia, and better than other states.
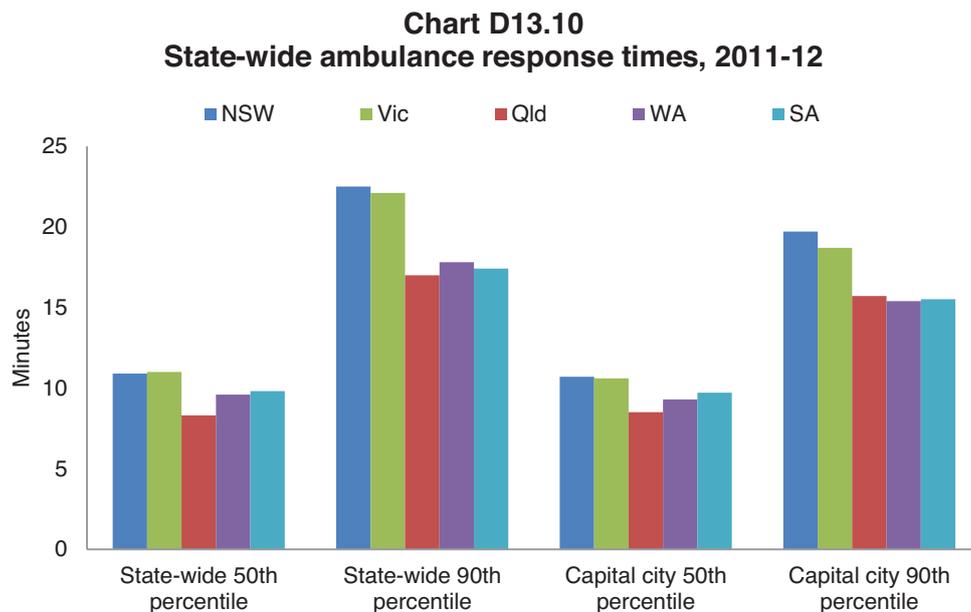
Chart D13.10
State-wide ambulance response times, 2011-12

*Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.40*

From 2005-06 to 2011-12, the number of FTE ambulance officers (including students and base level ambulance officers) per 100,000 population in Queensland was much higher than in other states (Chart D13.11). The number of FTEs in Queensland rose from a high base during this period, increasing from 48.6 FTEs per 100,000 in 2005-06, to 59.3 FTEs in 2011-12.

Chart D13.11
Number of FTE ambulance officers per 100,000 people

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.33

The trends shown in this chart remain the same when the analysis is limited to qualified ambulance officers. Queensland had the highest number of qualified officers in 2011-12, at 51.5 FTEs per 100,000 people. The state with the next highest number of qualified officers is Victoria, with 43.4 FTEs.

Queensland's per capita expenditure on ambulance services increased in real terms from $99.07 in 2005-06 to $125.69 in 2011-12. As shown in Chart D13.12, Queensland's per capita expenditure is the second highest across the mainland states, after South Australia ($154.51).

**Chart D13.12**
Real ambulance service expenditure per capita
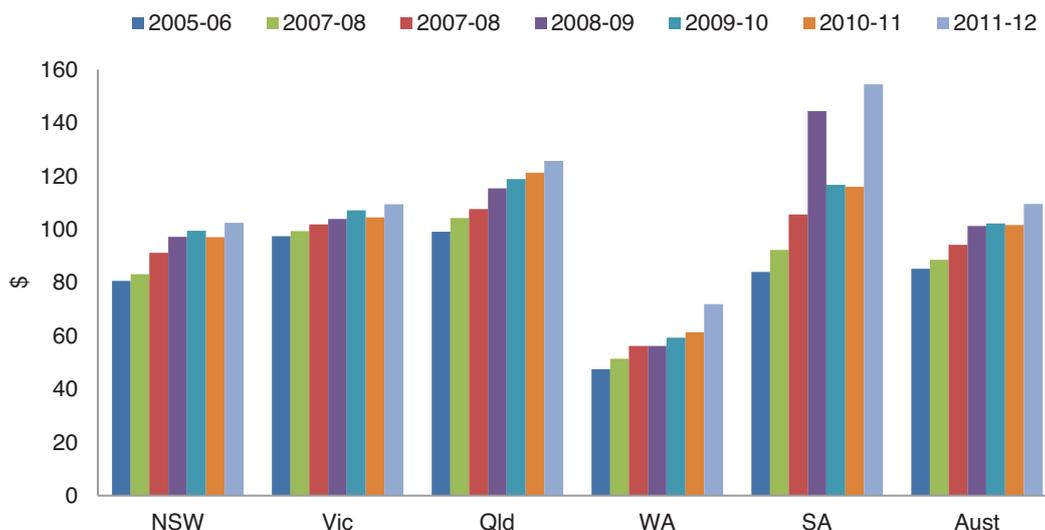
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.42

The comparatively high cost of Queensland's ambulance service reflects a range of factors, including the size of the State and its decentralised population. This has resulted in high levels of infrastructure investment, with Queensland having the third highest number of ambulance stations per 100,000 people across the states.[19] QAS notes that this has assisted in delivering the fastest state-wide response times across the states. Issues relating to infrastructure are discussed in more detail in Section D13.4.

A further factor contributing to the high cost of ambulance services is the heavy reliance on the use of qualified full-time ambulance officers, rather than volunteers. As noted earlier, the number of FTE qualified ambulance officers in Queensland is significantly higher per 100,000 population than in other states. QAS notes that this ensures a greater level of equity and consistency in service provision across the State.

D13.2.3 Emergency management services

Under new disaster management arrangements introduced in November 2010, the Queensland Police Service (QPS) leads the initial response phase and is supported by the other emergency service agencies.

State Emergency Service volunteers play a critical on-the-ground role in preparing for, and responding to, major disasters such as floods and cyclones. The number of volunteers tends to be variable, reflecting in part the incidence of major disasters.

In 2011-12, the number of volunteers had declined to 5,400. This equates to a rate of 118 volunteers per 100,000 people in Queensland (Chart D13.13), which is higher than in other states.

Chart D13.13
Volunteers in State Emergency Services, 2011-12
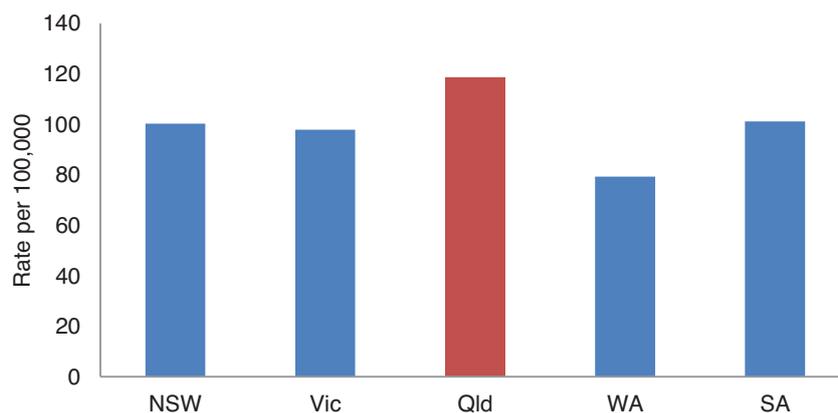
*Source: Steering Committee for the Review of Government Service Provision,*
*Report on Government Services 2013, Table DA.6*

The maintenance of a core number of volunteers is vital in terms of community preparedness for and responsiveness to disaster events. The volunteer effort was critical in the State's response to wide-scale flooding across Queensland in 2010-11 and 2012-13.

D13.3 SERVICE DEMAND

The scale, frequency and predictability of demand can differ significantly across the emergency management sector, depending on the type of service required and a range of geographic, climatic, demographic and socio-economic factors. Some patterns of demand, such as for ambulance services, are generally predictable even when subject to sustained upward pressure. Other demand patterns, such as those relating to disaster management, are far less predictable, although weather-related service responses typically peak between December and April.

In this context, the management of risk plays a critical role in managing service demand by QFRS, QAS and EMQ. The nature and resourcing of the emergency management sector means that preventative measures are vital, and service responses must be prioritised and tasked accordingly. Managing demand also requires a scalable response with flexibility in the deployment of resources, with the volunteer workforce playing a vital role across the emergency management sector.

D13.3.1 Fire and rescue services

The services provided by QFRS have evolved over time, moving from a fire-fighting organisation to a more complex 'all hazards' fire and rescue entity with regulatory, advisory and frontline service response obligations. QFRS now delivers a complex suite of services that include:

- responding to fire and road crash incidents
- undertaking aerial fire fighting operations
- responding to marine and heavy vehicle transportation incidents
- planning, advisory and response services relating to hazardous materials
- planning, advisory and assessment services to support building fire safety
- incident management support and operational swift water rescues, especially in the context of disaster management.

As noted earlier, of the mainland states, Queensland had the second lowest number of fire incidents attended per 100,000 people in 2011-12. The rate of incidents in Queensland has varied from year to year.

The risk posed by fire at the interface between urban and rural areas has attracted attention due to the wide-scale destruction and loss of life that has occurred in other jurisdictions. While population and housing density have increased in interface areas in south-east Queensland, longitudinal data indicates that fatal landscape fires represent a much lower risk in Queensland than in states such as Victoria.[20] Key findings from interstate fire inquiries have also informed Queensland's management of these risks, acknowledging the importance of aerial services, accurate and timely information to the community, and well-trained volunteers.

Prevention of fire-related events has occurred primarily through regulatory requirements, including building code requirements to install sprinklers and smoke alarms, which can reduce the incidence and severity of fire-related events. Community education and public awareness campaigns have also been used to communicate safety messages regarding bushfire risks and fire safety in the home.

Strategies to manage demand for road crash rescue incidents requiring QFRS attendance have relied heavily on service protocols to prioritise responses. Chart D13.14 shows the rate of road crash incidents per 100,000 people over the seven years to 2011-12. The rate of incidents requiring QFRS attendance dropped markedly from 2008-09 to 2009-10 (from 194.0 per 100,000 people to 156.4). This can be attributed primarily to the implementation of a new road crash rescue protocol in September 2009. The protocol was implemented in partnership with the QAS and the QPS, and aimed to reduce the number of times QFRS unnecessarily attended incidents. The protocol was highly effective in its first year of implementation but the rate of incidents has incrementally increased in the period since. The protocol was subsequently revised again in October 2011 in response to this upward trend.[21]

Chart D13.14
Reported road crash rescue incidents
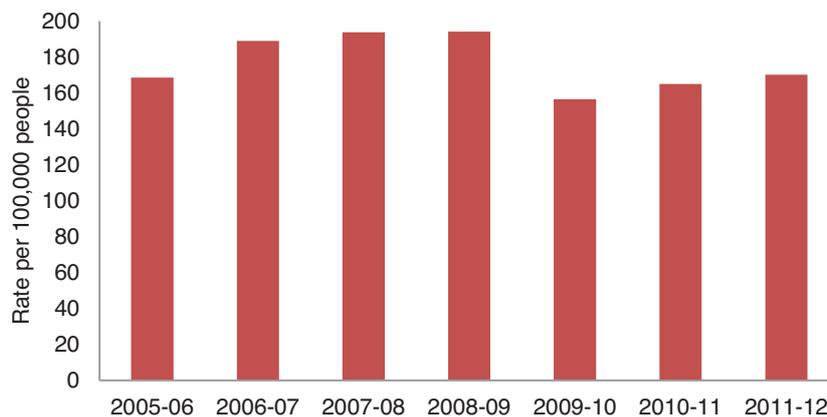
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 9A.18

Legislative requirements also have created service demand pressures. For example, demand for building fire safety services has increased by more than 10% annually since 2000-01.[22] Population increases and construction activity have contributed to this demand, as well as the requirement under the *Integrated Planning Act 1997* that the QFRS assesses the adequacy of building fire safety designs. Similarly, amendments made to the *Work Health and Safety Act 2011* also require the QFRS to assess plans and provide emergency planning advice to workplaces that store and use hazardous chemicals.

These legislative requirements aim to reduce emergency calls for service, as well as the occurrence of major incidents. These preventative initiatives contribute to a different (but less intensive) nature of service demand for QFRS.

The risks associated with transportation incidents have also increased, through both volume and complexity. Heavy vehicle and container freight traffic is increasing, with a consequent increase in the risk of incidents occurring.[23] Changes in vehicle construction have also increased the difficulty of responding to these events.

In summary, the nature of demand for fire services has changed significantly. The services provided are more complex, and sometimes require a greater level of resourcing and expertise than has been required in the past. It is anticipated that these factors will intensify in the future.

D13.3.2   Ambulance services

Numerous factors affect demand for ambulance services in Queensland. Research funded by the Australian Research Council identified a range of individual, societal and health system related factors, including (but not limited to):

- population growth and decentralised population patterns
- a lack of alternative health care and transport options
- an ageing population, with increased rates of chronic disease
- socio-economic status
- lifestyle factors, including risk-taking behaviour
- quality of care at emergency departments
- public awareness campaigns regarding the use of ambulances
- issues of price and funding
- community trust in the skills of paramedics.[24]

Demand for ambulance services falls into one of two broad categories. They are:

- Codes 1 and 2 – calls for conditions of a life threatening or urgent nature. These calls for service are primarily received via Triple Zero, and are prioritised and allocated resources in accordance with a clinical risk and response matrix.

- Codes 3 and 4 – calls for medically authorised ambulance transport. These services are set out under the *Ambulance Service Act 1991* and assessed under operating guidelines. Calls are primarily received via a dedicated non-urgent ambulance contact telephone number or by fax. [25]

Code 1 and 2 calls for service represent an increasing proportion of total ambulance demand. Demand for Code 1 and 2 services rose from 67% to 72% in the period between 2005-06 and 2011-12, with a corresponding decline in Code 3 and 4 calls over the same period, from 33% to 28%.[26]

Managing demand for Code 1 and Code 2 transports

As shown in Chart D13.15, demand for Code 1 and 2 ambulance services increased by 41.6% between 2005-06 and 2011-12. This equates to an average annual increase of 6%. QAS predicts that demand will increase by 6.4% per annum over the next four years.[27]

Chart D13.15
Emergency Code 1 and 2 incident profile
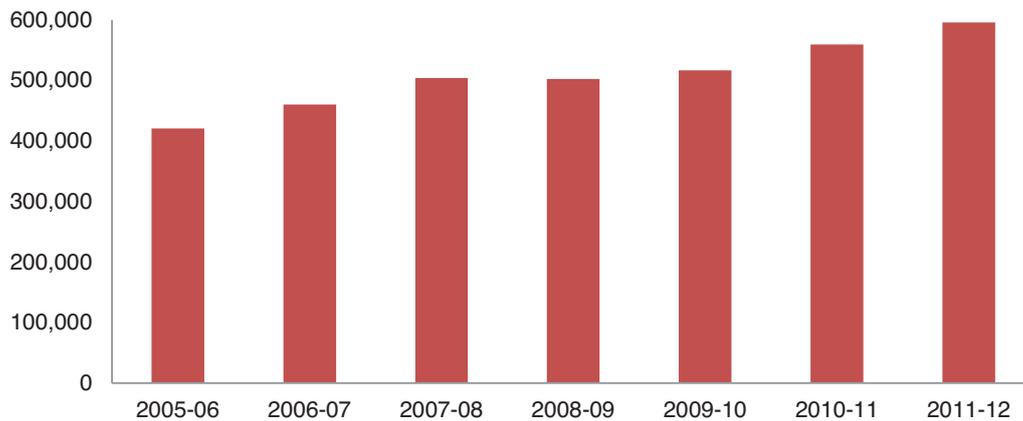
Source: Department of Community Safety, Queensland Ambulance Case Information Report (QACIR) system

QAS has implemented a number of strategies to better manage demand for Code 1 and 2 services, including:

- rostering resources to reflect known service peaks in 16 high-demand areas across Queensland

- working with Queensland Health to address access issues, such as ramping

- better aligning services to need through the secondary triage and referral (STAR) program

- media campaigns regarding the appropriate use of Triple Zero.

The STAR program is a clinical risk-management tool that was introduced in 2009 to help manage increased demand for Code 1 and 2 services. Under the program, Triple Zero callers are transferred to STAR if their call is assessed as being low-acuity and not requiring an immediate response. The STAR paramedics then use decision-making software to further assess the caller's condition and either confirm, upgrade, downgrade or cancel the ambulance response code. This risk management approach to client care has introduced greater flexibility in the service response, especially in times of high demand.

Data to date suggests that STAR has resulted in improved decision-making and prioritisation of calls. Table D13.1 shows that in 2011-12, some 12.2% of total incidents triaged were subsequently cancelled. While a very small proportion of incidents were upgraded to Code 1, some 11.1% of triaged incidents were upgraded to Code 2A or 2B in 2011-12.

Table D13.1 Changes to requests for service through STAR			
	2009-10	**2010-11**	**2011-12**
Total incidents triaged	10,481	14,915	21,922
Total responses cancelled	1,545 (14.7%)	2,163 (14.5%)	2,667 (12.2%)
QAS priority changed – upgrade to Code 1	280 (2.7%)	241 (1.6%)	274 (1.2%)
QAS priority changed – upgrade to Code 2A or 2B	1,400 (13.4%)	2,028 (13.6%)	2,437 (11.1%)

Note: Total incidents triaged comprise requests for QAS service at the time of request and call backs to those requests for service on the Computer Aided Dispatch (CAD) wait queue.

Source: Department of Community Safety

The effectiveness of STAR is partly dependent on the level of caller access to community-based support services. When an ambulance response is cancelled under STAR, care is taken to ensure the patient is able to undertake any follow up action necessary (for example, making their own way to an after-hours doctor). Research shows that service demand will increase for low-acuity cases when alternative means of transport are limited or non-existent.

A review of 300 low-acuity calls in Brisbane found that 80% of these patients did not require the skills of a full emergency crew, as most had minor injuries or illnesses. Patients aged 65 or older were over-represented in this sample and mainly came from low socio-economic backgrounds and had no immediate alternative means of transport to seek care.[28] As such, demand management strategies need to be developed in the context of broader social and demographic factors.

QAS periodically implements public awareness campaigns to provide guidance to the community about when to contact Triple Zero for assistance. Despite the positive effects of awareness campaigns, Queensland consistently has had a higher proportion of emergency department patients who arrive by ambulance, air-ambulance or helicopter than other states. Chart D13.16 shows that in 2011-12, some 29.1% of emergency department arrivals in Queensland were via these modes of transport. This was the highest of all mainland states, and significantly higher than both Western Australia (17.2%) and Victoria (22.4%).

Chart D13.16
Proportion of emergency department patients who arrived by ambulance, air ambulance, or helicopter

Source: Steering Committee for the Review of Government Service Provision, 2013, Report on Government Services 2013, Table 9A.32

Triage data published in the *Report on Government Services* indicates that transportation rates generally reflect the seriousness of the patient's condition. Patients are triaged on arrival at an emergency department and categorised using the five-point National Triage Scale (ranging from Category 1 resuscitation patients that must be seen within seconds to Category 5 non-urgent patients that must be seen within 120 minutes).[29]

The data indicates that Queensland has higher transport rates than other states for very ill patients (that is, resuscitation and emergency) and ranks mid-range across the states for non-urgent transports, with Western Australia and Victoria consistently having the lowest proportion of non-urgent transports to emergency departments between 2007-08 and 2011-12.[30] Importantly, transport by ambulance may still be appropriate in these non-urgent cases, depending on geography, access to alternative healthcare and transport, and socio-economic factors.

Alternative treatment pathways and service models will play a vital role in managing demand for Code 1 and 2 services in the future. One option used in Victoria to manage demand is the use of the metropolitan fire brigade for calls for service involving suspected cardiac arrest. Their 'first responder' program dispatches both ambulance and fire services to the patient. Fire officers in Victoria are trained in the initial management of life-threatening medical emergencies and, if they arrive first, will provide emergency care until paramedic services are available.[31] This service model maximises the chance that an emergency unit will be able to respond rapidly to a medical emergency.

The service pressures experienced by QAS are not unique to Queensland. QAS notes that significant research has been undertaken in Australia and internationally on demand for emergency health services. The research has yet to identify clear service and policy responses for implementation, and as such, there are no simple mechanisms by which to alleviate demand. In this context, managing risk through prioritisation of resources is vital.

Managing demand for Code 3 and Code 4 transports

Medically authorised transports (that is, Codes 3 and 4) comprise two types of activity. The first type is services provided under the Queensland Health Authorised Transport (QHAT) agreement, which includes transports to, from and between Queensland Health facilities. The second type primarily comprises transports to, from and between facilities that are not operated by Queensland Health. The QHAT agreement was introduced in 2007-08 to better manage demand through allocating transport costs to local hospital budgets.

Between 2005-06 and 2011-12, the incidence of non-emergency medically authorised transports (Codes 3 and 4) increased by 12.3% (Chart D13.17). This equates to an average annual increase of 2%.

Chart D13.17
Queensland Ambulance Service medically authorised non-urgent transport Codes 3 and 4 incident profile
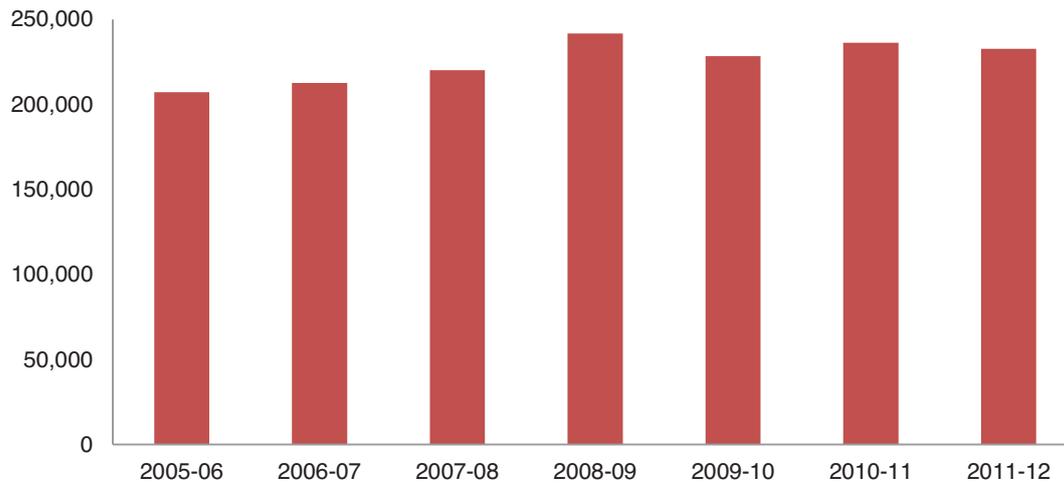
The number of QHAT transports as a proportion of total Codes 3 and 4 demand varies from year to year. In 2011-12, QHAT transports accounted for 67.6% of non-emergency transports.[32]

D13.3.3   Emergency management services

Disaster management

Demand for emergency management services are primarily linked to the occurrence and scale of disaster events. Section 4A of the *Disaster Management Act 2003* sets out guiding principles for disaster planning across four phases:

- preventative measures to reduce the likelihood and severity of a disaster event

- preparatory measures that provide communities with the resources they need to cope with a disaster event

- responsive measures to minimise the effects of an event, including the provision of immediate support services

- recovery measures, including the reconstruction of infrastructure and re-establishing a community's economic, social and physical well-being.[33]

The role of EMQ focuses primarily on the requirements of section 16A of the *Disaster Management Act 2003*. This section deals with the regular assessment of the effectiveness of disaster management by key stakeholders, maintaining arrangements between the State and the Australian Government relating to disaster management, and ensuring that people performing functions under the Act are appropriately trained.

The provisions of the Act were tested following the severe flooding that occurred across the State in late 2010 and early 2011. The subsequent Queensland Floods Commission of Inquiry (QFCOI) made a number of recommendations in its interim and final reports, with the Department of Community Safety having responsibility for implementing a total of 60 recommendations. Of these, 49 were implemented in 2011-12, and the remaining 11 recommendations are due for completion in 2012-13. The disaster events and subsequent QFCOI reaffirmed the importance of coordination and planning across State and local governments in disaster management, and the Government provided permanent funding to EMQ for this purpose.

Under these new arrangements, EMQ is working closely with all local governments to improve coordination and planning. To date, EMQ has delivered disaster management training to over 19,000 people. Community education programs that meet the information needs and risk profile of particular local government areas are also a priority.

In managing the risks of disaster management, it is important to note the distinctive nature of Queensland's risk profile. A recent historical analysis of Queensland's building losses and fatalities caused through natural hazards over a 111-year period found that flooding and tropical cyclones (including storm tide and cyclonic winds) are Queensland's most damaging natural hazards. The report found that in respect to natural hazards between 1900 and 2011:

- Flooding and tropical cyclones accounted for 72% of all building damage and 95% of all fatalities.

- Building damage from storms (including hail, wind gusts, lightning and rain) were responsible for 27% of damage.

- Bushfires, landslides, earthquakes and tsunami were collectively responsible for less than 1% of building damage.[34]

The report notes that reducing building damage and loss of life in the future will require coordinated planning and action across Government and the community. This includes preventative measures such as improved building standards and land use planning, as well as improved preparatory measures such as evacuation planning.

Significantly, the report also found that Queensland carries a disproportionately high natural hazard burden compared with other states, with the State accounting for 29.7% of Australia's total 'house-equivalent' (building) losses despite representing only 20.3% of the population as at September 2011.[35]

Queensland's risk profile and disproportionately high natural hazard burden have significant funding implications. Under Australian Government requirements, National Disaster Reconstruction Recovery Assistance (NDRRA) funding is provided on the basis that the restoration or replacement of essential public assets is undertaken "to its pre-disaster standard, in accordance with current building and engineering standards."[36]

As highlighted by the recent 2013 flood emergency in Queensland, it may not be advisable to replace assets to the same standard in the same place, if they remain vulnerable to future flood risks again. Under these arrangements, the Queensland Government would need to carry the additional financial burden of measures to mitigate future flood risks and associated costs, for example, through enhanced construction standards and/or relocation of public and private assets away from flood-prone land.

State Emergency Service

The State Emergency Service operates as a volunteer-based organisation that is built on the concept of self-help and mutual assistance.[37] As noted earlier, service demand can vary dramatically from year to year, especially in relation to extreme weather events. Chart D13.18 shows the annual variation in State Emergency Service person hours of operation.

Chart D13.18
State Emergency Service number of person hours of operation
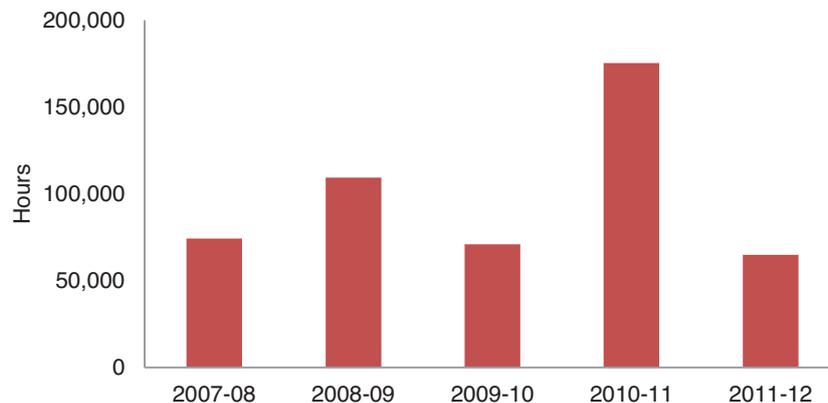
Source: Department of Community Safety

DCS reports that there are major challenges in maintaining an appropriate volunteer base and reducing volunteer turnover, which currently runs at about 10% per annum. Factors which contribute to these challenges are the ageing population, competition for volunteers with NGOs and changing community attitudes towards volunteering.

The Commission notes that issues associated with managing risk in the context of volunteer-based service delivery are likely to be addressed by the review of Rural Fire Service and the portfolio review of the QPS and DCS, which will consider operational capability and coordination matters across the two departments.

Helicopter rescue services

EMQ provides a 24-hour a day helicopter rescue service whose functions include:

- evacuating critically ill patients
- transporting medical teams to accident scenes
- transferring patients between hospitals
- undertaking land and sea search and rescue operations

- supporting state disaster operations and fire spotting
- containing oil spills
- providing support to police operations.

The service is deployed primarily where there is no alternative option available, and/or where its use will improve the probability of success. Around half of its work in the past two years has been related to inter-facility transports. EMQ considers that the service is currently operating at capacity, having delivered 3,278.4 engine hours in 2010-11 and 3,156.5 engine hours in 2011-12.[38]

The helicopter rescue service forms part of a broader Emergency Helicopter Network which includes community-owned helicopters. The network service is currently under review by Government to determine the most appropriate service model for the next decade. Expressions of interest for the provision of this service have been sought.

The Commission's review of Queensland's emergency management sector has identified a range of factors impacting on demand for fire and rescue, ambulance and other emergency services. The scale, frequency and predictability of demand can differ significantly across service areas, and give rise to significant resourcing pressures. Further, all service areas are subject to the rising expectations of the community regarding service quality and responsiveness.

In these circumstances, the effective management of risk is essential to the effective management of demand. The Commission therefore considers that there should be greater use of risk-based approaches to managing demand to prioritise service response strategies.

Recommendation

110 ***The Government make greater use of risk-based approaches to managing demand in the delivery of ambulance, fire and rescue and other emergency management services.***

D13.4 SERVICE DELIVERY

D13.4.1 Co-location of infrastructure

The capital planning process for the emergency management sector considers a number of factors, which are subsequently used to model future service demands and likely infrastructure requirements. These factors include:

- population trends and projections at a regional and state level
- changing community profiles
- fire and ambulance service response times
- changes in vehicle design, training requirements and workforce management trends that result in existing stations no longer being fit for purpose.

The asset base for the emergency management sector is significant. As at 30 June 2012, the value of property, plant and equipment across the QFRS, QAS and EMQ totalled $1,123.5 million. This comprised $558.0 million in fire assets, $497.7 million in ambulance assets, and $67.8 million in emergency management assets.[39]

The high value of fire and ambulance assets reflects the need for physical infrastructure across a geographically large State with a highly decentralised population. In contrast, the comparatively low value of emergency management assets reflects both the nature of the service and the contribution made by local government.

Chart D13.19 compares the number of ambulance stations per 100,000 people by state. In 2011-12, Queensland had the third highest number of ambulance stations per 100,000 people in mainland Australia (5.9), behind Western Australia (7.9) and South Australia (6.9). The chart also demonstrates the priority given to infrastructure supported by paid staff only under Queensland's service model.

Chart D13.19
Ambulance response locations per 100,000 people, 2011-12
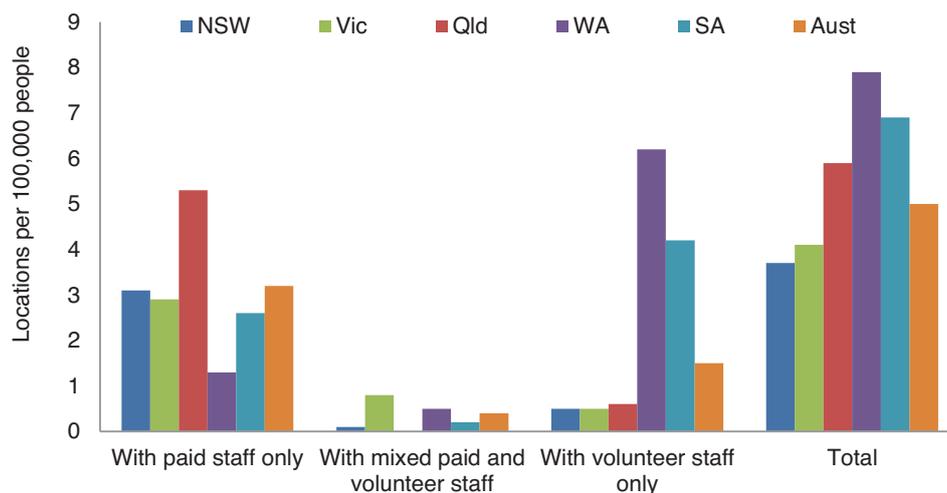
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 9A.36

Capital expenditure efficiencies may be possible through the co-location of new infrastructure, such as communication centres, ambulance stations, fire stations and police stations. There are already a number of co-located facilities, including:

• 14 co-located ambulance and fire stations (Box D13.1)
• 20 hospital-based ambulance stations, with most sites located in rural and remote parts of Queensland
• seven communication centres co-located with a station.

Box D13.1
Co-location of ambulance and fire facilities

Currently, there are 14 sites across the State where QAS and QFRS stations are co-located:

Roma Street, Brisbane	North Rockhampton
Buderim	Point Lookout
Caboolture	Rockhampton
Emu Park	Rosewood
Home Hill	Woodford
Inglewood	Yarraman
Nelly Bay	Yeppoon

Source: Department of Community Safety

Co-location options already are considered as part of the internal infrastructure planning process undertaken by DCS and through periodic cross-agency consultation with the QPS. While DCS has access to government land registers, finding a site suitable for co-located facilities can be difficult due to the need to source locations that have specific characteristics. This includes sites that satisfy the required service response times, are located outside of flood zones, have access to a main road, and are of sufficient size to accommodate design and staffing requirements.

The Commission considers that greater co-location of infrastructure could deliver a number of benefits beyond the economies of scale achieved by the use of shared office space and integrated amenities. Co-location of infrastructure also will support improved service integration, and provide assets that better reflect the evolving service models and ICT developments in policing and emergency management:

- As noted in Section D11 of this Report, the QPS is moving towards the use of mobile and digital data platforms and in-car tasking and field operations. Over time, this will reduce the reliance on physical infrastructure, and change the location and design of stations.

- The QAS service model is evolving towards continuous in-field service provision, with little time between service responses. QAS is exploring the viability of hub stations in lower-cost commercial and industrial estates that can be used as the primary site for administrative functions and supply replenishment. The hubs could be supported by smaller satellite stations in the community to ensure response times are met.

- QFRS responds from base as required. This service model, coupled with changing population profiles, has left some legacy infrastructure issues. There may be scope to rationalise the number of stations, to better align station location with actual service delivery demand.

- Emerging ICT platforms may eventually see the portfolio-wide integration of communications centres across police, fire and rescue, ambulance and emergency management services. The Government Wireless Network, discussed in Section D11 of this Report highlights the potential in this area. Victoria also has established a cross-portfolio communications system.

- DCS currently operates 14 Triple Zero communications centres in 11 locations, with most requiring significant infrastructure and technology investments in the next two to 10 years. Over time, these centres may be able to be reduced in number, and replaced with integrated cross-portfolio facilities or co-located with traffic centres managed by the Department of Transport and Main Roads.

As illustrated by the examples shown in Box D13.1, service model differences do not preclude the co-location of various emergency services. The Commission considers that greater priority should be given to the co-location of future infrastructure, not just within the emergency services portfolio, but also with QPS. Apart from potential cost savings, this should facilitate a more efficient and integrated emergency response that will provide a better service for the community.

The Commission encourages the portfolio review of QPS and emergency services to examine the issue of joint infrastructure planning and development in more detail.

Recommendation

111   *The Government pursue further opportunities for co-location of police, ambulance, fire and rescue, and other emergency management infrastructure to improve utilisation, increase efficiency and provide better integrated emergency responses.*

D13.4.2   Integration of services

The services provided by QAS can be viewed as part of a broader ambulance–health service continuum. The level of coordination and integration between ambulance and health services is of critical importance to the quality of service delivery and the management of service demand.[40]

This is highlighted by the issue of ambulance 'ramping' at hospital emergency departments. Ramping (or 'off stretcher time') is the period between an ambulance arriving at a hospital emergency department, and the patient being seen by a triage nurse and transferred from the ambulance stretcher to an emergency department bed.

Ramping affects the efficiency and effectiveness of ambulance services, as well as the health system. It illustrates the need for closer integration of ambulance and health services.

In November 2012, QAS aligned its administrative boundaries with those of the Queensland Health's network of Hospital and Health Services. This will enable better administrative coordination across the patient care continuum, and strengthen relationships based on the 20 ambulance services that are already co-located with Hospitals and Health Services, including in rural and remote locations such as Birdsville and Windorah. In these cases, QAS provides the health facility with a vehicle, equipment and training so that staff can respond to local calls for assistance. The call-out rate in these co-located facilities is low, ranging from 0.5 to 8 times a month.

A broader question arises as to whether QAS should form part of the health portfolio, rather than the emergency services portfolio. In other states, ambulance services are located within the health portfolio. Queensland is the only state in which the ambulance service is located in the emergency services portfolio (services in Western Australia are provided under contract by St John Ambulance as part of the health portfolio).[41]

This option has been considered on previous occasions. The *Queensland Ambulance Service Audit Report* in 2007 noted that integration of ambulance services within Queensland Health would reduce the potential for cost shifting and duplication of resources, and also would simplify coordination and information sharing. However, the audit concluded that any such structural change for ambulance services would be better actioned in the medium term because of the size of the change, and would need to address the demand management problems being experienced by QAS at the time.[42]

More recently, a report prepared on ambulance ramping in metropolitan hospitals prepared as part of Queensland Health's Metropolitan Emergency Department Access Initiative (MEDAI) found that there is:

> "… *inadequate integration between QAS and Queensland Health in the planning for and delivery of a seamless emergency healthcare system'*."[43]

However, the report counselled against combining the entities, noting that issues such as ramping would not be successfully resolved through amalgamation.[44] Interstate experience also indicates that issues of ramping will not be fully resolved by amalgamation, but service demand may be able to be better managed under a more integrated organisational structure.[45]

The major benefit of integration is the opportunity for more efficient and effective resourcing decisions to address key transition points such as hospital emergency departments. The Commission considers that further examination of this matter is warranted, but should be deferred until recent structural reforms in Queensland Health are embedded.

Even if full integration is not eventually adopted, opportunities for closer integration of ambulance and health services should be investigated, including further co-location of facilities.

Recommendation

112   In the longer term, the Government further integrate ambulance services with Queensland Health, including through co-location of facilities.

D13.4.3   Contestability

Contestability in the provision of ambulance services is well established in a number of jurisdictions. Internationally, ambulance services (including emergency transports) are commonly provided by the non-government sector in the US, the UK, Denmark and New Zealand. Both the Western Australia and the Northern Territory governments have contracted St John Ambulance to provide ambulance services across their jurisdictions. A mixed model has been introduced in Victoria, with emergency ambulance services provided by the state-owned Ambulance Victoria and non-emergency patient transport operating on a contestable basis.

Victoria's contestable service model is implemented under the *Non-Emergency Patient Transport Services Act 2003.* Most non-emergency work in the metropolitan area is contracted out, with private providers entering into contracts with either Ambulance Victoria or hospitals. Most of the non-emergency work in rural areas is provided by Ambulance Victoria, although private providers sometimes are utilised, including by some rural hospitals where it is feasible to do so.[46] As at July 2012, there were 15 non-government providers of non-emergency patient transport services in Victoria.

The Commission considers that the provision of medically authorised transports should be outsourced where a contestable market can be established, most notably in south-east Queensland. This should drive increased operating efficiencies, and assist in managing demand and cost of ambulance services.

Factors to be considered in establishing a contestable market for medically authorised transports include:

- availability of suitable private providers in the market

- the need for legislative amendments, as the QAS currently is a monopoly provider of urgent and non-urgent patient transport services under the *Ambulance Service Act 1991*

- the implications of QAS retaining responsibility for high-cost Code 1 and Code 2 service provision.

Recommendation

113   The Government outsource the provision of medically authorised transports, especially in south-east Queensland, through a contestable market process.

D13.4.4   Commercial operations

Both QFRS and QAS deliver nationally accredited programs across the State. Many programs provided by QFRS and QAS are delivered on a commercial basis, with varying levels of profitability.[47]

In 2011-12, QFRS generated a $2.7 million profit through the provision of training and other services under fixed price contracts. The programs and services delivered to clients include:

- fire safety training for workplaces, specialist training for industry, and specialised fire services for business and local government
- developing evacuation plans
- providing stand-by services at events
- bushfire hazard mitigation
- maintaining fire extinguishers and alarm systems
- urban search and rescue training, to support international disaster management.

QAS also operates a number of commercial operations, including community education programs, a baby capsule service, and the provision of paramedics for mine sites and public events. Key aspects of these operations are:

- QAS is accredited to deliver 14 first aid courses, with approximately 45,000 statements of attainment issued annually. There are around 320 education providers competing for the delivery of first aid training. The QAS service operates on a cost neutral basis, with approximate costs of $5 million.

- Demand for the baby capsule service is declining by approximately 20% per annum, due to the harmonisation of state-based legislation and new developments in child restraint designs. The service currently operates at a $1.4 million loss, and is under review by DCS.

- QAS bids for contracts to provide paramedic services for mine sites and public events. QAS currently provides services at five separate mine sites. Due to industrial instruments, it is not always in a position to submit competitive bids.

A number of the services provided by QAS and QFRS are in highly competitive and well-developed markets. Both entities enjoy strong reputations and brand recognition, which contributes to their success. Many of the services provided also have a public good component.

DCS has identified a number of efficiencies and continuous improvement strategies to enhance the operation of these training programs. These include the need for better ICT-enabled management systems, greater provision for online delivery, and amendments to industrial instruments that limit their competitiveness and efficiency.

The Commission considers that a number of these matters could be addressed by developing strategic partnerships with the private sector in the delivery of these services. This would drive efficiency and innovation, and better position the services in the market.

Consideration should also be given to rationalising the number of registered training organisations (RTOs) within the department. DCS advises that duplication of effort across the RTOs is limited, due to the industry-specific nature of RTO operations and different information systems in use. However, further work should be undertaken to identify where efficiencies in the operation of these RTOs might be achieved, through consolidation of internal resources and through strategic external partnerships. Future ICT upgrades may also create opportunities to improve integration.

Based on the above issues, the Commission considers that the QFRS and QAS should withdraw progressively from some areas of commercial operation. This is especially so in areas where:

- the market is well developed and highly competitive
- the QFRS or QAS businesses are not operating profitably
- there is no clear public benefit case for continuation of the services, for example, they are not essential for sustaining core service delivery capability to the public.

Areas such as urban search and rescue training actively contribute to the public good by developing and sharing good practice in disaster management. However, other services, such as the provision of paramedic services at major events and mine sites, can be provided by private providers, and there is no need for these services to be offered by public providers.

Recommendation

114   The Department of Community Safety adjust its commercial operations to support:

- ***developing strategic partnerships with the private sector for the delivery of commercial training programs***

- ***consolidating internal registered training organisation resources where efficiencies can be reasonably achieved***

- ***implementing a managed withdrawal from commercial activities that are delivered in competitive markets, are not providing a clear public good, and are not essential to maintaining core service delivery capability.***

ENDNOTES

1   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Productivity Commission, 2013, Table 9A.2, accessed from www.pc.gov.au

2   Information provided by the Department of Community Safety

3   Department of Community Safety, *Annual Report 2011-12,* 2012, p. 25, accessed from www.dcs.qld.gov.au

4   Information provided by the Department of Community Safety

5   Rural Fire Service, 'Rural Fire Service review terms of reference finalised', 2012, accessed from www.ruralfire.qld.gov.au

6   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 9A.30

7   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.35. Data published in the Department of Community Safety's annual report for 2011-12 draws on the same data source, but presents the information differently. The annual report notes that there are 296 response locations in Queensland, which combines the 266 locations and 30 first responder locations reported in the Report on Government Services.

8   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.33

9   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.35; other information provided by the Department of Community Safety

10   Department of Community Safety, *Annual Report 2011-12*, p. 14

11   Queensland Government, *State Budget Papers 2012-13: Department of Community Safety Service Delivery Statement,* 2012, 10, accessed from www.budget.qld.gov.au

12   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table D.3

13   For example, State Emergency Service executives receive an annual allowance of between $319 and $420

14   Information provided by the Department of Community Safety, based on workforce data definitions used by the Queensland Government. These definitions may differ to those definitions used in the *Report on Government Services.*

15   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table DA.6

16   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* pp. 9.20-9.21

17   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, pp. 9.79 and 9.80

18   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Box 9.17

19   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.36

20   Risk Frontiers, *State-wide Natural Disaster Risk Assessment and State-wide Risk Register Program: Report 1 – Historical analysis of natural hazard building losses and fatalities for Queensland 1900-2011,* a report prepared for the Department of Community Safety, 2012, unpublished

21 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.18 jurisdictional notes for Queensland. Additional information provided by the Department of Community Safety.

22 Information provided by the Department of Community Safety

23 Bureau of Infrastructure, Transport and Regional Economics, *Australian Maritime Activity to 2029-30,* 2010, Canberra, ACT, accessed from www.bitre.gov.au

24 S Toloo et al, *Emergency Health Services: Demand and Service Delivery Models,* Monograph 1, Literature Review and Activity Trends, 2011, Queensland University of Technology, p. 51, accessed from http://eprints.qut.edu.au

25 Information provided by the Department of Community Safety

26 Information provided by the Department of Community Safety

27 Demand projections provided by the Department of Community Safety are based on demand patterns during the period 2003-04 and 2011-12.

28 Information provided by the Department of Community Safety

29 The five-point triage scale is: Category 1 resuscitation (patients seen within seconds); Category 2 emergency (within 10 minutes); Category 3 urgent (within 30 minutes); Category 4 semi-urgent (within 60 minutes); and Category 5 non-urgent (within 120 minutes). For further information, see Australian Institute of Health and Welfare, *National Health Data Dictionary*, version 16, 2012, p. 2150, accessed from www.aihw.gov.au

30 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Table 9A.32

31 Department of Health, 'Ambulance Services in Victoria: first responder program', 2012, accessed from www.health.vic.gov.au

32 Information provided by the Department of Community Safety

33 *Disaster Management Act 2003,* section 4A (Guiding Principles), accessed from www.legislation.qld.gov.au

34 Risk Frontiers, *State-wide Natural Disaster Risk Assessment and State-wide Risk Register Program: Report 1 – Historical analysis of natural hazard building losses and fatalities for Queensland 1900-2011*, executive summary

35 Risk Frontiers, *State-wide Natural Disaster Risk Assessment and State-wide Risk Register Program: Report 1 – Historical analysis of natural hazard building losses and fatalities for Queensland 1900-2011*, p. 6

36 Attorney-General's Department, *Natural Disaster Relief and Recovery Arrangements: Determination 2012, Version 1,* 2012, p. 4, accessed from www.em.gov.au

37 Department of Community Safety, 'State Emergency Service fact sheet', 2012, accessed from www.ses.qld.gov.au

38 Information provided by the Department of Community Safety

39 Department of Community Safety, *Annual Report 2011-12*, p. 60

40 This general observation is made in the June 2012 report, 'Metropolitan Emergency Department Access Initiative: A report on ambulance ramping in metropolitan hospitals', accessed from www.parliament.qld.gov.au and the Queensland Government's 2007 report, *Queensland Ambulance Service Audit Report,* accessed from www.dcs.qld.gov.au

41 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Box 9.13

42 Queensland Government, *Queensland Ambulance Service Audit Report*, 2007, p. 14, accessed from www.dcs.qld.gov.au

[43] 'Metropolitan Emergency Department Access Initiative: A report on ambulance ramping in metropolitan hospitals', 2012, p. 5, accessed from 'tabled papers' at www.parliament.qld.gov.au

[44] 'Metropolitan Emergency Department Access Initiative: A report on ambulance ramping in metropolitan hospitals', a report commission by Queensland Health, June 2012, p. 4

[45] Victorian Auditor-General, *Access to Ambulance Services*, 2010, p. 23, accessed from www.audit.vic.gov.au

[46] Department of Health, *Victorian health services policy and funding guidelines 2010-11 – Ambulance services, 2010,* p. 8, accessed from www.health.vic.gov.au

[47] Information provided by the Department of Community Safety

D14   HOUSING SERVICES

KEY ISSUES

- As at 30 June 2012, Queensland had 71,641 social housing rental dwellings. Of these, 76% were owned and managed by Government (public housing) and the remainder were managed by non-government organisations (community housing) using a mix of ownership and leasing arrangements.

- Demand for social housing is high. As at 30 June 2012, there were 29,329 households on the wait list for long-term social housing. The average wait time for public housing for clients with very high or high need was 10 months.

- The social housing sector is facing a range of systemic and financial challenges. An increasing proportion of demand is from single-person households with complex needs and low incomes. This has resulted in increased support costs and rental revenue pressures. The housing stock is ageing and poorly suited to client needs.

- The role of the non-government sector has changed as a result of policy reforms at the state and national level. The proportion of the social housing portfolio managed by NGOs in Queensland has increased from 9.6% to 23.8% in the five years to 2011-12.

- There are clear benefits to be derived from further expanding the role of the non-government sector in the ownership and management of public housing. However, the capability and performance of both the government and non-government sectors will need to improve to deliver enhanced value for money.

- In transferring greater responsibility to community housing providers, the Government will need to manage a range of stakeholder interests. This includes managing the concerns and expectations of tenants, creating performance-based relationships with community housing providers, and managing future funding arrangements with the Australian Government.

- Queensland's housing portfolio is generally maintained to an acceptable standard, although maintenance costs are above the recommended minimum threshold of 1% of asset replacement value. Maintenance costs will be subject to continuing upward pressure, especially as infrastructure constructed through large capital injections in recent years moves through its life cycle.

- There is a need for innovative models of financing investment to address the continued shortage of affordable housing. These models should leverage the expertise of the non-government sector.

D14.1 SERVICE PROFILE

The Department of Housing and Public Works (DHPW) provides housing and support services to people in need. The services provided to the public include the provision of social housing, crisis housing, assistance to households in the private sector, and programs specifically designed to support the housing needs of Indigenous people.

Social housing services delivered in Queensland include both public housing and community housing:

- Public housing – rental accommodation that is owned and managed by the Government. This housing includes state-owned and managed rental dwellings that are allocated only to Indigenous people.

- Community housing – rental accommodation that is managed by non-government service providers, with dwellings owned by Government or the provider, or leased. Service providers are funded in part by Government. Community housing also includes dwellings that are owned or leased by community councils or Indigenous organisations and only allocated to Indigenous people.

DHPW advises that as at 30 June 2012, there were 71,641 social housing dwellings in Queensland, comprising 54,574 public housing dwellings (76.2%) and 17,067 community housing dwellings (23.8%). A total of 60,763 (84.8%) social housing dwellings were owned by Government. Social housing dwellings comprise about 3.7% of the housing market in Queensland.[1]

As at 30 June 2012, there were approximately 330 registered housing providers under the *Housing Act 2003*, including about 220 who provided accommodation-related services.[2]

Queensland's net recurrent expenditure on social housing is significant. As shown in Chart D14.1, Queensland expended $811.3 million on social housing in 2011-12. This expenditure increased from $601.6 million in 2009-10.
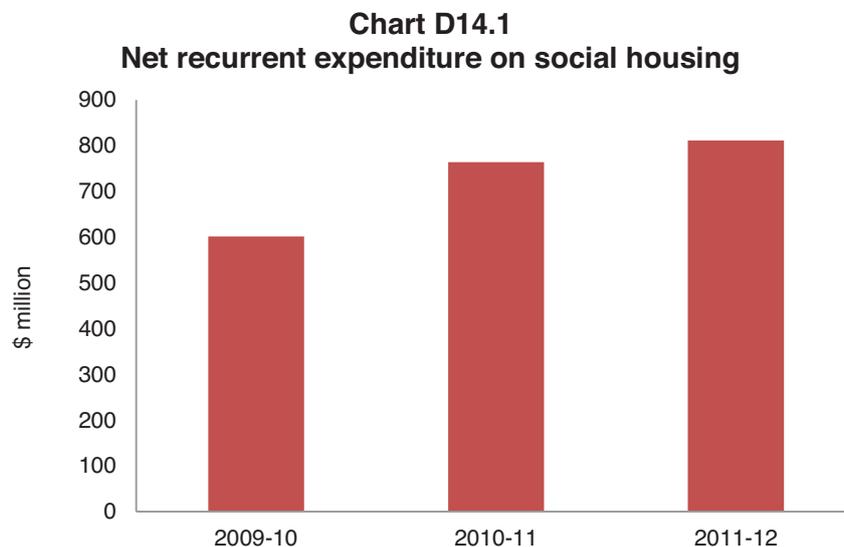
Chart D14.1
Net recurrent expenditure on social housing

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 16A.1

Capital expenditure on social housing is also substantial, and is discussed in Section D14.5.

Housing services in Queensland are funded jointly by the Australian and Queensland governments, as well as social housing tenants. A number of Council of Australian Government (COAG) agreements are in place to provide the policy framework and funding mechanisms for the provision of housing assistance. These include:

- The National Affordable Housing Agreement (NAHA) – this agreement provides the policy framework for social housing in Australia, and is funded through the National Affordable Housing Agreement Specific Purpose Payment (NAHASPP). The NAHA aims to ensure that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation.[3] Between 2008-09 and 2013-14, Queensland's funding under the NAHA is expected to be $1.1 billion, including $943 million for housing services and $147 million for homelessness services.[4]

- The National Partnership Agreement on the Nation Building and Jobs Plan – this agreement provided funding for the construction of approximately 4,000 units in Queensland through a mix of turnkey arrangements and capital grants to registered housing providers. Approximately 98% of the units constructed under the plan are managed by non-government social housing providers. This agreement expired on 31 December 2012.[5]

- The National Partnership Agreement on Remote Indigenous Housing (NPARIH) – this 10-year agreement includes $1.153 billion in Australian Government funding for the construction of 1,141 new houses and the refurbishment of 1,216 existing dwellings in remote Indigenous communities in Queensland. The agreement is due to expire on 30 June 2018.[6]

- The National Partnership Agreement on Homelessness (NPAH) – this agreement funds the construction of social housing dwellings and specialist homelessness programs. Further information on homelessness programs and funding in Queensland is considered in Section D15 of this Report.[7]

Joint funding arrangements outside the national partnerships framework also support affordable housing. The National Rental Affordability Scheme (NRAS) provides financial incentives to investors and not-for-profit housing organisations to construct and manage 50,000 rental homes across Australia by June 2014, including 11,174 homes in Queensland. Dwellings constructed under NRAS are rented out at 20% below market rates. Income tax-free incentives are provided over a 10-year period under the scheme.[8]

About 43% of funding for housing services in 2012-13 is expected to be sourced from user charges, primarily comprising rental revenue from public housing tenants. The remainder of funding is expected to be sourced from the Australian Government (37%), State Government (18%) and other miscellaneous sources (2%).[9]

Eligibility for social housing is assessed against criteria relating to tenant residency, income, assets and the appropriateness of their current housing arrangements. Housing allocations are generally made to those in greatest need, from a consolidated wait list managed by DHPW. Social housing rents in Queensland are set at 25% of assessable household income or market rent, whichever is the lower, using a complex assessment formula.

Both the Australian and Queensland governments provide financial support to social housing tenants, with the level and source of support determined by whether the tenant is located in community or public housing:

- Tenants in public housing are charged a concessional (subsidised) rent by the Queensland Government. In 2011-12, the average subsidy per household in Queensland public housing was $145 per week or $7,540 annually.[10]

- Community housing tenants (and low income tenants in the private rental market) are eligible to receive Commonwealth Rent Assistance (CRA), which is a non-taxable income support payment paid by the Australian Government. The level at which it is paid depends on household size and income. In 2011-12, the average CRA expenditure per income unit in Queensland by the Australian Government was $2,907.[11] As community housing tenants have the same rental policies as public housing tenants, the balance of the concession ($4,633) is met by the State.

The number of social housing dwellings has increased significantly over the last five years, rising by 21.7% from 58,883 dwellings in 2007-08 to 71,641 in 2011-12 (Table D14.1). Most of the increase has occurred in community rental housing, which rose from 5,636 to 17,067 dwellings during this period.

Table D14.1 Number of social housing dwellings					
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Public rental housing	53,247	53,719	54,383	54,721	54,574
Community rental housing	5,636	5,946	12,918	15,773	17,067
Total	**58,883**	**59,665**	**67,301**	**70,494**	**71,641**

Source: Department of Housing and Public Works

The increase in the community housing stock between 2008-09 and 2011-12 largely occurred as a result of new construction activity under the National Partnership Agreement on the Nation Building and Jobs Plan.

The Queensland Government also provides assistance to households in the private housing market, such as bond loans, rental grants and home loans. In 2011-12, a total of 202,372 households were assisted.[12]

D14.2 COMPARATIVE PERFORMANCE[13]

D14.2.1 Outcomes

An important outcome indicator for social housing is the proportion of households that are overcrowded. Chart D14.2 shows that the proportion of overcrowded households in Queensland as at 30 June 2012 in public housing was 4.8%. This was the second highest of the mainland states, behind Western Australia (4.9%).[14]

Chart D14.2
Proportion of overcrowded households in public housing, at 30 June 2012
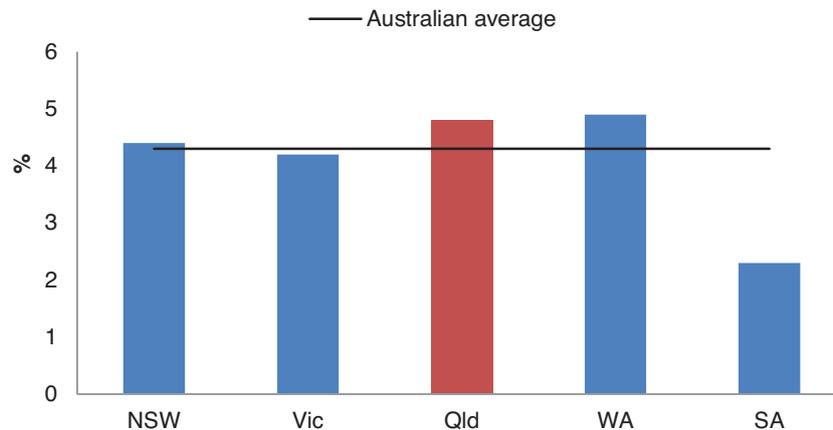
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013,Table 16A.47

The Productivity Commission also publishes data on the proportion of Indigenous households living in overcrowded conditions. In Queensland, a total of 13% of Indigenous households residing in public housing were overcrowded as at 30 June 2012. This was the highest of the mainland states.[15]

The level of overcrowding was similar in the program category of state-owned and managed Indigenous housing (SOMIH). The SOMIH program only operates in Queensland, New South Wales and South Australia, and is a type of public housing that is allocated only to Indigenous people. As at 30 June 2012, a total of 13.2% of SOMIH dwellings were overcrowded in Queensland, which was higher than in South Australia (9.5%) and New South Wales (7.6%).[16]

For Indigenous community housing, a total of 13.9% of households were overcrowded as at 30 June 2011. This figure has varied significantly over time, and may not be reliable.[17]

D14.2.2   Efficiency

An important indicator of social housing efficiency is the net recurrent cost, per dwelling, of providing assistance. These costs include administration costs, operating costs (for example, rates and maintenance) and costs associated with capital.[18] These costs can vary from year to year, especially in relation to the life cycle of a property.

In 2011-12, the net recurrent cost per public housing dwelling in Queensland was $8,294 (Chart D14.3). Since 2005-06, Queensland's comparative position changed from the state with the second lowest net recurrent costs ($4,719) to the state with the second highest costs.

Chart D14.3
Net recurrent cost per dwelling – public housing

■2005-06 ■2006-07 ■2007-08 ■2008-09 ■2009-10 ■2010-11 ■2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.19

Chart D14.3 shows that the net recurrent cost per dwelling for public housing in Queensland increased significantly in 2010-11, rising to $8,255 from $6,077 the previous year. DHPW attributes this increase to a number of factors, including:

- a decline in rental revenue, with 2010-11 revenue some $14 million lower than the previous year
- a significant increase in maintenance and compliance costs
- increases in rates of approximately 11% per annum.

The most recent Productivity Commission data for community housing is for 2010-11. As shown in Chart D14.4, the recurrent cost per dwelling in community housing in Queensland was the lowest of any mainland state between 2005-06 and 2010-11. Queensland's per dwelling costs peaked during this period at $7,263 in 2009-10, before declining to $5,345 in 2010-11.

Chart D14.4
Net recurrent cost per dwelling – community housing
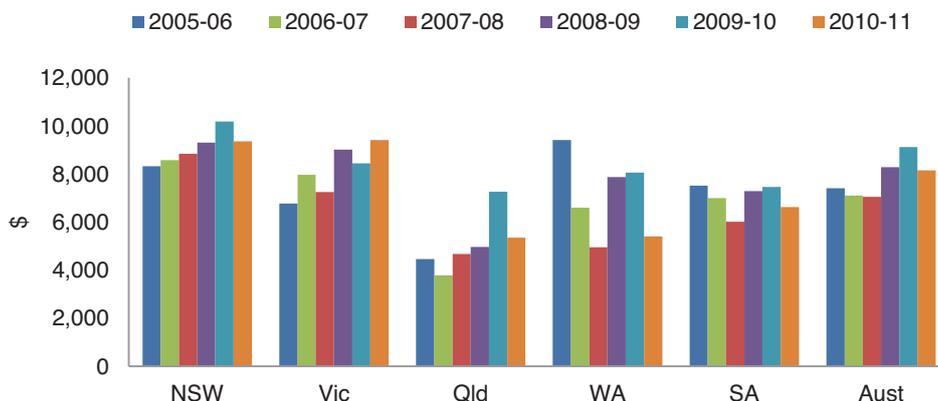
■2005-06 ■2006-07 ■2007-08 ■2008-09 ■2009-10 ■2010-11

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.22

DHPW advises that the reasons underpinning the 2009-10 cost increases in community housing in Queensland may reflect the growth in community housing under the National Partnership Agreement on the Nation Building and Jobs Plan, and associated NGO efforts to strengthen their governance frameworks. The subsequent fall in 2010-11 has been attributed primarily to the timing of maintenance funding under the Nation Building and Jobs Plan.

Turnaround times for vacant stock are an important indicator for efficiency. The most recent, complete and reliable data for this indicator is for 2010-11. For that year, turnaround time (defined as the average time taken for vacant public housing dwellings to rent) in Queensland was 27.8 days (Chart D14.5). While this compares well to some other states, turnaround time in Queensland has increased from 22.4 days in 2006-07. It now exceeds the DHPW target of 25 days (including 11 days for allocation and14 days for maintenance).

Chart D14.5
Average turnaround times for vacant stock – public housing

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2012, Table 16A.25; see also Report on Government Services 2011, Table 16A.6

Overruns occur primarily during the maintenance phase, and are attributed to the need to address significant property damage or complete major refurbishments on ageing stock. Maintenance to properties located in rural and remote areas may also require a longer period to complete.

D14.2.3   Equity

An important equity measure is the extent to which people with special needs are given priority access to housing. Households with special needs include:

- in public and community housing – households that have either a person with disability, a principal tenant aged 24 years or under, or 75 years or over, or one or more Indigenous household members

- in state-owned and managed Indigenous housing – households that have either a person with disability or a principal tenant aged 24 years or under, or 50 years or over.[19]

In 2011-12, along with South Australia, Queensland allocated the equal second highest proportion of new tenancies in public housing to households with special needs (71.9%) (Chart D14.6). New South Wales had the highest allocation of new tenancies to households with special needs (72.6%).

Chart D14.6
Proportion of new tenancies allocated to households with special needs –
public housing

■ 2005-06 ■ 2006-07 ■ 2007-08 ■ 2008-09 ■ 2009-10 ■ 2010-11 ■ 2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.9; see also Report on Government Services 2011, Table 16A.2

For state-owned and managed Indigenous housing, the proportion of new tenancies allocated to Queensland households with special needs in 2011-12 was 45.2%. This was lower than SOMIH programs in New South Wales (56.7%) and South Australia (52%).[20]

In community housing, the proportion of new tenancies allocated to households with special needs in Queensland in 2011-12 was 58% (Chart D14.7). While this was mid-range across the states, it was some 13.9 percentage points lower than the special needs allocations made in public housing in Queensland. The performance of the community housing sector on this indicator in Queensland has varied from year to year, with special need allocations reaching a low of 42.5% in 2010-11.

Chart D14.7
**Proportion of new tenancies allocated to households with special needs –
community housing**
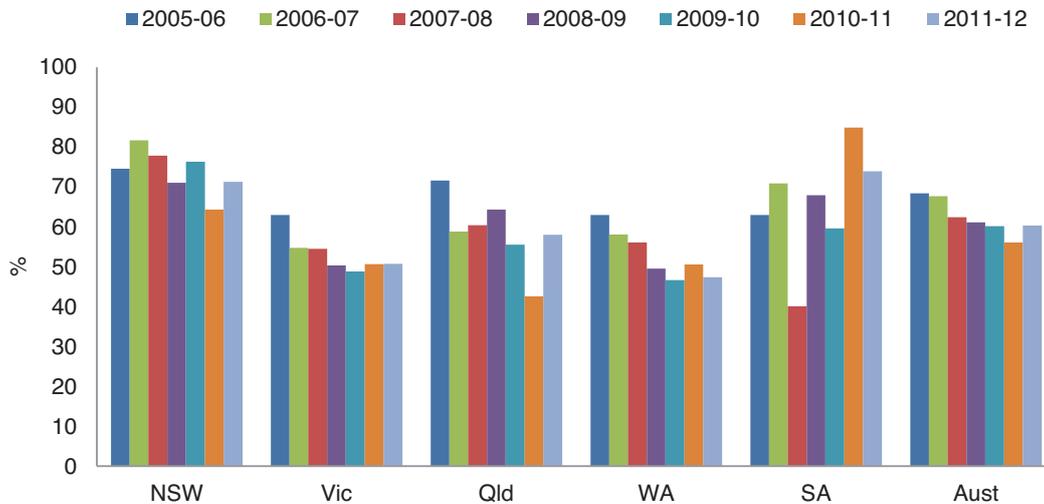
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.11; see also Report on Government Services 2011, Table 16A.30

Another important indicator of housing equity is the proportion of allocations made to
those in greatest need (rather than those with special needs). Queensland's
performance in this area has improved markedly, from 17.5% in 2005-06 to 96.4% in
2011-12 (Chart D14.8). Queensland now outperforms other states by some margin,
with Western Australia making the second highest proportion (83.1%) of public
housing allocations to those in great need. Queensland's high-level performance
since 2008-09 can be attributed to the introduction of client intake, assessment and
prioritisation reforms that were implemented as part of the One Social Housing
System (OSHS) reforms, which are discussed later in Section D14.3.

Chart D14.8
**Proportion of new allocations of housing made to those in greatest need –
public housing**
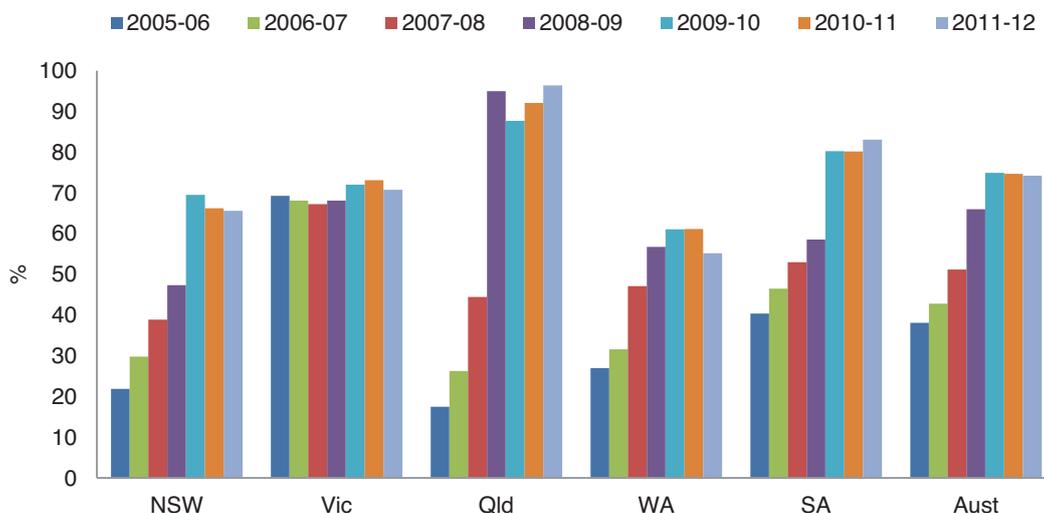
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.12; see also Report on Government Services 2011, Table 16A.3

In community housing, the proportion of new allocations made to those in greatest need in Queensland was 62.4% in 2011-12 (Chart D14.9), some 34 percentage points lower than for public housing. This was the second lowest proportion of the mainland states. Issues relating to allocation and prioritisation by non-government housing providers are considered later in Section D14.4.

Chart D14.9
Proportion of new allocations of housing made to those in greatest need – community housing
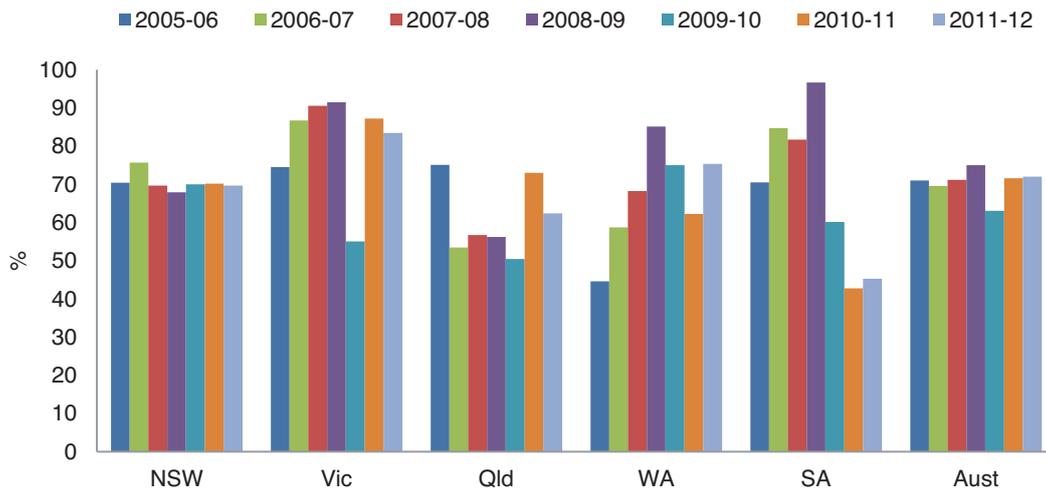
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.14; see also Report on Government Services 2011, Table 16A.31

D14.3 SERVICE DEMAND

As noted earlier, the number of social housing dwellings has increased significantly over the last five years, rising from 58,883 dwellings in 2007-08 to 71,641 in 2011-12. Despite these increases, social housing is characterised by significant unmet demand. The number of eligible households on the waiting list for long-term housing as at 30 June 2012 was 29,329 with an average wait time for government-managed housing for clients with high or very high need of 10 months.[21] Approximately half of those on the register are single people with no children, and almost a third are single parents with children.[22]

A number of factors have contributed to the increase in demand for social housing. These include an upward trend in private sector rents and median home prices, and an increase in single person households with complex needs and low incomes, who find it difficult to sustain tenancies in the private rental market.[23] This includes the aged, people with a disability, and individuals experiencing mental illness, homelessness, domestic violence or substance abuse. In some cases, limitations in the availability of other services in related areas such as health may hasten the need for social housing among these disadvantaged groups.

In the absence of fixed-term tenancies, there has been limited turnover and a decline over time in the number of new households being assisted each year. Productivity Commission data shows that, despite the increase in the overall number of social housing dwellings, the number of new households assisted into public housing declined from 4,258 in 2007-08 to 3,470 in 2011-12.[24] Tenants with high or complex needs may find it difficult to transition to the private housing market.

These trends have been compounded by a number of supply-side factors that have limited the ability of Government to better manage demand in social housing. These include legacy issues such as an ageing property portfolio comprising mainly of detached three bedroom houses that are too large and/or poorly suited to single person households and clients with special needs.

The major reforms introduced by the Queensland Government in 2006 to prioritise and better manage demand for social housing have heightened the impact of some legacy issues. The OSHS reforms included the creation of a single wait list for all social housing, and a standardised needs assessment (implemented in 2008) for all social housing applicants. The changes were designed to prioritise households in the greatest need, and have been highly successful within public housing, although somewhat less successful in community housing.

These necessary and well-intentioned OSHS reforms have had a number of flow-on consequences. Prioritisation has meant that the majority of new housing allocations now are made to the most disadvantaged people in the community whose primary source of income is Commonwealth income and family support payments. This change in client profile has resulted in higher support costs and a fall in rental revenue growth, with public housing rental revenue actually declining in 2010-11, before subsequently increasing again in 2011-12.[25]

The trend towards single-person households has also led to under-occupancy of dwellings, with a total of 15.9% of Queensland's public housing properties having two or more vacant bedrooms as at 30 June 2012.[26] DHPW has also noted that increases in maintenance costs, local government rates and service charges have outstripped the growth in rental revenue and have created significant funding pressures.

In response to these issues, the Government is implementing a number of strategies to improve demand management, including:

- reviewing the rent policy, including simplifying the way in which rent is calculated

- introducing three-year, fixed-term tenancies, with scope for shorter or longer tenancies depending on circumstances

- reducing the number of under-utilised properties, by transferring single person households to more appropriately sized accommodation when it is available

- achieving efficiencies through increasing the proportion of social housing properties managed by non-government housing providers

- increasing the supply of social housing properties through redevelopment and/or asset leveraging.[27]

While these strategies all have individual merit, they are unlikely to ease demand-side pressures in the short term. Rather, the strategies will require a longer period of transition and change due to the legacy issues noted above.

The services provided by government to households in the private housing market are also subject to demand-side pressures. The number of households assisted by the Queensland Government in the private housing market has increased, rising from 168,165 households in 2005-06 to 202,372 households in 2011-12 (Chart D14.10).

The number of households assisted peaked in 2010-11, at 205,391. This represented assistance to 12.5% of the 1.65 million households in Queensland in 2011.[28]

Chart D14.10
Number of households assisted in the private housing market
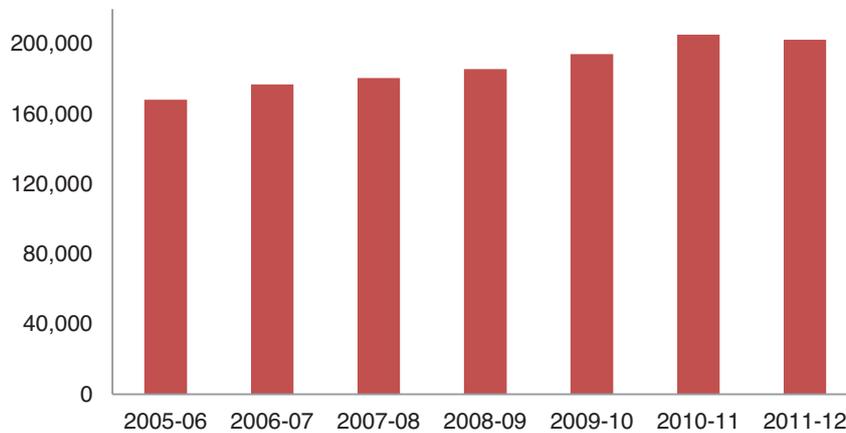
Source: Department of Housing and Public Works, Annual Report 2011-12; and
Department of Communities, Annual Reports (2008-09 to 2010-11)

This assistance often takes the form of bond loans and rental grants. This type of assistance aims to help households source and maintain appropriate housing in the private sector. This assistance plays an important role in managing demand for social housing services. Without it, demand for high-cost social housing services would almost certainly increase.

It is important that the demand pressures experienced in the social housing sector are not viewed in isolation from issues in the broader housing market.   Access to affordable housing is influenced by a range of factors, including population and demographic trends, taxation settings, land use planning, infrastructure and construction costs, and the cost and availability of housing finance.[29]

D14.4 SERVICE DELIVERY

D14.4.1   The role of the non-government sector in social housing

The role of the non-government sector in social housing is changing. Policy reforms made by Government over the past decade have seen the scope and scale of NGO operations change significantly, moving from the traditional roles of tenancy management to more extensive roles in infrastructure development and asset management. These policy reforms have aimed to:

• introduce greater competition and choice in social housing
• better utilise the ability of NGOs to provide integrated support services to clients
• reduce the concentration of public housing through better planning and design
• utilise the expertise and resources of the private sector in finance and infrastructure development.[30]

The results of these policy reforms are clear and observable. As noted earlier, the proportion of social housing properties managed by the non-government sector in Queensland rose from 9.6% to 23.8% between 2007-08 and 2011-12. While this does not yet meet the goal set by Commonwealth, State and Territory housing Ministers in 2009 for the non-government sector to manage up to 35% of social housing by 2014, it does demonstrate significant progress.[31] Further, there are now a small number of larger NGOs in Queensland that have become actively involved in large-scale property development, and asset and tenancy management.

The evolving service model reflects the unique expertise and value for money that the non-government sector brings to social housing. It also reflects major public sector management trends that have occurred since the 1980s, with governments in Australia and internationally increasingly viewing their role as a funder and regulator, rather than a provider of services to the community.

The United Kingdom (UK) is comparatively well advanced in maximising the involvement of NGOs in the social housing sector. The Productivity Commission reports that by 2007, almost half the social housing stock in the UK was managed by community housing organisations. The transfer of tenancy management responsibilities was also supported by financial reforms in the sector, which facilitated greater use of private investment funds and asset leveraging by providers.[32]

It is the Commission's view that the non-government sector can realise social housing benefits that simply cannot be achieved through public sector service delivery alone. Further expanding the role of Queensland's non-government sector in social housing offers a number of benefits, including:

- access to the CRA for tenants in community housing

- opportunities to achieve and maintain lower operating costs, due to community sector tax concessions and lower corporate overheads

- the ability to attract alternative sources of revenue, including funds sourced from property development activity

- opportunities to promote continuous improvement through performance-based contracting.

Research undertaken in the UK indicates that savings of between 10% and 25% have been achieved through outsourcing the management of social housing to the non-government sector, depending on the scope of the contract.[33] While it may not necessarily be possible to replicate outcomes achieved in the UK (for example, due to different circumstances), the evidence indicates scope for significant benefits from an expanded role for the non-government sector, especially where economies of scale exist.

The non-government sector also is uniquely placed to partner with Government in 'whole of life' construction and management arrangements that can contribute to an overall increase in the net supply of social housing and lead to the renewal of social housing stock. Two examples of these partnership arrangements are worthy of note: BHC (formerly known as Brisbane Housing Company) and the Logan Renewal Initiative.

BHC is one of the largest not-for-profit housing entities in Queensland. As at 31 October 2012, BHC managed 1,140 social housing dwellings, and is a recipient of both Nation Building and NRAS funding (see Box D14.1).

Box D14.1
BHC

BHC (formerly known as Brisbane Housing Company) aims to develop affordable housing in inner Brisbane for low-income earners. BHC was established as a joint initiative of the Queensland Government and the Brisbane City Council, and its shareholders are drawn from the not-for-profit, private and government sectors.

Since its establishment in 2002, BHC has developed over 1,000 properties in Brisbane with total equity as at 30 June 2011 of $232 million. While most funding has been provided by Government, BHC has also sourced private capital to contribute to the funding of its developments.

Funding is supplemented by sales and rental income for their property portfolio. Rental revenue is used to fund property management and maintenance.

BHC calculates the rent for a property as a percentage of the market rent for a similar dwelling in the area. This is similar to rents for NRAS homes, which are set at up to 80% of the market rent, depending on the property.

The majority of properties developed by BHC have been units in medium to high density complexes. This style of property reflects the emerging client profile and fills a gap in the type of properties currently available through public housing.

BHC uses a 'mixed tenure' model that combines affordable rental options with owner-occupier units for sale and, in some cases, retail and commercial space within the same complex.

Source:
- *Brisbane Housing Company Ltd, 2011, Annual Review 2010-11, accessed from www.brisbanehousingcompany.com.au*
- *Brisbane Housing Company Ltd, 2012, 'Our rents', accessed from www.brisbanehousingcompany.com.au*

BHC differs from other NGOs operating in the social housing market in that the Queensland Government is a BHC shareholder and has provided over $114.4 million in upfront funding as well as donations of land. This reflects BHC's original role as a developer of affordable housing. Over time, this role has expanded progressively to include the management of social housing.

The BHC's development model has been heavily supported by government grants, and the ongoing scale of its operations would not be sustainable in the absence of ongoing government assistance. However, BHC's operations are informed by commercial analysis, with each project assessed on its merits, and with no cross-subsidisation across projects.

The Government's focus on funding rather than direct delivery is also apparent in the Logan Renewal Initiative. Announced in August 2012, the initiative involves the construction of new dwellings in growth areas within Logan, as well as redeveloping existing social housing sites with a mix of homes that better reflect client demand. Critically, the initiative will be characterised by:

- an increase in affordable housing in Logan

- a reduction in the concentration of public housing through 'mixed model' planning that combines social housing, affordable housing and homes for purchase

- increasing the role of the non-government sector through the transfer of tenancy and property management responsibilities for around 5,000 social housing properties in Logan

- partnerships between the private construction industry, the community sector, Logan City Council and the Queensland Government.[34]

Renewal initiatives of this kind are necessarily long-term undertakings, and may take up to 20 years to complete. DHPW estimates that up to 200 new units of accommodation will be created in the early stages of the project. The pilot initiative may act as a model for implementation in a number of locations within South East Queensland and in major regional centres such as Townsville.

The Logan initiative is being undertaken as part of a national, two-stage open tender process. It is anticipated that the successful proponent will be selected and announced by mid-2013.

As a large-scale, place-based renewal of social housing, the Logan initiative will apply a number of development and management approaches that are widely used in infrastructure development generally, but have had limited application to date in Queensland's social housing sector. This includes the use of market testing and competitive tender processes to drive value for money and high quality outcomes, as well as fully integrated 'whole of life' arrangements that cover funding, design, construction, management and maintenance activities.

As noted at the beginning of this Section, the State also provides a range of support services to clients in the private rental market. These programs contribute to the sourcing and maintenance of housing in the private sector, and form part of the broader triage-based assessment and referral process. The continued use of private market options is important in managing overall demand for social housing.

Some of these support services are provided through departmental Housing Service Centres, while other programs, such as Home Assist Secure, are delivered by the non-government sector. The Commission considers there is scope for the non-government sector to assume a greater role in the delivery of some programs over time, including assessment and referral services.

D14.4.2   Capability and performance

An expansion of the role of NGOs in the social housing sector raises a number of capability and performance risks, especially in relation to the scope and scale of NGO operations.

In relation to scale, it is important to note the differences in the NGO sector that exist between states. Productivity Commission data indicates that as at 30 June 2012, Queensland had 284 community housing providers, in comparison with the 130 that operate in New South Wales and the 106 entities that operate in Victoria.[35] It is likely that geographical factors account for some of this difference, with geographically dispersed states typically having a larger number of providers because of the location-specific nature of tenancy management.[36] Both New South Wales and Victoria have undertaken formal processes to streamline the number of providers.

Data provided by the DHPW indicates that only eight community housing providers in Queensland individually manage more than 500 dwellings. Around 80% of Queensland's registered providers manage less than 50 dwellings under 1-2 funding programs. In contrast, DHPW has noted that providers in the more geographically compact, heavily populated states have a smaller number of providers with individual responsibility for a greater number of dwellings.

Many of the larger interstate providers do not currently provide services in Queensland. One reason for this is the different regulatory arrangements that apply in each state, which act as a barrier to entry. This issue has been recognised by governments across Australia and is reflected in work being undertaken by industry and the Australian and State governments under the NAHA to develop a National Regulatory System (NRS) for community housing providers. The NRS is scheduled to be progressively implemented from July 2013 and will establish a single framework for regulating the performance of these bodies nationally.

It is anticipated that the NRS will result in a number of changes, including:

- the establishment of an independent housing registrar in each state

- the use of a tiered, risk-based approach to regulation, based on the business focus of the entity (such as property development, tenancy management)

- the entrance of new providers into the Queensland market, including large, well-established interstate providers that can facilitate further capital investment

- some rationalisation and consolidation of NGOs over time, as marginal entities leave the sector and/or new alliances are established based on common ethos, location and service models.

One of the risks associated with these types of changes is a loss of diversity among providers. In particular, there is a need to ensure that the drive for performance and efficiency does not result in a loss of local flexibility, responsiveness and specialist skills, especially among the smaller providers. Also, specialist skills are necessary to address changes in the client profile which have resulted in a greater proportion of tenants with support needs.

Importantly, the UK experience suggests that the expanded role of NGOs in social housing has led to a 'professionalisation' of the NGO workforce, which has led directly to improvements in sector performance.[37] In Australia, the use of joint training opportunities for public sector and community housing employees and nationally recognised qualifications in the management of housing are a sound base for further activity in this area.

The transfer of management of public housing stock in Queensland to the non-government sector will need to be undertaken progressively to ensure the sector has both the capacity and governance capability to increase its role. This is especially the case in areas such as financial expertise, and strengthening the capability of boards. The need to build capability in these areas has been identified as a priority by DHPW.

Increasing the role of the non-government sector in social housing also raises issues of performance. National benchmarking data prepared by the Productivity Commission indicates that the performance of the non-government housing could improve in a number of areas, including:

- prioritising allocations based on special needs

- prioritising allocations based on those in greatest need.

These issues will need to be addressed as the non-government sector takes on a greater role in the management of social housing.

In this regard, prioritisation data in Queensland suggests there may be some reluctance on the part of the community sector to accept social housing clients with the most complex and high cost needs. As housing responsibility transfers to the non-government sector, there is a risk that a residualised profile of public housing will emerge, where the majority of clients with very high and complex needs are housed by Government. Such residualisation would be counter to the intent of the original OSHS reforms, which sought to create a level of consistency, fairness and transparency in the way housing allocations are made.

It is recognised that some NGOs specialise in clients with special and/or complex needs, and achieve high proportions of allocations made to those with special needs (in excess of 90% in some cases). Entities which provide a range of support services beyond the housing sector are typically better positioned in this area, as they can more easily coordinate the delivery of support services to clients. Allocations to clients with special needs therefore are strongly influenced by NGO capability and the organisation's ease of access to a continuum of client-centred services.

Community housing providers are required to allocate housing to households on the wait list. However, under existing funding agreements, there is no requirement for NGOs to consider the prioritisation of allocations to those in greatest need or with special needs. The Commission understands that this issue will be addressed as part of funding and contractual arrangements for the Logan Renewal Initiative.

The role of the State in social housing should move progressively to a greater focus on funding and policy matters. More broadly, it is important that, as necessary, future funding and contractual arrangements with the non-government sector:

- include performance indicators regarding prioritisation of allocations according to needs

- incentivise the management of tenancies for complex clients

- prevent system gaming to avoid these obligations.

Client intake and assessment processes for social housing currently are managed by departmental employees and provide a level of consistency in analysis and service. This is a role which the non-government sector could undertake in the future. However, the transfer of this function would require safeguards to ensure consistency of evaluation procedures, as well as system safeguards regarding information privacy and security, especially in relation to ICT systems. As noted in Section E7 of this Report, the ICT system for housing property and tenancy management is in poor technical condition and due for replacement within three years.

An expansion of the role of the non-government sector also will mean change for social housing clients. The Government will need to manage the concerns and expectations of tenants, to ensure that their interests are protected, and that a smooth transition to new tenancy management arrangements is achieved.

The public sector will need enhanced skills and capabilities in procurement and contract management, especially to manage new broad-scale developments such as the Logan Renewal Initiative. Benefits can be derived from the experience of other jurisdictions in large-scale redevelopment, as well as local innovations such as BHC's use of mixed tenure models.

There are other potential financial implications for the State arising from an expanded role for the non-government sector:

- An increased number of households will be eligible for the CRA, which over time may result in a reduction in Specific Purpose Payments or other Australian Government funding as the cost burden of subsidised housing is progressively transferred to the Australian Government.

- Amendments to the Australian Government's Fair Work Act have the potential to increase NGO workforce costs associated with the transfer of tenancy management services to the non-government sector. This is especially relevant in the example of the Logan Renewal Initiative. The potential impact of the proposed legislative amendments is discussed in more detail in Section E2 of this Report.

The Commission considers that issues of capability and performance will need to be carefully managed in transitioning the management of social housing to the non-government sector.

D14.5 ASSET MANAGEMENT

D14.5.1   Investment and maintenance trends

As at 30 June 2012, the asset base for Queensland's state-owned housing properties was valued at $14.8 billion.[38]

Queensland's capital expenditure on social housing totalled $293.6 million in 2011-12 (Chart D14.11). This represents a significant decrease on the previous year's expenditure of $728.9 million, and reflects the marked decrease in infrastructure funding provided by the Australian Government under national partnership arrangements. Indeed, DHPW advises that the only new capital funding to be available from 2012-13 will be from the NPARIH.[39]

Chart D14.11
Capital expenditure on social housing
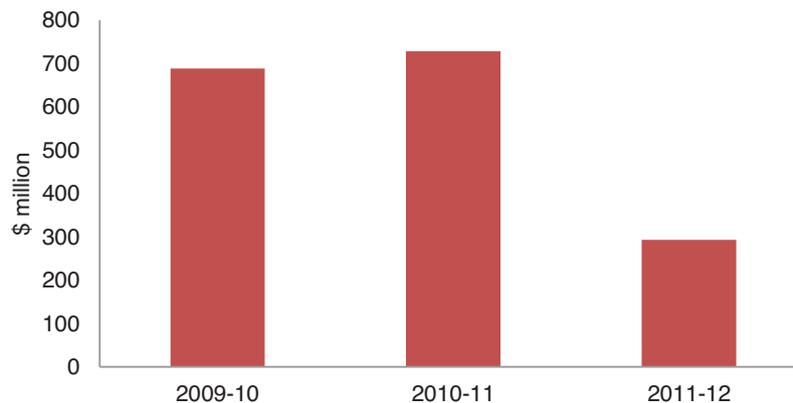
In line with the value of the asset base, costs associated with maintaining the housing property portfolio can be significant. Until recently, almost all maintenance work on public housing was performed by QBuild, with a small amount of work sub-contracted out. With few exceptions, NGOs are responsible for maintaining community housing, with rent revenue from these properties retained by the provider to cover maintenance, administrative and management costs.

Maintenance work is prioritised using the Property Standard Index (PSI), an assessment tool developed by the former Department of Housing, CSIRO and the Queensland University of Technology to inform portfolio and property management decisions. The PSI enables DHPW to specify the standard to which dwellings are to be maintained, and to prioritise and allocate expenditure accordingly.

Evidence from DHPW to date indicates that the use of the PSI has allowed properties to be maintained to an acceptable condition and avoid the problems experienced by some states, including Victoria, regarding maintenance backlogs and poor condition of property.

Chart D14.12 shows that in 2012, of the mainland states, Queensland had the highest proportion of households in public housing (83.5%) where the dwelling was of an acceptable standard.[40]

Chart D14.12
Proportion of public housing dwellings of an acceptable standard, 2012
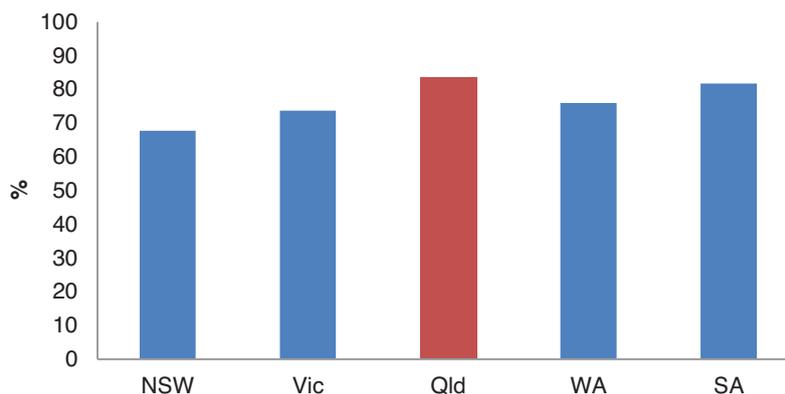
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 16A.15

DHPW housing assets are deemed to have a useful life of 50 years, which is consistent with that of other jurisdictions.[41] However, life cycles of this length tend to increase total maintenance and upgrade costs. In some circumstances, shorter life cycles may be appropriate, especially for older detached housing stock that no longer meets the needs of many clients.

Analysis of data provided by DHPW indicates that total maintenance costs per dwelling increased on average by around 10% per annum from 2007-08 to 2011-12. The analysis indicates that DHPW's housing maintenance expenditure historically has averaged around 2.7% of building asset values and will increase to 3.5% by 2015-16.

This is significantly above the recommended minimum threshold of 1% of asset replacement value, provided in the DHPW Maintenance Management Framework.[42] In addition, further upward pressure on maintenance expenditure is expected, as infrastructure constructed through large capital injections over the last few years moves through its life cycle.

With the reduced role of QBuild and the transfer of tenancy management responsibilities to the non-government sector, there will be opportunities for cost savings by outsourcing the maintenance function to private providers.

D14.5.2   Indigenous housing in remote areas

The major vehicle for investment in social housing for Indigenous people in remote areas is the NPARIH. As noted earlier, this agreement provides Australian Government funding for the construction and refurbishment of houses in remote Indigenous areas from 2009 to 2018.

Implementation of the NPARIH is governed by a suite of requirements. An Implementation Plan sets out targets for the completion of new homes, as well as for the upgrade, maintenance, refurbishment and repair of existing dwellings. Strict delivery timeframes are applied, which can be difficult for Queensland to meet due to geographic and climatic challenges. Queensland met its targets in 2011-12, with 294 properties refurbished and 62 new homes constructed.[43]

The Implementation Plan also requires Queensland to standardise property management (including land tenure arrangements), commit to tenancy management standards, and maximise employment opportunities for Indigenous people.

DHPW advises that it is increasingly difficult for Queensland to deliver on the requirements for a number of reasons, including:

- a shortage of serviced land and other infrastructure requirements

- the absence of a housing construction market in remote areas

- negotiating outcomes with Indigenous Councils and Trustees across the year to year targets, including requirements for a 40-year lease of new and refurbished properties to the Queensland Government in return for lease and rates payments.

With the first Implementation Plan under the NPARIH due to expire on 30 June 2013, there is an opportunity to negotiate more flexible delivery arrangements that reflect the challenges of planning and delivering infrastructure in remote parts of Queensland. More broadly, DHPW advises that there remains a number of long-term outstanding issues to be resolved in relation to housing shortages, overcrowding and dwelling condition in Indigenous communities.

D14.5.3   Infrastructure ownership and asset leveraging

While there has been a significant transfer of tenancy and property management responsibilities to the non-government sector over the past five years, the vast majority of social housing assets in Queensland are owned by the State Government. As at June 2012, almost 85% of the social housing portfolio was owned by Government. Of the remainder, approximately 13% of dwellings are owned by community housing providers and 2% are leased from the private sector.[44]

As a result, there is significant scope for an expanded role for the non-government sector in owning and managing both existing and new social housing assets. As discussed earlier, the NRS is expected to encourage large interstate providers to enter the Queensland market and the Logan Renewal Initiative will introduce more performance-based funding and contractual arrangements. It is therefore probable that a level of consolidation in the non-government housing sector will occur over the next few years.

Asset transfers can be made to encourage further capital investment in social housing, by facilitating opportunities for redevelopment or asset leveraging. Victoria undertook the latter approach in 2008, with varying degrees of success. It transferred to eight housing associations, at no cost, the titles to 575 state-owned properties with a collective value of $155 million. The housing associations were required to leverage 15% of the value of the transferred properties to expand their housing portfolio over the next two years.[45]

The Victorian Auditor-General concluded in a June 2010 report that, over an extended timeframe, most of the housing associations would meet their investment targets. However, the transfer of assets had not always resulted in the leveraging of those assets. While seven of the eight entities had arranged to borrow funds to increase their housing portfolio, only three had utilised the transferred assets as security.[46]

The Victorian Auditor-General's report raises a number of issues that are relevant in the Queensland context, including:

- the ability of entities to service debt and meet management costs (including maintenance and refurbishment) through the rental income of properties

- the risk that changes in the client profile, and associated declining rental income, will act as a disincentive to allocate housing to clients most in need

- the likely need for large-scale transfers in order to achieve the requisite economies of scale

- the need for entities receiving transferred assets to have an established record of performance and proven capability in asset management and reporting.

These matters are relevant in managing the timing and scope of any future asset transfers. Depending on the extent of any value to be realised by the transfer of assets, there will also be implications for the State's balance sheet, especially its net asset position.

D14.5.4   New approaches to infrastructure investment

One of the key challenges facing social housing and the broader housing market in Queensland is a shortage of housing. The National Housing Supply Council estimates that Queensland will have a shortfall of over 107,000 dwellings by 2015, and a shortfall of almost 240,000 dwellings by 2030.[47]

In response to these challenges, the Australian and state governments are placing greater priority on increasing the supply of affordable housing. This is reflected in initiatives such as the Nation Building and Jobs Plan and the NRAS.

As noted earlier, NRAS contributes to the supply of affordable housing through financial incentives to private investors. The scheme aims to result in the construction of 50,000 new rental homes in Australia by June 2014 and charges tenants 80% of market rent over 10 years.

The inherent risk in this investment model is that housing affordability may diminish at the end of the allocated period for discounted rent. Similarly, the asset management model applied by BHC operates on a 10-year period, with some churn in ownership a possibility as dwellings age past this date. Both these housing models have played an important role in improving the supply of affordable housing, but carry affordability risks into the future.

There is a need for innovative models of financing investment to address the continued shortage of affordable housing and the declining financial sustainability of the social housing sector. Ideally, new models of investment should leverage the respective expertise of the government and non-government sectors, and give due consideration to the need for both increased supply and value for money.

A number of other initiatives have been implemented in Australia and internationally, to encourage private and institutional investment in affordable housing, including:

- housing construction bonds, such as those used in the UK and Austria

- sale and leaseback arrangements, such as those used by Defence Housing Australia (DHA).

These infrastructure investment models are discussed briefly below.

Bond mechanisms

Bond mechanisms have been widely used in Europe to increase the supply of affordable housing. The most well-established model is Austria's Housing Construction Convertible Bonds (HCCBs), which aim to encourage the large-scale construction and refurbishment of affordable housing.

Introduced in 1994, HCCBs are funded through the sale of bonds by 'housing banks', which are subsidiaries of banking institutions. The bonds are secured through public loans for approved projects. A number of tax incentives are in place, with all investors receiving a tax benefit on the first 4% of returns and a further tax incentive available to lower income investors. The dwellings constructed under the scheme are typically small, with caps on the rent that can be charged. [48]

The success of housing bond schemes depends in part on their ability to create a stable, low-risk and long-term investment environment. They can also create an expanded role for non-government organisations in the development of affordable housing.

The Australian Housing and Urban Research Institute (AHURI) has undertaken preliminary consultations with stakeholders on the way in which the Austrian bond model might be adapted to Australian conditions. This work identified a number of challenges, including (but not limited to) a need to obtain long-term government commitment, and to improve the corporate governance capability of non-government housing providers. However, a housing supply bond scheme was viewed as being cost effective for governments, and promoting stability in construction and investment. [49]

DHPW is undertaking preliminary work on the feasibility of state-based and cross-jurisdictional housing bond schemes in Australia. The Commission notes that any financing arrangement associated with private sector procurement of public infrastructure needs to be carefully developed with due consideration of the Government's existing bond issuance programs in the current market.

Private sector proposals that involve issuing a product into financial markets would need to be coordinated with the Queensland Treasury Corporation (QTC) to avoid a situation in which the State effectively is competing with itself for capital. To the extent that a bond scheme may require a government guarantee, the financing risks ultimately would remain with the Government. This would need to be taken into account in assessing the relative merits of bond schemes.

Defence Housing Australia – sale and leaseback arrangements

DHA is a government business enterprise that provides housing for defence personnel across Australia. It has a wide-ranging role that spans housing construction, tenancy management and asset management (including property maintenance and refurbishment, and the purchase and divestment of property).

As at 30 June 2012, DHA managed 18,279 properties valued at approximately $9.9 billion. More than 60% of their property portfolio is managed on behalf of investors under sale and leaseback arrangements.[50]

Under the sale and leaseback model, private and institutional investors purchase properties offered through DHA that are then leased back to DHA for a specified period of up to 12 years. Properties are rented at market rates, with rents reviewed annually and guaranteed by Government. Integrated property management services are also provided by DHA, with owners charged a flat percentage fee to cover most non-structural maintenance and repairs. At the end of the lease, DHA repaints the property and replaces floor coverings, and returns the property with vacant possession to the owner.[51]

The DHA sale and leaseback model potentially offers a number of advantages for the social housing sector, including the ability to:

- encourage private investment in social housing

- sell existing public housing stock, while still maintaining the number of social housing dwellings via lease back arrangements

- redevelop existing sites with ageing or otherwise unsuitable housing stock to increase the net supply of social housing.

Despite these advantages, the DHA sale and leaseback model may not be sustainable in a social housing context. Rental income from tenants on statutory incomes is unlikely to generate a sufficient return on investment and would almost certainly require Government to provide a rental guarantee and subsidy to investors (although this may still be a lower cost outcome than direct government investment). Given that housing arrangements for the most disadvantaged clients may always require a level of government subsidy, further work is needed to assess whether a value for money outcome can be achieved.

DHA brings both significant experience and economies of scale to its operation, which could be valuable in developing innovative partnership models for increasing the supply of social housing.

Research published by AHURI notes that there are few innovative financing models used in Australia that support the supply of affordable housing. However, a common element in private sector funding approaches used internationally is the presence of a mature and well-regulated not-for-profit housing sector.[52]

The Commission considers that there is a significant role for the non-government sector in the ownership and management of public housing stock, in order to improve the sustainability and supply of social housing. The Government should progressively transfer responsibility for both existing and new stock to the non-government sector, with transition arrangements that take into account the sector's performance and governance capability.

The Commission notes that the demand for social housing reflects demand pressures in the broader housing market. Because of the impact of broader access and affordability issues on the social housing sector, governments at the national, state and local level need to ensure that policy settings support and facilitate access to affordable housing. Policy action at the state level alone will not be sufficient to address demand pressures in the social housing market.

Recommendation

115   The Government progressively transition the ownership and management of existing and new public housing stock to the non-government sector, with the scope and timeframe for transition to be determined by the sector's performance and governance capability.

ENDNOTES

1   Australian Bureau of Statistics, *Housing Occupancy and Costs 2009-10*, catalogue no. 4130.0, 2011, accessed from www.abs.gov.au

2   Information provided by the Department of Housing and Public Works

3   Council of Australian Governments, *National Affordable Housing Agreement,* 2012, accessed from www.federalfinancialrelations.gov.au

4   Department of Housing and Public Works, *Social Housing: Factors affecting sustainable delivery in Queensland*, 2012, p. 3, accessed from www.hpw.qld.gov.au

5   Information provided by the Department of Housing and Public Works; see also Council of Australian Governments, *National Partnership Agreement on the Nation Building and Jobs Plan,* accessed from www.federalfinancialrelations.gov.au; see also www.coag.gov.au

6   Information provided by the Department of Housing and Public Works; see also Council of Australian Governments, *National Partnership Agreement on Remote Indigenous Housing,* accessed from www.federalfinancialrelations.gov.au; see also www.fahcsia.gov.au

7   Council of Australian Governments, *National Partnership Agreement on Homelessness,* accessed from www.federalfinancialrelations.gov.au

8   NRAS financial incentives are indexed annually for a period of ten years, and as at May 2012, totalled $9,981 per dwelling per annum. See Department of Families, Housing, Community Services and Indigenous Affairs, 'National Rental Affordability Scheme', 2012, accessed from www.fahcsia.gov.au.

9   Queensland Government, *State Budget Papers 2012-13: Department of Housing and Public Works Service Delivery Statement*, 2012, p. 13, accessed from www.budget.qld.gov.au

10 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Productivity Commission, 2013, Table 16A.39, accessed from www.pc.gov.au.

11 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table GA.13

12 Department of Housing and Public Works, *Annual Report 2011-12,* 2012, p. 13, accessed from www.hpw.qld.gov.au

13 The Steering Committee for the Review of Government Service Provision notes that the quality of social housing performance data is variable. This limits the extent to which direct comparisons can be made across jurisdictions, over time and across different types of social housing. This is especially the case for community housing. Issues of data quality should be considered when interpreting the data.

14 A dwelling is considered to be overcrowded when one or more additional bedrooms are required to meet the Canadian National Occupancy Standard (CNOS). For further information on the standard, see Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Box 16.14.

15 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table GA.6

16 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.48

17 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.50

18 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, p. 16.26

19 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Box 16.5

[20] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.10

[21] Department of Housing and Public Works, *Annual Report 2011-12,* 2012, p. 13, accessed from www.hpw.qld.gov.au. DHPW notes that the wait list for long-term housing decreased to 23,550 in December 2012 following a review of wait listed applications and the use of amnesties for tenants with changed circumstances. The wait list is expected to increase.

[22] Department of Housing and Public Works, *Social Housing: Factors affecting sustainable delivery in Queensland*, p. 4

[23] Department of Housing and Public Works, *Social Housing: Factors affecting sustainable delivery in Queensland*, p. 1

[24] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.5

[25] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.5

[26] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.54

[27] Department of Housing and Public Works, *Social Housing: Factors affecting sustainable delivery in Queensland*, p. 6

[28] Household numbers based on analysis of Census 2011 figures; see Queensland Treasury and Trade, *Census 2011: Queensland's Changing Population,* 2012, p. 3, accessed from www.oesr.qld.gov.au

[29] J Yates and V Milligan, *Housing affordability: a 21st century problem,* AHURI Final Report No. 105, 2007, p. 13, accessed from www.ahuri.edu.au

[30] Productivity Commission, *Contribution of the Not-for-Profit Sector,* Research Report, 2010, p. I.1, accessed from www.pc.gov.au

[31] Housing Ministers' Conference, *Implementing the national housing reforms: a progress report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers,* 2009, p. 26, accessed from www.coag.gov.au

[32] Productivity Commission, *Contribution of the Not-for-Profit Sector,* Box I.6

[33] Morrison and Credo, *Tougher times, smarter ways – social housing: the missed savings opportunity,* a white paper prepared in collaboration between Morrison and Credo, 2011, accessed from www.insidehousing.co.uk

[34] Department of Housing and Public Works, *Logan Renewal Initiative: Information for social housing tenants and applicants*, 2012, accessed from www.hpw.qld.gov.au

[35] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.7

[36] Productivity Commission, *Contribution of the Not-for-Profit Sector,* p. I.6

[37] Productivity Commission, *Contribution of the Not-for-Profit Sector,* Box I.6

[38] Department of Housing and Public Works, *Annual Report 2011-12,* p. 77

[39] Information provided by Department of Housing and Public Works. The National Partnership Agreement on the Nation Building and Jobs Plan expired in December 2012.

[40] A dwelling if considered to be of an acceptable standard if it has at least four working facilities (food preparation and storage; washing facilities for people; washing facilities for clothes and bedding; and sewerage) and not more than two major structural problems. See Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.15.

[41] Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 16A.63

[42] Department of Housing and Public Works, *Maintenance Management Framework: Policy for the maintenance of Queensland Government buildings,* October 2012, p. 14, accessed from www.hpw.qld.gov.au

[43] 'National Partnership Agreement on Remote Indigenous Housing', 2012, accessed from www.fahcsia.gov.au

[44] Information provided by Department of Housing and Public Works

[45] Victorian Auditor-General, *Access to Social Housing,* 2010, p. vii, accessed from www.audit.vic.gov.au

[46] Victorian Auditor-General, *Access to Social Housing,* 2010, p. viii, accessed from www.audit.vic.gov.au

[47] National Housing Supply Council, *State of Supply Report 2011,* 2011, p. 208, accessed from www.nhsc.org.au

[48] J Lawson and V Milligan, *International Trends in Housing and Policy Responses,* a final report prepared for the Australian Housing and Urban Research Institute, 2007, pp. 131-132, accessed from www.ahuri.edu.au

[49] J Lawson, 'Housing supply bonds: stakeholder views and draft model', presentation given on behalf of the Australian Housing and Urban Research Institute on 30 September 2011, accessed from www.ahuri.edu.au

[50] Defence Housing Australia, *Statement of Corporate Intent 2012-13*, 2012, and 'Facts and figures', 2012, accessed from www.dha.gov.au

[51] Defence Housing Australia, 'DHA Property Care', 2012, accessed from www.invest.dha.gov.au

[52] H Gronda and L Costello, *Beyond the current NAHA: what next for national housing policy?* Conference discussion paper for the AHURI Research Synthesis Service, 2011, p. 17, accessed from www.ahuri.edu.au

D15   SOCIAL INCLUSION

KEY ISSUES

- Social inclusion refers to opportunities for people to participate in society. Individuals who are socially excluded, or at risk of exclusion, are those who are disadvantaged due to family circumstances, low expectations, community poverty, lack of affordable housing, illness or discrimination.

- The number of Queenslanders disadvantaged and therefore considered socially excluded is 270,000, or 6% of the population, while the number at risk of being disadvantaged and therefore at risk of being socially excluded is 450,000 or another 10% of the population.

- The number of socially excluded people in Queensland is estimated to increase by almost 30% by 2021, and by almost 50% by 2026 due to population growth and population ageing.

- Queensland had the highest rate of homelessness of the states, with 45.8 people per 10,000 being homeless on census night 2011. In 2010-11, the estimated cost per client accessing specialist homelessness services was the highest of the states, and has been trending upwards.

- The number of people accessing specialist homelessness services in Queensland rose by 44% between 2005-06 and 2010-11. Unmet demand for services remains high, with 61.3% of adults and unaccompanied children that requested immediate accommodation on a given day being turned away in 2010-11.

- Almost 500 NGOs collectively deliver more than 1,525 social inclusion services over 119 separate funding initiatives. This fragmentation of providers, services and initiatives undermines both service efficiency and attempts to integrate service delivery for improved client outcomes.

- Changes are required in the way social inclusion services are funded, contracted and delivered in order to achieve better outcomes for clients, in the face of increasing demand pressures and the need to achieve improved value for money in government expenditure.

D15.1 SERVICE PROFILE

The Department of Communities, Child Safety and Disability Services (DCCSDS) funds the provision of a range of social inclusion services to support vulnerable individuals, families and communities. The term *social inclusion* refers to opportunities for people to participate in society through employment and access to services; connect with family, friends and the local community; deal with personal crises; and be heard.[1]

Individuals who are socially excluded, or at risk of exclusion, are those who are disadvantaged due to family circumstances, low expectations, community poverty, lack of affordable housing, illness or discrimination. These circumstances often lead to leaving school early, long-term unemployment and chronic ill-health. Some people are at greater risk of multiple disadvantages, such as the jobless, Indigenous people, people with disability and mental illness, vulnerable new migrants and refuges, those with low incomes and people experiencing homelessness.

Social exclusion is a national problem, with the numbers of people regarded as socially excluded expected to grow across Australia. In 2008, the Australian Government established the Social Inclusion Board to serve as the main advisory body to government on ways to achieve better outcomes for the most disadvantaged Australians. The Board reports regularly, through its *How Australia is faring* reports, on the nature and extent of social inclusion across Australia and the government's progress in building a socially inclusive society.[2]

The number of Queenslanders who experience multiple and complex disadvantage and are therefore considered socially excluded is 270,000, or 6% of the population. In addition, another 450,000 (10% of the population) are at risk of being socially excluded. DCCSDS expects these numbers to grow significantly over the next 15 years, due to population growth and population ageing. By 2021, the number of socially excluded people is estimated to increase by almost 30% and by almost 50% by 2026 as a result of Queensland's population growth.[3]

Overall, the social inclusion services of DCCSDS aim to assist vulnerable people to find and maintain stable accommodation, build their resilience, enable self-management and independence, improve family functioning and maintain their personal safety. DCCSDS is currently streamlining its social inclusion program structure from 10 program domains to two: Individual and Family Support services and Community Access and Support services.

Individual and Family Support services provide support, counselling, case management and accommodation to support individuals and families to live in nurturing, safe, stable and supportive environments and improve their quality of life, personal safety, life skills and behaviours. Examples of Individual and Family Support services include:

- homelessness accommodation services
- domestic and family violence counselling and support
- youth support services
- sexual assault services
- family support.

Community Access and Support services provide access and support, community and service development, and social planning and action to community members to improve their safety and enhance their quality of life. Community members, particularly vulnerable Queenslanders, are also able to access information, support services and practical assistance to increase their independence, self-reliance and diversion from the service system. Examples of Community Access and Support services include:

- neighbourhood centres
- women's health services
- initiatives such as National Youth Week and the Seniors Enquiry Line.

A broad range of services and interventions is used to meet the multiple and complex needs of socially excluded people. The type and breadth of social inclusion services include:

- information, advice, support and referral to other services

- intensive counselling to support individuals, families and groups on a wide range of social support issues (for example, domestic or family violence, sexual abuse)

- case management, from low-level guidance to intensive and sustained support

- crisis and transitional accommodation to combat homelessness and transition to independent living.

Services to combat homelessness make up a large proportion of social inclusion funding. Homelessness is one of the most important markers of social exclusion. Homeless people are often without jobs and without social support, and as a consequence are marginalised, socially isolated and alienated. This is particularly the case for those who are chronically homeless. Homelessness services are focussed on helping people to obtain and maintain stable long-term accommodation and providing the support that enables independent living and community participation.[4]

The delivery of homelessness services is the primary focus of the following analysis, as it is the only area where reliable comparative information is available.

D15.1.1 Homelessness rate

It is difficult to identify the number of homeless people. The commonly accepted definition of homelessness has been a cultural one which defined homelessness as not having access to the minimum accommodation that people have the right to expect in order to live according to the conventions of contemporary life.[5] This definition formed the basis for ABS estimates of homelessness from 2001.

In September 2012, the Australian Bureau of Statistics (ABS) released a new statistical definition of homelessness:

> "*When a person does not have suitable accommodation alternatives they are considered homeless if their current living arrangement:*
>
> - *is in a dwelling that is inadequate; or*
> - *has no tenure, or if their initial tenure is short and not extendable; or*
> - *does not allow them to have control of, and access to space for social relations.*"[6]

Based on the new ABS definition, revised estimates of homelessness for the 2001, 2006 and 2011 censuses were released in November 2012, as shown in Chart D15.1. The ABS data indicate that Queensland has had the highest rate of homelessness of the states, with 45.8 people per 10,000 being homeless on the 2011 census night. While the Queensland homelessness rate remains the highest, it has declined from its 2001 rate of 54.8 per 10,000.

Chart D15.1
Rate of homelessness
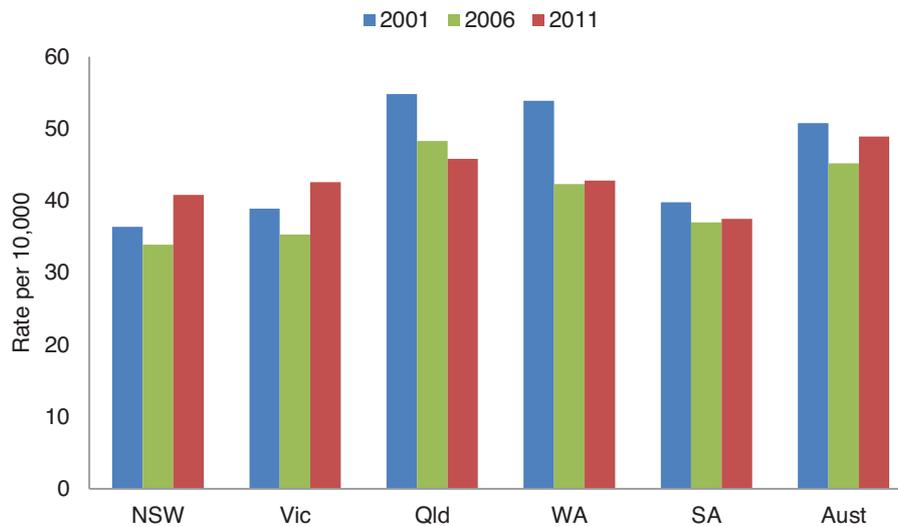
Source: ABS, Census of Population and Housing: Estimating Homelessness, 2011

D15.1.2 Funding

In 2012-13, budgeted funding for social inclusion services is $422 million, a reduction from $473 million in 2011-12. The delivery of social inclusion services in Queensland is predominantly commissioned to the non-government sector. Approximately 496 NGOs deliver more than 1,525 services. About $334 million, or 80%, of the budgeted funding for social inclusion in 2012-13 will be paid as grants to NGOs.[7]

The social inclusion services include a large number of different support services for individuals and families in need, including the administration and payment of grants for community recovery arising from natural disaster events, as shown in Chart D15.2. In 2012-13, grants for homelessness are expected to account for 38% of total grants for social inclusion, while grants for family support are expected to account for a further 17%.

Chart D15.2
Social inclusion grants by function, 2012-13 Budget
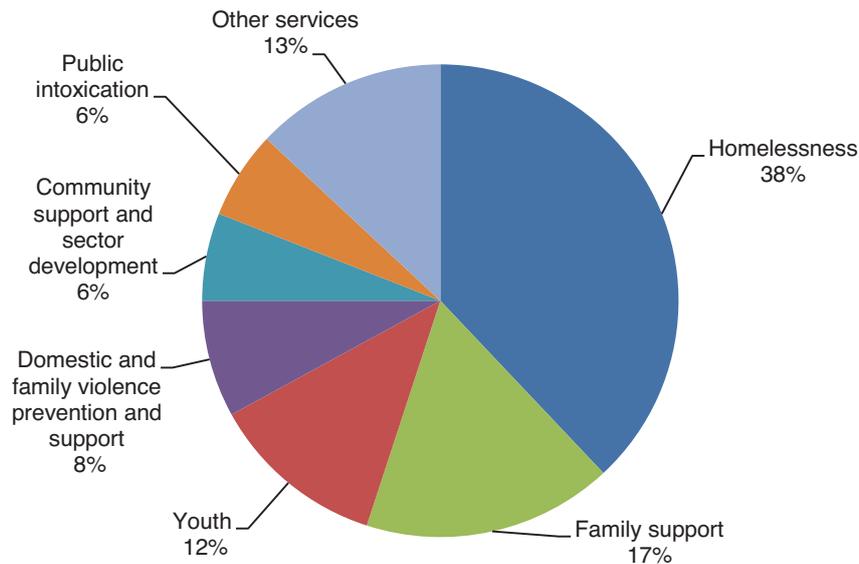
Source: Department of Communities, Child Safety and Disability Services

The majority of the funding for the delivery of homelessness services is provided through the National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH).

The NAHA aims to ensure all Australians have access to affordable, safe and sustainable housing that contributes to social inclusion. Between 2008-09 and 2013-14, Queensland's funding under the NAHA is expected to be $1.1 billion, including $943 million for housing services and $147 million for specialist homelessness services.[8]

The NPAH funds the construction of social housing dwellings and specialist homelessness programs. It focuses on three key strategies to reduce homelessness:

- prevention and early intervention to stop people becoming homeless
- breaking the cycle of homelessness
- improving and expanding the service response to homelessness.

The NPAH provides a total of $284.6 million in funding over five years (2008-09 to 2012-13), with the Australian Government contributing $135.1 million and the Queensland Government contributing the remaining $149.5 million.[9]

Operating for over four years, the NPAH is due to expire on 30 June 2013. However, COAG has agreed, subject to Cabinet processes, to work on a one-year transition partnership agreement for 2013-14 while a new long-term agreement is negotiated.

The Queensland Audit Office is undertaking an assessment of the NPAH to determine whether the Queensland Government is meeting its obligations under the agreement and whether this is making a difference for homeless people. The report is expected to be tabled in Parliament in early 2013. The Queensland audit is being undertaken in conjunction with other audit offices across Australia. These assessments will inform the development of the new national partnership agreement on homelessness.

D15.1.3 Expenditure

Consistent with other states, total government expenditure on homelessness services in Queensland has trended upward, as shown in Chart D15.3. This includes funding from both the Queensland and Australian governments. Between 2006-07 and 2010-11, government expenditure per capita in Queensland increased from $13.40 to $19.00, an increase of 42%. In 2010-11, Queensland's expenditure per capita on homelessness services was comparable with that of Victoria ($19.90) but below those of the other states, except New South Wales, and the national average of $21.60.

Chart D15.3
Total government expenditure on homelessness services

Source: Steering Committee for the Review of Government Service Provision, derived from ABS 3101.0; Report on Government Services 2013, Table 17A.33; and Report on Government Services 2010, Table 17A.4

In 2011-12, 95.8% of expenditure on homelessness services in Queensland was directed to service delivery to the client group, while 4.2% was absorbed on administration. As shown in Table D15.1, the proportion spent on administration in Queensland is the second highest, and well above that of New South Wales (3.0%), Victoria (2.3%) and Western Australia (1.8%). The high administration costs in Queensland may be due in part to the highly fragmented nature of grant payments to NGOs. It is also a concern that the proportion of administration costs in Queensland has doubled since 2008-09,[10] when 2.1% of total expenditure was spent on administration.

	NSW	Vic	Qld	WA	SA	Aust
Table D15.1 **Proportion of total homelessness services expenditure, 2011-12**						
Administration	3.0	2.3	4.2	1.8	4.3	3.0
Service delivery	97.0	97.7	95.8	98.2	95.7	97.0

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.2

D15.2   COMPARATIVE PERFORMANCE

It is difficult to assess Queensland's comparative performance in the provision of social inclusion services, due to the absence of systematic comparative data on the broad array of social inclusion services, such as family support and domestic violence prevention.

However, the annual *Report on Government Services* (RoGS) includes a range of performance indicators relating to homelessness services funded by Australian and state governments. Queensland's comparative performance against some of the key performance indicators provided in RoGS is summarised below.

The findings should be interpreted with caution as changes have occurred to the collection of data. Data collected under the framework of the Supported Accommodation Assistance Program (which concluded in 2008) ended for the period 2010-11, and data for 2011-12 are based on a new specialist homelessness services data collection.

D15.2.1 Efficiency

In 2010-11, Queensland's estimated cost per client accessing services was the highest of the mainland states, as shown in Chart D15.4. The cost in Queensland was $4,160 compared with $3,040 in New South Wales and $2,850 in Victoria and well above the national average of $3,470.

Queensland's comparatively high cost per client accessing services may be explained in part by its comparatively high rate of homeless people and its decentralised population. However, the cost per client has been trending upward in Queensland, increasing by 6.1% since 2006-07 and by 12% since 2007-08.

Chart D15.4
Real recurrent cost per client accessing homelessness services
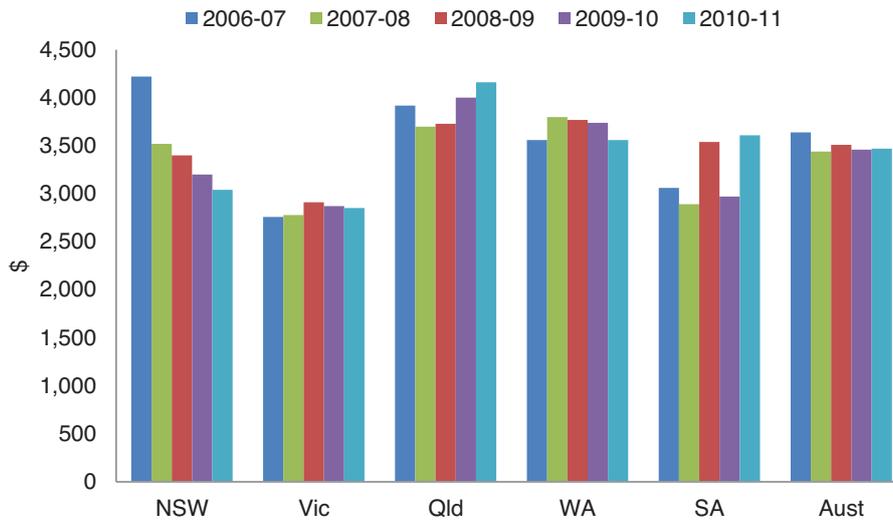
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.47

Data on the cost per day of support also places Queensland as the highest cost
provider of homelessness services across the states. As shown in Chart D15.5, in
2010-11, the cost per day of support in Queensland was $49, a cost over twice that
for New South Wales ($22) and well above Victoria ($33), Western Australia ($36)
and South Australia ($30).

Chart D15.5
Real recurrent cost per day of support for clients
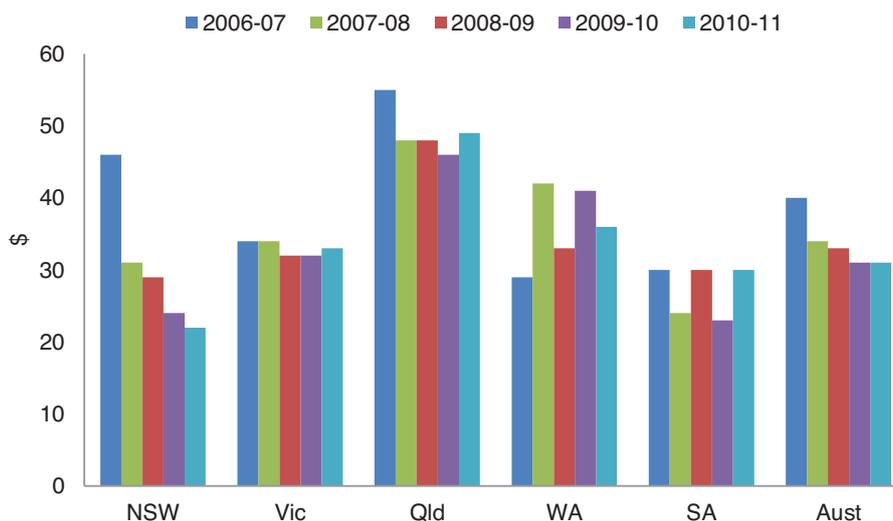
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.48

The cost per day of support trended downwards in all jurisdictions but Western Australia and South Australia between 2006-07 and 2010-11. Some jurisdictions achieved significant efficiencies, with costs in New South Wales reducing from $46 to $22. Queensland achieved a more modest reduction, from $55 to $49, with the result that the State's delivery of homelessness services has remained comparatively high cost.

D15.2.2 Effectiveness

The development of an agreed support plan is an important indicator of the effectiveness of homelessness services. However, in cases where the period of support is deemed too short or the client does not consent, a support plan may not be prepared.

Chart D15.6 shows that Queensland had the second lowest percentage (58.5%) of agreed support plans prepared in 2010-11 among mainland states, after New South Wales (69.2%), Western Australia (61.1%) and South Australia (60.2%), and slightly below the Australian average of 59.5%. Although higher than in 2005-06 (51.5%), the proportion of support plans in Queensland has been trending downward since 2008-09.

Chart D15.6
Closed support periods, by development of agreed support plan
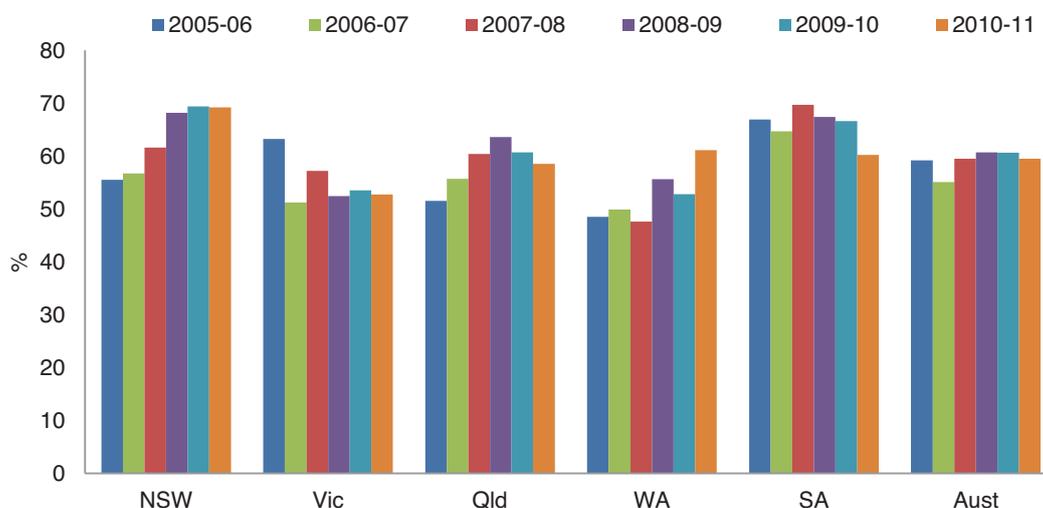
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.40; and Report on Government Services 2012, Table 17A.11

Another indicator of the effectiveness of homelessness services in meeting the needs and expectations of clients is the proportion of clients accessing homelessness services who report that their case management goals were fully or mostly achieved on exiting from the service.

As Chart D15.7 shows, client satisfaction was lowest in Queensland in 2010-11 compared with other mainland states. The proportion of clients who reported that 'most' or 'all' of their case management goals were achieved was 60.8% in Queensland, compared with 69.5% in New South Wales, 67.6% in Victoria, 64.7% in Western Australia and 61.6% in South Australia. However, Queensland's performance shows signs of improvement. The proportion of clients who reported that 'most' or 'all' of their case management goals were achieved increased from 45.4% in 2005-06.

Chart D15.7
Client satisfaction (% 'most' or 'all' case management goals achieved)
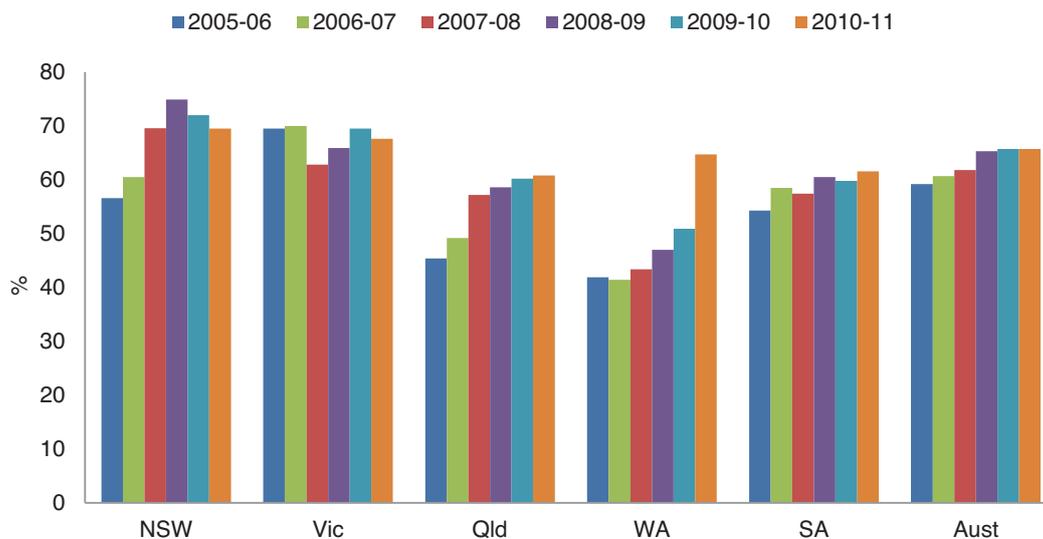
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.59; and Report on Government Services 2012, Table 17A.30

D15.3 SERVICE DEMAND

As previously noted, the number of Queenslanders who are considered socially excluded or at risk of social inclusion is 720,000 or 16% of the population. DCCSDS expects this number to grow significantly over the next decade. The expected growth in the number of socially excluded people will place additional pressures on homelessness services.

Demand for homelessness services in Queensland has been rising. As shown in Chart D15.8, the number of reported clients accessing homelessness services increased from 17,400 in 2005-06 to 25,100 in 2010-11, an increase of 44% over this period. Demand in other states has also been increasing, albeit at a lower rate in states such as Western Australia and South Australia.

Chart D15.8
Reported number of clients accessing homelessness services
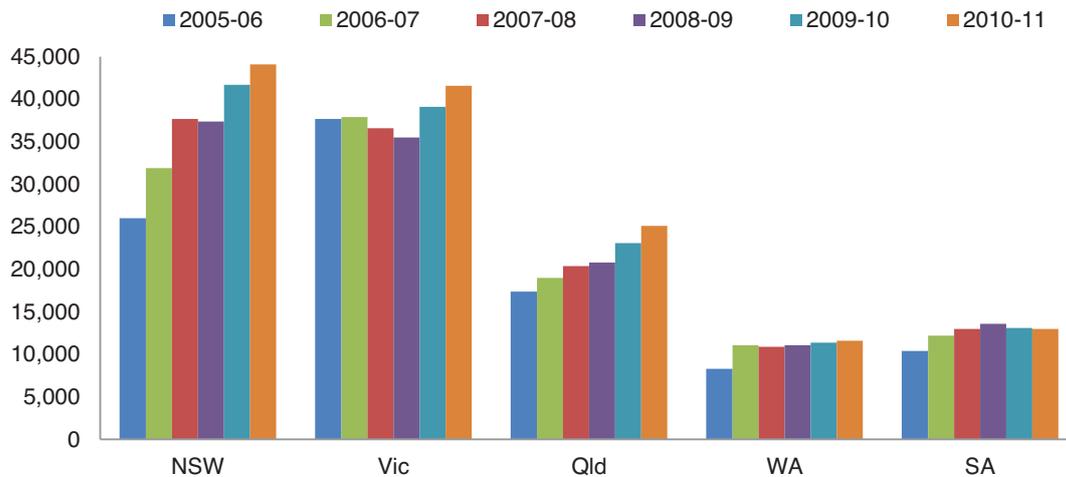
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.47; and Report on Government Services 2012, Table 17A.18

Unmet demand for crisis accommodation is also high across Australia. In Queensland, 61.3% of adults and unaccompanied children requesting immediate new accommodation on a given day were turned away in 2010-11. As shown in Chart D15.9, compared with the other mainland states, Queensland has the second highest level of unmet demand, after South Australia at 75.5%, and above the national average of 56.3%.

Chart D15.9
Turn-away of adults and unaccompanied children as a proportion of people requiring new, immediate accommodation
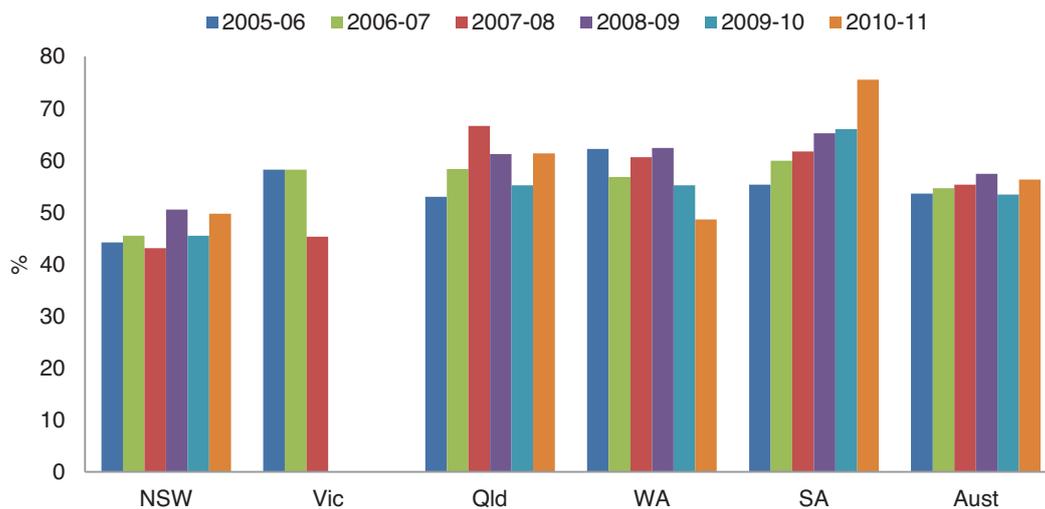
Note: Data not available for Victoria for years 2008-09, 2009-10, 2010-11.

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.36; and Report on Government Services 2012, Table 17A.7

Indigenous people are over-represented among those accessing homelessness services. Nationally, about 22% of clients accessing homelessness services were Indigenous people.   In Queensland, 24.2% of people who were accommodated under homelessness programs in 2010-11 were Indigenous people. As shown in Chart D15.10, Western Australia had the highest level of Indigenous representation among its accommodated clients, at 36.9%, followed by South Australia, with 24.8%.

Chart D15.10
Representation of Indigenous people among all accommodated clients
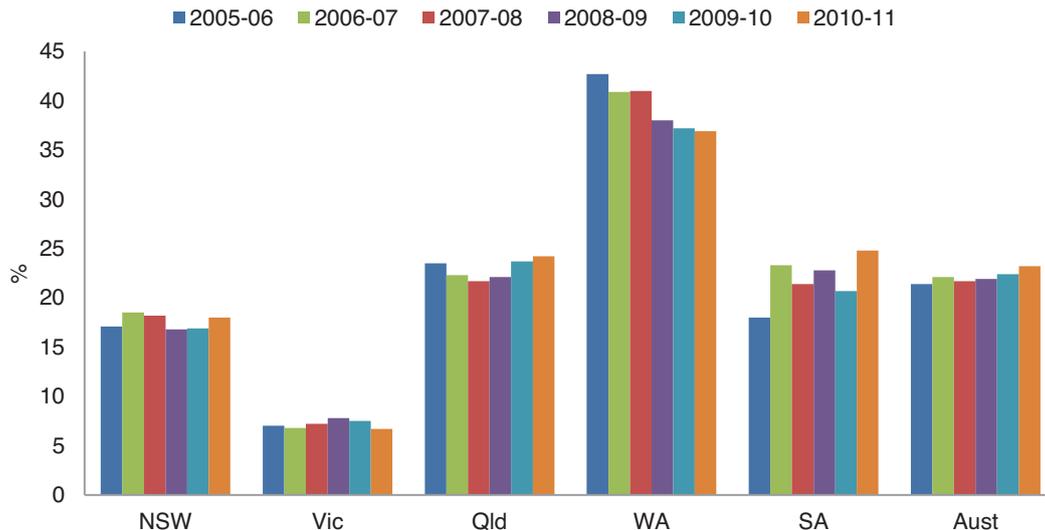
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 17A.38; and Report on Government Services 2012, Table 17A.9

Indigenous people also figure disproportionately among those whose valid requests for accommodation were not met. In Queensland, one-third of people (33.7%) in this category were Indigenous in 2010-11.

D15.4   SERVICE DELIVERY

D15.4.1   Strategies to improve service delivery

In response to the increasing demand for social inclusion services, DCCSDS has pursued several strategies to improve service delivery outcomes for clients while achieving greater cost efficiencies in service delivery.

Several system integration projects that are designed to improve the delivery of homelessness services are being funded by the NPAH. These include a common homelessness assessment and referral tool (CHART) to provide a consistent basis for assessing and prioritising client need; a vacancy capacity management system (VCMS) that captures, in real time, service capacity; a client case management system; and a case mix methodology that supports the costing of services and better resource allocation.[11]

The VCMS is designed to maximise the utilisation of the sector's bed capacity. Operating state-wide since 2012, the web-enabled system captures vacancy and capacity information from providers that are funded by DCCSDS to deliver homelessness services. The system has a search function, and allows for more efficient referral of clients to providers with available capacity.

The VCMS helps to manage demand by linking available resources to client need. Many providers incur significant administrative costs when trying to identify spare capacity in the system. The new system is increasing administrative efficiency in service provision, while at the same time providing a more responsive service to clients. VCMS is supported by a service coordination protocol, which sets out roles and responsibilities of providers who use the system.

Accommodation for homeless people or those at risk of becoming homeless is provided in a number of forms. Temporary accommodation includes shelters and other short-term arrangements while longer-term accommodation includes social housing (see Section D14 of this Report) or affordable housing in the private rental market. Longer-term accommodation is now the primary policy goal under the 'housing first' principle, to avoid the dislocation and upheaval that occurs through numerous short stays in crisis accommodation.

One example of the 'housing first' principle is Brisbane Common Ground. Opened in 2012, the complex provides stable, long-term accommodation for people who have slept rough over an extended period. In addition to accommodation, support services are provided to tenants to assist them to maintain stable living arrangements.

Brisbane Common Ground is the first project of its kind in Queensland. Other Common Ground projects have been launched or are under development in Adelaide, Melbourne, Hobart and Sydney. The model is well tested internationally and its suitability may be appropriate for other parts of Queensland that experience chronic homelessness. Box D15.1 provides further details on the Brisbane Common Ground model.

Box D15.1
Brisbane Common Ground

Brisbane Common Ground is an innovative housing development in South Brisbane, designed specifically for people on low incomes and people who have experienced chronic homelessness. The 146 unit complex opened in August 2012.

Based on a successful New York housing initiative, Brisbane Common Ground integrates accommodation and support services. Some tenants have complex needs relating to disability, mental illness or other issues, and the tailored support services, many provided on site, help residents maintain their tenancy, access employment and participate in the community.

Accommodation is designed to be safe, secure and permanent. Rent is capped at a maximum of 30% of household income.

The project was completed through a partnership between government, business and community organisations:

- The Australian and Queensland governments funded the project under the National Building Economic Stimulus Plan and National Partnership Agreement on Homelessness
- Grocon constructed the South Brisbane complex at cost, with no profit and no margin
- Micah Projects provides on-site support services to tenants
- Common Ground Queensland manages the property and tenancies.

The success of Common Ground models in Australia and internationally is based on its design and management philosophy. The complex mixes residential, commercial and community spaces with support services available on site to tenants. Residents are drawn from a 50:50 mix of low income and formerly homeless people, and responsibility for support services and tenancy management is kept separate.

Source: Australian Common Ground Alliance, accessed from www.commongroundaustralia.org.au

D15.4.2   Recommissioning of social inclusion services

As noted earlier, DCCSDS funds around 496 NGOs, who collectively deliver more than 1,525 services over 119 separate funding initiatives. The large number of providers, services and initiatives has resulted in poorly aligned programs that lack strategic purpose and undermine attempts to integrate service delivery. This problem has emerged over time, partly in response to the ad hoc funding of services that endeavoured to fill identified service gaps within and between departments.

For issues such as domestic violence and homelessness, the fragmentation that exists in service delivery can undermine the efficiency and effectiveness of support provided. The large number of small, low value funding agreements also increases compliance and reporting costs for Government and providers.

DCCSDS has moved to address these matters by streamlining its social inclusion program structure. As noted in Section D15.1 above, 10 program domains are being combined into two, and 119 initiatives will be replaced with eight priority funding specifications. These changes are designed to improve service integration and effectiveness.

More broadly, DCCSDS plans to recommission all funding agreements within the social inclusion area, with a view to better targeting need and entering into fewer, but more flexible and integrated, service delivery arrangements with providers.

This process has several important benefits, including the opportunity to:

- procure services that reflect the ideal service continuum

- encourage the rationalisation and consolidation of NGOs, so that they are better positioned to provide a broader and more viable range of services

- reduce low value spend.

Recommissioning of social inclusion services will create opportunities for NGOs to establish broader and more viable service profiles and it is expected that some consolidation of providers will occur. Rationalisation of the number of agreements carries the risk that smaller, niche providers may no longer be funded. However, consolidation potentially should provide a more appropriate and sustainable balance between flexibility and diversity in service provision.

Recommissioning is expected to commence in early 2013 and occur progressively as funding agreements expire. DCCSDS estimates that the process will take a minimum of three years to fully implement the new funding arrangements which are a longer-term goal designed to embed more efficient and effective models of service delivery.

Procurement arrangements will need to be strengthened to support the recommissioning of services, especially in relation to contract management. DCCSDS has already commenced work to reform contract management practices with NGOs, by streamlining service agreements and improving service monitoring and reporting.

The Commission supports the rationalisation and consolidation of grant programs to reduce fragmentation and create a more integrated and strategic framework for the delivery of social inclusion services. This should enable funding to be better targeted, and applied more efficiently to meet client needs. As part of this process, there will be a need for DCCSDS to work closely with the non-government sector to establish broader and more viable service solutions.

Recommendations

116 Social inclusion services funded by the Department of Communities, Child Safety and Disability Services be rationalised and consolidated, to reduce fragmentation and create a more integrated and strategic framework for the delivery of services.

117 As part of the rationalisation of social inclusion services, the Department of Communities, Child Safety and Disability Services work with the non-government sector to help it establish broader and more viable service solutions.

D15.4.3   Client-centred services

Traditional models of service delivery, organised along administrative structures (for example, agencies), have had limited success in meeting the service needs of individuals and families with multiple and complex needs. While designed to be administratively efficient, this service delivery model requires clients to navigate across multiple agencies to access various services. As a consequence, service needs often can be inadequately addressed.

Integrated service delivery models are designed to reduce service gaps. They are designed to meet the needs of clients, rather than reflect the traditional 'silo' service structures of government agencies. Integrated service delivery models bring different parts of Government and NGOs together to work in more flexible ways to achieve better services and outcomes for clients.

A case management approach is integral to this model of service delivery. Case management provides personalised 'wrapped around' services for each client. As a consequence, individual case management increases the likelihood of meeting the full spectrum of client need and reducing service gaps for improved client service outcomes.

Homelessness services are provided in Queensland using a case management approach. All service providers funded by DCCSDS are required to use a case management approach, so that the service response is specifically tailored to meet the needs of the individual client. A support plan is developed based on assessed need, and services coordinated accordingly.

Homelessness services are also tailored to key at-risk groups such as young people, women and families experiencing domestic violence, people with a mental illness, and people transitioning from child safety arrangements, and health and correctional facilities. As many individuals and families will require one or more support services at a given point or more extensive support sequentially over time, the coordination of services and individual case management are essential elements in the provision of homelessness services.

While progress is being made, further work will be required for DCCSDS to develop integrated service delivery and case management models that focus on providing better solutions for clients, especially those with complex needs such as entrenched disadvantage and social exclusion. Over the longer term, this should be extended to include other government agencies involved in the provision of core government services to address social exclusion.

Recommendation

118   The Department of Communities, Child Safety and Disability Services continue to implement client-centred services including through integrated service delivery and case management to deliver better outcomes to clients, especially those with complex needs such as entrenched disadvantage and social exclusion.

D15.4.4   Investment in prevention and early intervention

The former Department of Communities commissioned Deloitte to undertake a review of service delivery models for single adults experiencing homelessness. The report noted that service delivery models have evolved significantly over the past decade, moving from a focus on crisis and transitional accommodation, towards integrated support models that focus on prevention and early intervention.[12]

DCCSDS is undertaking significant efforts to prevent homelessness through early intervention, including initiatives to address homelessness at key points such as the transition from statutory or institutional care settings back to the community. In 2011-12, these services included:

- Home Stay Support services provided early intervention assistance to 3,932 instances of clients to maintain their tenancies.

- Youth Housing and Reintegration Services provided support in six locations to 400 young people aged 12-21 years to transition to stable housing and develop skills to live independently.

- After Care Services provided support to 244 young people leaving out-of-home care at risk of becoming homeless. These young people were supported to find accommodation and connect with the education system.

DCCSDS is still making the transition towards a fully integrated approach to prevention and early intervention, which is critical to the achievement of positive long-term outcomes for clients. Case management plays an important role in providing timely and tailored interventions.

Over time, a shift in emphasis towards early intervention and prevention services is likely to result in diminished need for crisis services and better value outcomes for clients and the community through reduced social exclusion.

Recommendation

119 *The Department of Communities, Child Safety and Disability Services over time shift its investment focus to early intervention and prevention services targeting those most at risk of entrenched disadvantage and social exclusion to reduce the investment in crisis services.*

ENDNOTES

[1]   Australian Social Inclusion Board, *Social Inclusion*, Canberra, 2010, accessed from www.socialinclusion.gov.au

[2]   Australian Social Inclusion Board, *How Australia is faring,* 2010, and *How Australia is faring, 2nd edition,* 2012, accessed from www.socialinclusion.gov.au

[3]   Information provided by the Department of Communities, Child Safety and Disability Services

[4]   Department of Communities, *Homelessness Program Guidelines,* 2011, accessed from www.communities.qld.gov.au

[5]   C Chamberlain and D MacKenzie, cited in Steering Committee for the Review of Government Service Provision, *Report on Government Services 2012,* Productivity Commission, 2012, p. 17.4 , accessed from www.pc.gov.au

[6]   Australian Bureau of Statistics, *Information Paper – A statistical definition of homelessness, 2012,* accessed from www.abs.gov.au

[7]   Information provided by the Department of Communities, Child Safety and Disability Services

[8]   Department of Housing and Public Works, *Social Housing: Factors affecting sustainable delivery in Queensland*, 2012, p. 1, accessed from www.hpw.qld.gov.au

[9]   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013,* Productivity Commission, 2013, p. 17.42, accessed from www.pc.gov.au

[10] The breakdown of expenditure on administration and service delivery commenced in the 2008-09 financial year.

[11] Department of Communities, Child Safety and Disability Services, *Homelessness Information Management Program*, 2012, accessed from www.communities.qld.gov.au

[12] Deloitte Access Economics, *Current and future service delivery models for single adults experiencing homelessness: literature review.* Report prepared for the Queensland Department of Communities, 2011, accessed from www.communities.qld.gov.au

D16 JUSTICE AND COURT SERVICES

KEY ISSUES

- Queensland's criminal and civil courts operate on a comparatively cost efficient basis. Real net recurrent expenditure for each finalised matter in criminal courts ($705) was the lowest of the states, as was the expenditure per finalised matter in civil courts ($523).

- Queensland has fewer full-time equivalent (FTE) equivalent judicial officers per 100,000 people than other states. The rate of judicial officers for criminal courts is similar to that of New South Wales and Victoria, but Queensland has fewer judicial officers in the civil courts.

- The backlog in courts finalising criminal matters is significant. Queensland has relatively high clearance rates in the Supreme and District Courts (appeal and non-appeal matters); however, the backlog in the Magistrates' and Children's courts is relatively high.

- Recovery of court-related costs could be improved. Lodgement fees collected in Supreme and District Courts on civil matters are significantly lower than other states.

- Recent investments in physical and ICT infrastructure should assist with further efficiencies in court operations. However, greater adoption of ICT innovations is needed to drive the achievement of significant efficiencies, including removing the need for some court appearances and reducing the resourcing required by courts, police, and corrective services.

D16.1 SERVICE PROFILE

The Department of Justice and Attorney-General (DJAG) is the government agency responsible for the administration of Queensland's justice system. This includes the administration of Queensland's courts and tribunals and the provision of coronial and prosecution services.[1]

In 2011-12, recurrent expenditure on court administration in Queensland totalled $213.6 million. This represents a real increase of 4.9% on expenditure of $203.7 million in the previous year. As shown in Chart D16.1, in 2011-12 the majority of funding was expended on the criminal courts (68.4%), with the civil courts accounting for a further 25.7% of expenditure.

Chart D16.1
Real recurrent expenditure by court
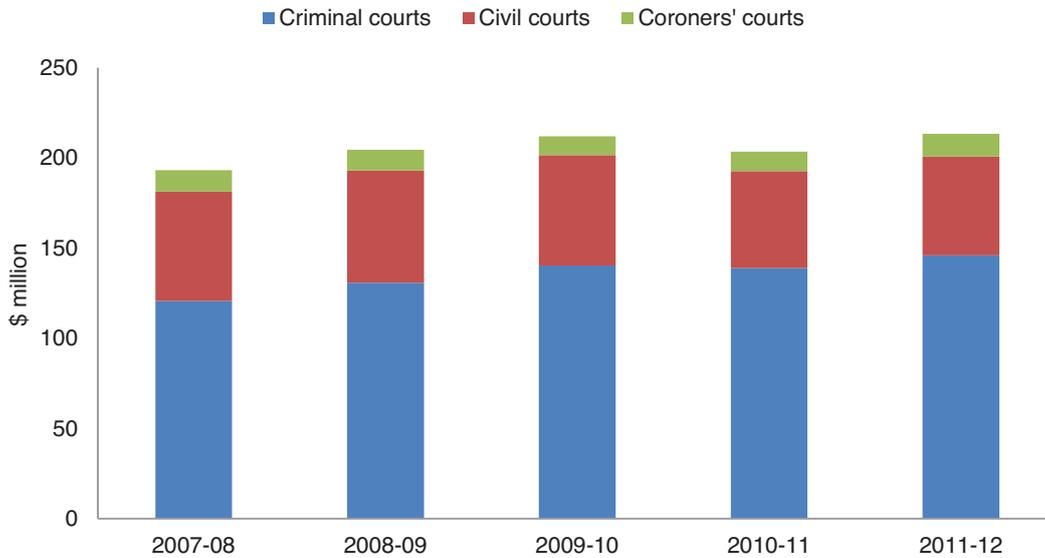
■ Criminal courts   ■ Civil courts   ■ Coroners' courts

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Tables 7A.9 and 7A.10

Courts also derive income from a variety of sources, including (but not limited to) court fees, probate fees and library revenue. Most income is sourced from the civil courts. In 2011-12, total income amounted to $26.4 million, an increase of 9% (in real terms) from $24.2 million in the previous year (Chart D16.2).

Chart D16.2
Real income by court
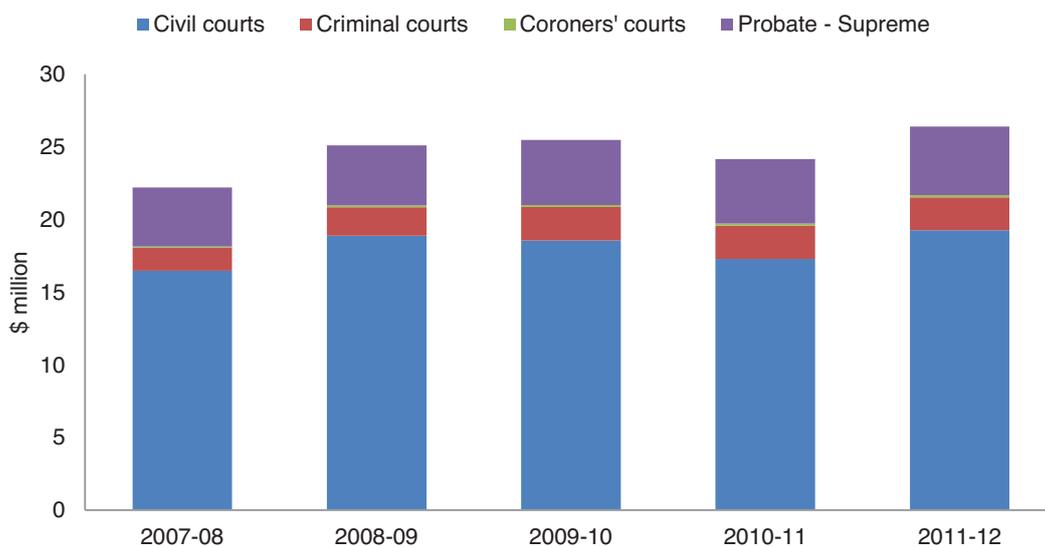
■ Civil courts   ■ Criminal courts   ■ Coroners' courts   ■ Probate - Supreme

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.11

Queensland's courts operate on a cost efficient basis compared with other states. Chart D16.3 indicates that Queensland's criminal courts have the lowest real net expenditure per finalisation in all courts and Queensland's expenditure is below the national average.

Chart D16.3
Real net recurrent expenditure per finalisation,
all criminal courts

■2007-08 ■2008-09 ■2009-10 ■2010-11 ■2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.26

Queensland also has the lowest real net recurrent expenditure per finalisation in civil courts, although the margin between Queensland, New South Wales and Victoria is less pronounced than for criminal courts (Chart D16.4).

Chart D16.4
Real net recurrent expenditure per finalisation,
all civil courts
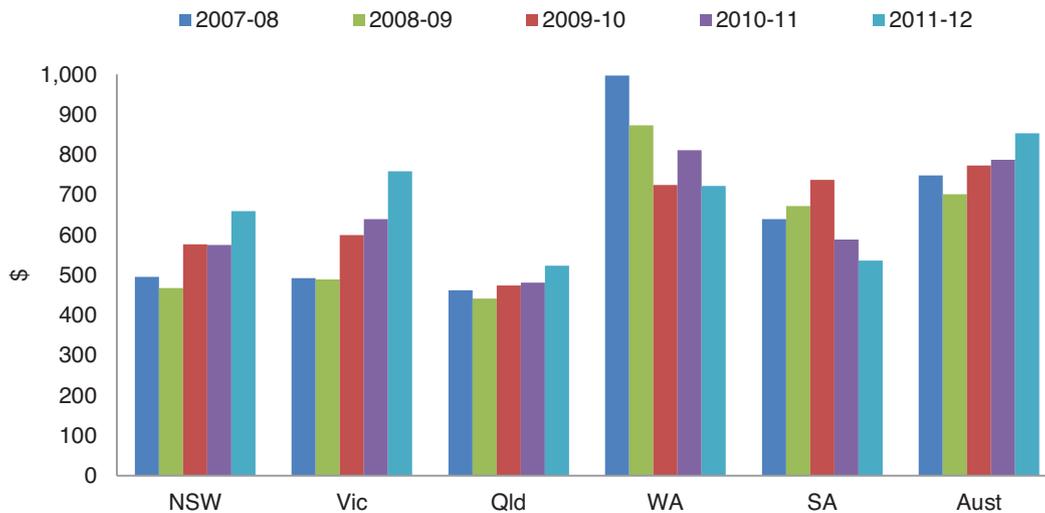
■ 2007-08   ■ 2008-09   ■ 2009-10   ■ 2010-11   ■ 2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.27

The number of judicial officers varies significantly across jurisdictions. In 2011-12, Queensland had 3.4 judicial officers in criminal and civil courts per 100,000 people (Chart D16.5). This was the lowest of all states.

Chart D16.5
Judicial officers, full-time equivalent per 100,000 population

■ 2007-08   ■ 2008-09   ■ 2009-10   ■ 2010-11   ■ 2011-12

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.22

The number of FTE judicial officers per 100,000 people differs significantly for criminal and civil courts. The rate for criminal courts in Queensland in 2011-12 (2.4) is the same as New South Wales and Victoria. However, Queensland's rate for civil courts (1.0) was lower than New South Wales and Victoria (1.3 and 1.9 respectively).

D16.2 COMPARATIVE PERFORMANCE

D16.2.1 Clearance rates and backlog of criminal and civil matters

Clearance rates and backlog indicators provide an indicator of the management of matters through the court system. Clearance rates indicate whether a court has finalised as many cases as were lodged in the time period. (A clearance rate above 100% indicates that the court finalised more cases than were lodged, and the pending caseload will have decreased. Conversely, a clearance rate below 100% indicates that the pending caseload will have increased compared with 12 months earlier.)

As shown in Chart D16.6 below, Queensland had the second highest clearance rates of the states for criminal matters in the Supreme and District Courts. The Queensland clearance rates, at 105.3% for the Supreme Court and 102.5% for the District Court, were above the average jurisdiction rate for 2011-12 of 103.2% for Supreme Courts and 101.9% for District Courts.

However, Queensland had the lowest clearance rates of all states for criminal matters in the Magistrates Court (100.1%) and the second lowest rate for criminal matters in the Children's Court (101.8%). The Queensland clearance rates were also below the average jurisdiction rate for 2011-12 of 103.0% for the Magistrates Court and 102.6% for the Children's Court. Queensland's performance for Magistrates' Court clearances has been below the Australian average for the past five years.

Chart D16.6
Clearance rate for criminal matters, 2011-12

Note: Includes both appeal and non-appeal matters for Supreme and District Courts.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 7A.20

Queensland had a mixed performance in 2011-12 in relation to the backlog of criminal matters pending completion. The backlog of non-appeal matters greater than 12 months in the Supreme and District Courts was relatively high (25.1% and 17.9% respectively), compared with New South Wales (23.6% and 10.6% respectively).[2] The exception was for Supreme Court appeal matters, where Queensland was the best performing state with a rate of 3.9%, compared with11.4% in New South Wales and 19.3% in Victoria.[3]

Queensland's performance in the lower courts has improved over the past five years. For example, the backlog rate has been reduced from 29.5% in 2007-08 to 25.0% in 2011-12 for matters less than 6 months in the Magistrates' Court, and from 14.6% in 2007-08 to 9.1% in 2011-12 for Children's Court matters greater than 12 months. However, Queensland's backlog rates remain higher than most states for Children's court matters and for Magistrate's court matters greater than 12 months, as shown in Chart D16.7.

Chart D16.7
Backlog of criminal matters in lower courts, 2011-12
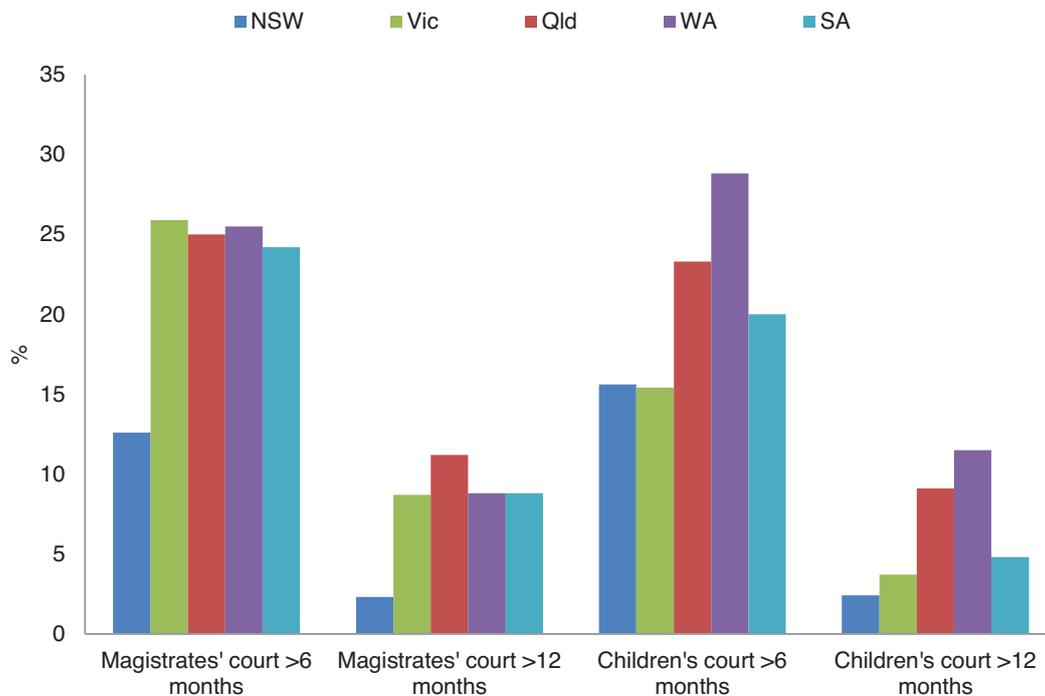
> = greater than
Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2013, Table 7A.17

One of the factors influencing the high backlog of criminal matters in the Magistrates' Court is that Queensland had the highest number of lodgements per 100,000 people of all of the states. The number of criminal lodgements in the Magistrates' Court in Queensland was 31.7% greater than Victoria and more than double the rate of New South Wales.[4]

For civil cases, Queensland had a clearance rate of 127.3% for Supreme Court matters, which was higher than any other state (see Chart D16.8). In contrast, Queensland's clearance rate of 95% for civil matters in the District Court was lower than any other state.

There was little difference between the states in relation to the clearance rate for civil matters in the Magistrates' Court and Queensland was lower than most states in Children's Courts.

Chart D16.8
Clearance rate for civil matters, 2011-12

Note: Includes both appeal and non-appeal matters for Supreme and District Courts.

Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.21

In relation to the backlog of civil matters, Queensland's performance in 2011-12 was mixed. Queensland performed better than both Victoria and New South Wales for pending Supreme Court appeals greater than 12 months (no backlog, compared with 22.4% and 16.2% respectively) and District Court matters greater than 12 months (18.1% compared with 28.4% and 21.9% respectively).[5]

However, Queensland's performance has not been as strong for District Court appeal matters greater than 12 months (22.2% compared with 18.2% and 13.4% respectively)[6]. While the backlog of Supreme Court matters greater than 12 months appears relatively high at 28.1%, Queensland's performance is comparable with New South Wales (28.3%) and Victoria (26.8%).[7]

Chart D16.9 shows the backlog of civil matters in lower courts in 2011-12. In the Magistrates' Court, Queensland's backlog is higher than in New South Wales and Victoria for greater than six months, but lower than Victoria, Western Australia and South Australia for greater than 12 months. For the Coroners' Court, the backlog in Queensland is lower than Victoria, but higher than other states.

Chart D16.9
Backlog of civil matters in lower courts, 2011-12
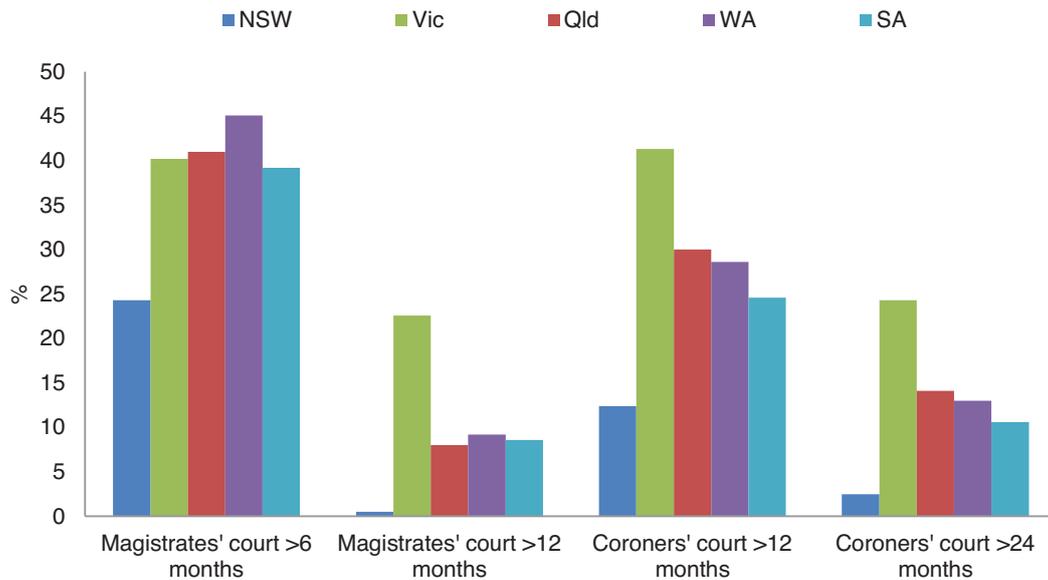
> = greater than
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.18

The management of backlogs in the higher courts and the Coroners' Court will be assisted by recent judicial appointments, as follows:

- the replacement of a Court of Appeal Judge (April 2012)
- the appointment of a new Coroner in Central Queensland (August 2012)
- the appointment of an additional Supreme Court Judge (October 2012).

Nevertheless, as in other areas of service delivery, the Government should review priorities within the judicial system to address the length of delays in criminal proceedings occurring in the Magistrates' Court and the Children's Court.

Recommendation

120   *The Government reprioritise judicial resources within the court system to address the length of delays in criminal proceedings occurring in the Magistrates' Court and Children's Court.*

D16.3 SERVICE DEMAND

The ability to manage service demand in the justice system is limited by the policy and legal environment, as well as socio-economic factors.

The Government has announced or introduced a number of changes to the policy and legal environment which are likely to affect the demand for justice services. These changes include:

- increased penalties for repeat child sex offences, murder, serious assaults on police and evading police

- increased penalties for child pornography and child exploitation offences and a new criminal offence for 'grooming' a child

- strengthening sentencing laws for serious drug crimes and organised crime

- an additional 1,100 new police officers over the next four years

- the introduction of a two-year Youth Boot Camp Diversion Program trial

- increased penalties for graffiti offences and the introduction of a Graffiti Removal Order

- the closure of the Murri Court, Drug Court and Special Circumstances Court.

In view of these policy changes and demand pressures generally, there is a need to focus on achieving process efficiencies in the way courts operate, as outlined below.

D16.4 SERVICE DELIVERY

There are a number of elements of service delivery that provide the opportunity to improve the administration of Queensland courts:

- greater utilisation of information and communication technology (ICT)
- greater cost recovery of fees
- streamlining of legal processes.

D16.4.1 Utilisation of information and communication technology

Examples of the current use of ICT in Queensland courts are as follows:

- Daily court lists are available on the internet.

- Case law is available through the Supreme Court of Queensland Library website (as well as other legal websites such as AustLII).

- Electronic lodgement (eLodgement) enables court users to lodge some forms for civil matters in the Magistrates Court.

- Electronic files (eFiles) enable court documents to be made available to users online for civil matters in the District and Supreme Courts (through a trial in the Planning and Environment Court).

- Electronic trials (eTrials) enable documentary evidence to be managed and viewed online throughout the trial, while all other court processes proceed as usual.

A greater utilisation of ICT offers significant potential for improving service delivery. The Queensland courts and justice system have already undertaken some work on ICT-related projects, such as limited use of video conferencing facilities and introducing targeted electronic lodgement trials.

In 2009, Queensland Courts developed a Future Courts Vision outlining a strategic direction to simplify business process, consolidate and replace ICT systems, and deliver services online.[8] The Vision and Recommendations Report was endorsed by the judiciary, the Bar Association of Queensland and the Law Society of Queensland. The project analysed the processes, issues and future needs of the registries of Queensland's courts and tribunals in order to plan a more integrated, efficient and effective future direction.

Identified issues included:

- inconsistent and inefficient business processes
- multiple, outdated case management systems
- poor information management, inadequate performance measurement, compromised reporting and integration difficulties
- inconsistent delivery of online services
- unsuitable platforms for future delivery of online services
- difficulties servicing regional communities.

The Future Courts Vision was not fully implemented. However, two initiatives were completed:

- eFiles, where court files for the Planning and Environment Court (4% of District Court matters) were digitised by the registry and could be accessed via the website

- QCIVIL, which involved the merger of civil systems used across all jurisdictions. The Supreme and District Courts systems were merged in October 2011, and the old civil management system used in the Magistrates' Court will be consolidated by June 2013.

A further internal DJAG report in 2011, *Capable Courts*, reviewed existing technical capabilities of Queensland Courts, from bespoke applications to video conferencing facilities.[9] It also considered the Queensland Court Service On-Line (QCS On-Line) concept which involves the transition of court registries from a predominantly paper-based business to a more efficient electronic-based business. Initiatives considered in the Capable Courts review have not been implemented.

One of the benefits of greater utilisation of ICT resources is cost savings, not only in the administration of the courts, but for other agencies that are involved in the justice system, particularly the Queensland Police Service and Queensland Corrective Services. The Queensland Police Service has estimated the financial and time costs associated with transporting prisoners sentenced, remanded in custody or on return to prison warrants between watch houses, correctional facilities and the courts to be approximately $3.5 million per year, with approximately 34,400 officer hours being spent in undertaking prisoner transports.[10]

Greater use of video conferencing could contribute to a significant reduction in these costs. The use of video conferencing was introduced in Queensland more than 15 years ago. The *Justices Act 1886* (section 178C(2)) provides that where the defendant is a Corrective Services prisoner, and the proceeding is for bail or remand, video conferencing must be used (where it is available), unless the court orders otherwise 'in the interests of justice'. This caveat has constrained the use of video conferencing in some instances.

There is currently no regular collection of statistics on video conferencing use from correctional centres.[11] However, Queensland Corrective Services conducted a statistics collection pilot over a nine-month period from July 2010 to March 2011. As shown in Chart D16.10, during this time, 21.6% of prisoners who were to present for court appearances used video conferencing facilities available at correctional centres. The number of correctional centres that reported video conferencing use varied from 40% to 66% during the pilot period. Of the 7,211 prisoners who used the video conferencing facilities during this time, almost 60% were for legal service visits, rather than for court appearances.

Chart D16.10
Video conferencing from correctional centres, July 2010 to March 2011
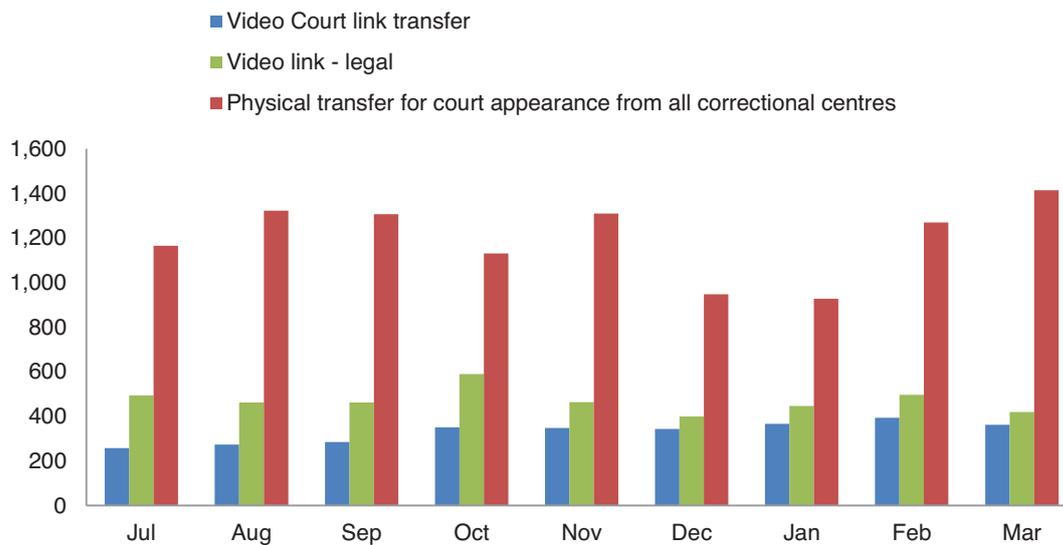
Source: Department of Justice and Attorney-General

As shown in Box D16.1, other jurisdictions have implemented projects aimed at streamlining prisoner court appearances as one way of improving service delivery.

Box D16.1
Streamlined prisoner court appearances

New South Wales

New South Wales has been using video conferencing for prisoners since 2005. The government set a savings target of $18.3 million over a five-year period from 2005, with a savings target of 30,000 prisoner transports a year by 2010. By 2008-09, savings of $47 million had been achieved across the justice sector through a reduced need to transport prisoners, juvenile offenders, expert witnesses and interpreters as well as staff to courts. There are 256 audio-visual link suites across New South Wales. The number of video conferencing sessions has increased from 39,000 in 2007-08 to 63,000 in 2011-12.

New Zealand

In 2010, the New Zealand Government extended the use of video conferencing within the justice sector. The *Courts (Remote Participation) Act 2010* provided the foundation to use video conferencing for other procedural events and more substantive court matters.

In 2010-11, audio-visual technology was introduced in the Auckland District Court and the Mount Eden Correctional Facility to support prisoner appearances via audio-visual link (AVL). Over a six- month trial period, there were 695 cases heard via AVL, with 89% of prisoners surveyed indicating that appearing via AVL was at least as good as appearing in person. The utilisation rate for AVL during the trial was 55%, which fell short of the targeted 80%. The trial showed that greater utilisation is required for benefits such as reduced prisoner transport costs to be realised.

The key benefits identified during the trial period were:

- fewer adjournments and unnecessary appearances in the administrative and pre-trial stages of the court process
- cases progressed more smoothly, with fewer repeated court stages
- safer environments with fewer opportunities to smuggle contraband or opportunities to compromise safety.

The trial was expanded to Manukau, Hamilton and Christchurch courts during 2011-12.

Source:
- *Department of Attorney General and Justice, Annual Report 2009-10 and 2011-12, accessed from www.lawlink.nsw.gov.au*
- *Ministry of Justice and Department of Corrections, Summary of six month review for audio visual links between Auckland District Court and Mt Eden Correctional Facility, 2011, accessed from www.justice.govt.nz*

There are numerous opportunities for the streamlining of service delivery through ICT, not all of which would involve substantial infrastructure and technology investments. Some examples of innovative ICT use in the justice area from other jurisdictions are illustrated in Box D16.2.

Box D16.2

Examples of integrated ICT use in other jurisdictions

Online court lists

The Victoria Courts Interactive Hearing List provides a website for viewing the daily hearing lists on tablets and smart phones. The website is platform neutral, so it works on desktops, iPhone, iPad, Android and Blackberry. It provides easy access to the daily civil and criminal court listings for the Magistrates' Court, County Court, Supreme Court, Court of Appeal, Coroners' Court, Neighbourhood Justice Centres and Victoria Civil and Administrative Tribunal (residential tenancies only) for all metropolitan and regional centres. Users have the ability to filter the lists by jurisdiction, case type, case name or time, and display only the data they are interested in.

Web-based video conferencing

In September 2012, the New Zealand Government introduced a web-based video conferencing pilot in the Otago region for Family Court cases. Web-based video conferencing, such as Skype, has been used in the Supreme Court in Singapore since January 2003, with registrars able to conduct chamber hearings for bankruptcy petitions and pre-trial criminal hearings using desktop computers.

Online Court

Online Court is an online forum which allows New South Wales judicial officers and legal representatives in a case to exchange written messages instead of attending court to have the same exchange in person. In the Local Court, Online Court is currently only available for preliminary committal matters for strictly indictable offences being dealt with by the DPP at the Downing Centre; where the defendant is legally represented; and where both legal representatives agree.

Electronic Filing Appearance System

Practitioners in the Victoria Magistrates' Court are able to signal their intentions in advance of court each day via an online system. Practitioners can select matters, nominate if an adjournment will be sought and propose a future date/time slot for the matter being adjourned. The system also allows parties to indicate if a plea will be entered. The system allows the court registry staff to streamline sittings by managing procedural matters outside of valuable court time, hear guilty pleas at the start of sittings and then move to contested matters.

Source:
- *Courts & Tribunals Victoria, Victorian Courts Interactive Hearing List, 2012, accessed from http://dailylists.courts.vic.gov.au*
- *Ministry of Justice New Zealand, Cabinet Minute (12) 33/15: Modernising Court Services: changes to the courts network, 2012, accessed from www.justice.govt.nz*
- *Supreme Court Singapore, Technology: JusticeOnIIne System, 2012, accessed from www.supremecourt.gov.sg*
- *New South Wales Supreme, District and Local Courts, Online Registry, 2013, accessed from www.onlineregistry.lawlink.nsw.gov.au*
- *Magistrates' Court of Victoria, Electronic Filing Appearance system (EFAS), accessed from https://dailylists.magistratesvic.com.au*

While there has been progress in the use of ICT, there are significant additional benefits to be gained from a greater strategic investment and utilisation of ICT within courts administration, particularly in relation to video conferencing and the Future Courts and Capable Courts programs. The main benefits would be:

- It would allow DJAG to focus its efforts on service improvements in those areas where it has the ability to streamline court processes.

- It would allow court resources to be redirected away from services such as paper lodgement of documents, and towards assistance and support for judicial activities to reduce timeframes for those already within the system.

- It would enhance access to justice services for legal practitioners as well as members of the public.

- It would most likely have benefits wider than the courts systems and may reduce the costs currently incurred by other stakeholders such as the Queensland Police Service, Queensland Corrective Services, expert witnesses and legal representatives.

Recommendation

121   The Government make greater use of ICT to drive cost savings and efficiencies in court operations by:

- ***significantly expanding the use of video conferencing between correctional centres and courts for all bail, procedural and committal matters***

- ***reviewing, updating and implementing the recommendations from the Future Courts Program and Capable Courts in a staged approach, based on a cost-benefit analysis. The goal should be to move to electronic delivery of court and registry services within 10 years.***

D16.4.2   Fees and cost recovery

Lodgement fees collected in Queensland civil courts in some cases are significantly lower than other states, despite an increase in the average fee collected between 2010-11 and 2011-12. In the Queensland Supreme Court, the average civil court fee collected per lodgement was $1,482 (up from $1019 in 2010-11), which is just under half that collected in New South Wales ($2,977) and South Australia ($2,988) (see Chart D16.11). The average civil court fee across all jurisdictions in 2011-12 was $1,991 per lodgement. The fee collected in Queensland was approximately 25% below this average.

The average lodgement fee for the District Court in Queensland in 2011-12 was $883 (up from $738 in 2010-11), which also was significantly lower than New South Wales ($1,459) and Victoria ($1,229). The average civil court fee across all jurisdictions in 2011-12 was $1,123. The fees collected in Queensland were 21.3% below this average. Lodgement fees in Queensland's Magistrates' Courts and Probate Supreme Courts were mid-range across the states (see Chart D16.11).

Chart D16.11
Average civil court fee collected per lodgement, 2011-12
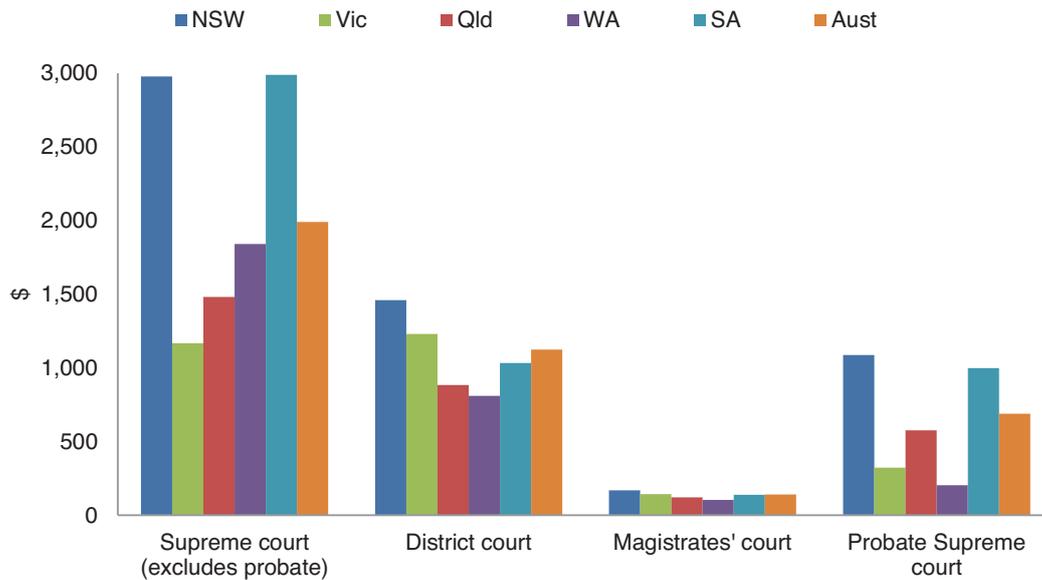
Source: Steering Committee for the Review of Government Service Provision,
Report on Government Services 2013, Table 7A.16

There is a case for increasing the extent of cost recovery of lodgement fees in Queensland towards the national average. However, given the wide variation in cost recovery between states, the Commission considers that a target of 90% of the national average would be reasonable. Assuming a similar number of lodgements in 2012-13, this increase could generate estimated additional revenue of $2.1 million.

Some progress has been made to improve the recovery of administrative costs. A review of court fees and charges in July 2012 resulted in an increase to fees by an indexation rate of 3.5%.[12]

In August 2012, the Government introduced an offender levy of $300 for Supreme and District Court matters and $100 for Magistrates' Court matters, which will be automatically imposed at the time of sentence and is separate to any punishment. The purpose of the levy is to assist in meeting the cost of law enforcement and justice administration. The levy is expected to raise approximately $10 million during 2012-13 and $15 million ongoing from 2013-14.[13]

Queensland courts also deal with individuals charged with offences under Australian Government law, including offences under section 232A of the *Migration Act 1958* (Cwlth) ('people smuggling cases'). These matters are often long and expensive and are absorbing a significant proportion of the judicial resources available for criminal trials. During 2011-12, the number of indictments containing people-smuggling offences increased by 65.4%, and the number of charges before the District Court increased by 103.8% compared with the previous year.[14]

Given the likely continued increase in people smuggling offences, the costs associated with these matters do not appear likely to decrease. During 2011-12, DJAG incurred expenditure of approximately $2 million on people smuggling cases.[15] When the costs of the trial, sentencing and custody are taken into account, the total costs borne by the Queensland Government will continue to be significant. The Queensland Government should seek to recover the costs associated with Australian Government matters that are dealt with in state courts, especially in relation to people smuggling offences.

Recommendation

122   *The Government seek greater cost recovery in two key areas:*

   • *lodgement fees for civil court matters for the District and Supreme courts should be increased from the current 74% (Supreme Court) and 79% (District Court) to a target of 90% of the all-states average*

   • *costs associated with dealing with people-smuggling offences under the Migration Act 1958 should be recovered from the Australian Government.*

D16.4.3   Streamlining of legal processes

In recent years, the Queensland Government has commissioned several review processes designed to improve the justice system in Queensland. The most notable of these has been the review of the civil and criminal justice system in Queensland, which was completed in 2008 by the Honourable Martin Moynihan AO QC ('the Moynihan Review').

The first stage of key reforms from the Moynihan Review, implemented in 2010, included:

• expansion of the jurisdiction of the Magistrates' Courts to deal summarily with indictable offences under the Criminal Code and Drugs Misuse Act 1986

• an increase to the general criminal jurisdiction of the District Court to enable it to deal with all indictable offences with a maximum penalty of 20 years imprisonment or less

• an increase in powers for courts to deal with non-compliance with disclosure obligations

• a more streamlined committal process

• an increase to the monetary limit for civil claims in the District and Magistrates' courts.[16]

The second stage of reforms is proposed to:

• consolidate, modernise and streamline criminal justice procedures

- increase the adoption of electronic processes via electronic acquisition, collection, lodgement, filing, transfer, storage and access to data as well as electronic hearings and conferencing.[17]

The implementation of the first stage of recommendations from the Moynihan Review has resulted in important changes to the justice system. The completion of the second stage of reforms will provide the necessary platform from which further service delivery improvements could be achieved.

There are a number of further opportunities for service delivery improvements, building upon the reforms identified under the Moynihan review, as follows:

- the range of offences that may be ticketable could be expanded, as well as the range of ticketable offences that are mandatory (rather than remaining at police discretion), which would reduce the number of minor matters that are currently required to be dealt with in the Magistrates' Court[18]

- the range of summary offences could also be expanded, which would mean that a greater range of matters could be dealt with in the Magistrates' Court summarily, rather than in the District or Supreme Courts

- an electronic guilty plea could be introduced for simple and minor indictable offences, where the accused can lodge a guilty plea online prior to a court date and not be required to attend court personally.

There are often multiple opportunities to seek a review or appeal of administrative decisions, including to courts. The provision of multiple review avenues for these types of matters can be costly, particularly where the appellant pays no or low fees in order to institute the review. For example, decisions about land valuations are made by the Valuer-General. A land owner, who does not agree with the statutory land valuation, may lodge an objection with the Valuer-General. If, after the consideration of the objection, the land owner remains dissatisfied with the valuation, a further appeal to the Land Court is possible. There are currently no filing fees to commence an action in the Land Court.

The Government should evaluate all multiple review or appeal mechanisms that exist from administrative decisions and consider streamlining the options that are available, by either removing surplus appeal options or ensuring that appropriate costs can be recovered from appellants.

Recommendation

123 *The Government expand and continue the reform process commenced with the Moynihan Review by:*

- *extending the types of ticketable offences as well as the range of mandatory ticketable offences*
- *expanding the range of summary offences*
- *introducing an electronic guilty plea for simple and minor indictable offences*
- *streamlining any multiple review or appeal mechanisms for administrative decisions.*

ENDNOTES

1   Department of Justice and Attorney-General, *Annual Report 2011-12*, 2012, accessed from www.justice.qld.gov.au

2   Steering Committee for the Review of Government Service Provision*, Report on Government Services 2013*, Productivity Commission, 2013, Table 7A.17, accessed from www.pc.gov.au

3   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 7A.17

4   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 7A.3

5   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 7A.18

6   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 7A.18

7   Steering Committee for the Review of Government Service Provision, *Report on Government Services 2013*, Table 7A.18

8   Department of Justice and Attorney-General, Vision & Recommendations Report: Queensland Courts, Future Courts Program, 2009, unpublished

9   Department of Justice and Attorney-General, Capable Courts, 2011, unpublished

10 Information provided by the Queensland Police Service

11 The Department of Community Safety has advised of its intention to implement a usage statistics collection as part of a current initiative.

12 For example, see *State Penalties Enforcement Amendment Regulation (No. 3) 2012*, accessed from www.legislation.qld.gov.au

13 Queensland Government, *State Budget Papers 2012-13: Budget Paper 4, Budget Measures*, 2012, accessed from www.budget.qld.gov.au

14 District Court of Queensland, *Annual Report 2011-12*, 2012, accessed from www.courts.qld.gov.au

15 Information provided by the Department of Justice and Attorney-General

16 Department of Justice and Attorney-General, *Reform of Queensland's civil and criminal justice system*, 2010, accessed from www.justice.qld.gov.au

17 Department of Justice and Attorney-General, *Criminal Justice Procedure in Queensland: Discussion Paper*, 2010, accessed from www.justice.qld.gov.au

18 Ticketable offences are also called infringement notices, on-the-spot-fines or SETON (self-enforcing ticketable office notice). It provides an alternative to proceeding through the courts, although an individual can opt to challenge the issuing of a SETON in a court.

PART E:

THE PUBLIC SECTOR

PART E

THE PUBLIC SECTOR

PREFACE

> The goal for the public sector must be to achieve the highest standard of excellence and ensure that Queensland is the best administered state in Australia.

Part E provides a high-level strategic review of sector-wide issues relating to public administration in Queensland. There has not been a comprehensive review of public sector strategies, policies and practices for 20 years.

Since 2005, there has been a significant increase in the number of public servants employed, with an even greater increase in employee expenses. However, as shown in Part D, service provision has not grown proportionately, as a result of declining public sector productivity. With social and economic factors likely to increase the demands on the provision of services from the public sector, productivity must improve.

Consistent with the themes in Part D of this Report, the public sector needs to shift its focus to being more of a facilitator of service delivery, and less of a deliverer of services. This will require a significant shift in focus for the public sector, and the development of new skills and capabilities to support changes in the way front-line services are delivered.

E1   WORKFORCE

KEY ISSUES

• The Queensland public sector workforce is diverse, geographically dispersed and responsible for the delivery of a wide range of public services.

• The size of the public service increased by 40% from June 2000 to June 2012. As a proportion of gross state product, public service employee expenses have grown from 4.6% in 2000-01 to 7.0% in 2010-11.

• Information on the type of work undertaken by public service employees is mixed. A recent Public Service Commission audit indicated that 68% of employee roles were essential for service delivery. Previous agency data had indicated that 83% of employee roles were categorised as front-line.

• The public service workforce is ageing and the average retirement age for public service employees is increasing. More than one-third of the public service workforce is expected to exit or retire over the next five years, and a further one-third in the following five years.

• Workforce planning is needed to ensure agencies can attract, develop and retain an effective and high performing workforce so business outcomes of agencies are met.

• A whole-of-government workforce planning perspective is also important to identify the current and future workforce challenges across Government and identify ways to support agency service delivery.

• The Public Service Commission has an important role in setting and coordinating human resources and industrial relations strategies for the Queensland public sector.

E1.1 OVERVIEW

The standard of public service to the people of Queensland will have a very great effect on the services they receive and on the development of the Queensland economy. A key focus of this Report is renewal of the public sector to provide better front-line services for Queenslanders.

Recommendation

124   *The goal for the public sector must be to achieve the highest standard of excellence and ensure that Queensland is the best administered state in Australia.*

E1.2 AGENCY STRUCTURE

The Queensland public sector workforce is employed in a large number of agencies of government. The extent to which the public sector employment framework applies to these agencies will differ, depending on the establishment of the agency. Figure E1.1 provides an overview of the categorisation of Queensland Government agencies into three main groups: public service agencies, public sector agencies and government agencies. Further details are shown in Box E1.1. The terminology throughout Part E of this Report is based upon these three categories.

Public service agencies – These are departments of government, which are declared in departmental arrangement notices made under the *Public Service Act 2008*; and public service offices, which are declared under the Public Service Act or the Public Service Regulation 2008. Public service agencies are generally subject to all elements of the public sector employment framework under the Public Service Act and report workforce data to the Public Service Commission (PSC) under this framework. Some agencies, such as the Queensland Police Service and the Department of Community Safety, employ administrative staff under the Public Service Act, but also apply other employment frameworks for specific occupational groups, such as police officers and fire and ambulance officers.

Public sector agencies – These include public service agencies, as well as agencies which, while being budget-funded, are not subject to the Public Service Act employment framework. These additional agencies utilise their own employing legislation and do not report workforce data to the PSC.

Government agencies – This is the broadest scope, covering all agencies of the Queensland Government, including public service agencies, public sector agencies and Government Owned Corporations (GOCs). GOCs are not subject to public sector employment frameworks, as they are companies under the *Corporations Act 2001* (Cwlth)*,* and the provisions of the *Fair Work Act 2009* (Cwlth) apply to their employees.

Figure E1.1
Queensland Government employment framework overview
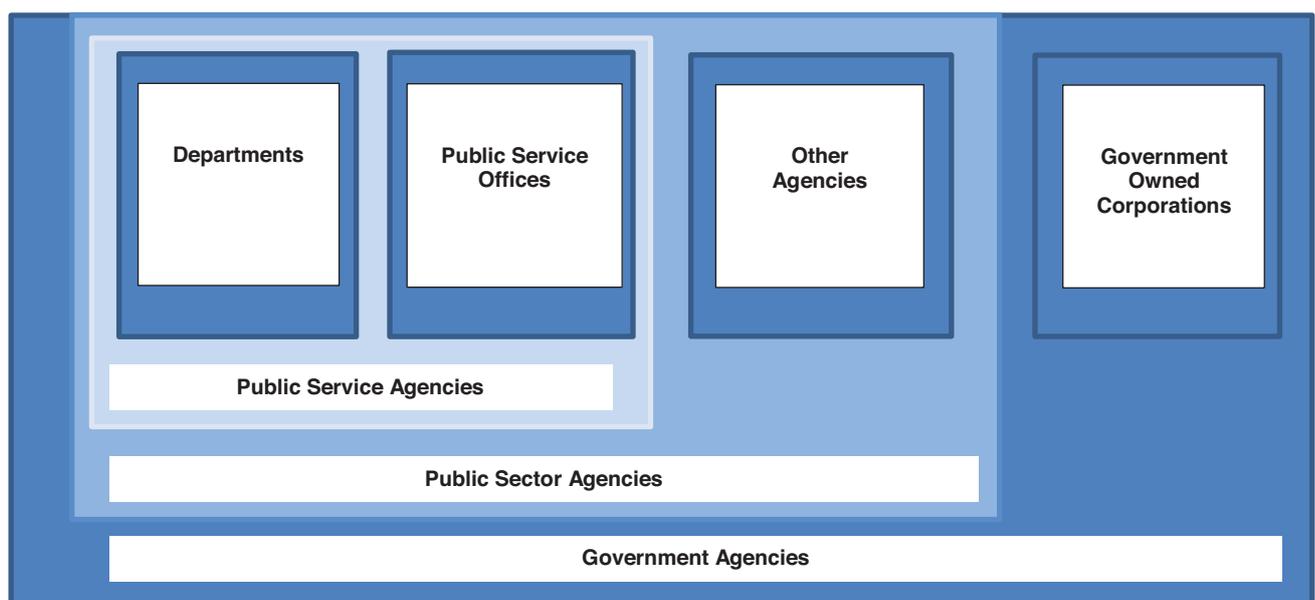
Source: Commission of Audit

Box E1.1

Agency Structure – Further Details

Table 1
Public Service Departments

Aboriginal and Torres Strait Islander and Multicultural Affairs	Agriculture, Fisheries and Forestry	Communities, Child Safety and Disability Services
Community Safety[1]	Education, Training and Employment	Energy and Water Supply
Environment and Heritage Protection	Housing and Public Works	Justice and Attorney-General
Local Government	National Parks, Recreation, Sport and Racing	Natural Resources and Mines
Premier and Cabinet	Queensland Health[2]	Queensland Police Service[3]
Queensland Treasury and Trade	Science, Information Technology, Innovation and the Arts	State Development, Infrastructure and Planning
Tourism, Major Events, Small Business and the Commonwealth Games	Transport and Main Roads	

1   Administrative staff of the department are employed under the Public Service Act. The Queensland Ambulance Service and the Queensland Fire and Rescue Service are included in Table 2, as they are public service offices. Staff in these agencies are employed under the *Ambulance Service Act 1991* and the *Fire and Rescue Service Act 1990* respectively.

2   Hospital and Health Services are included in Table 2 as they are public service offices. Staff of Queensland Health are employed under the Public Service Act, while staff of Hospital and Health Services are employed under the *Hospital and Health Boards Act 2011*.

3   Administrative staff are employed under the Public Service Act, while police officers are employed under the *Police Service Administration Act*.

Table 2
Public Service Offices (under the Public Service Act or Public Service Regulation)

Office of the Adult Guardian	Anti-Discrimination Commission	Queensland Audit Office
QLeave	Commission for Children and Young People and Child Guardian	Electoral Commission of Queensland
Family Responsibilities Commission	Industrial Registry	Office of the Information Commissioner
Land Tribunal	Mental Health Review Tribunal	Office of the Energy and Water Ombudsman
Office of Health Practitioner Registration Boards	Office of the Health Quality and Complaints Commission	Office of the Prostitution Licensing Authority
Office of the Queensland College of Teachers	Office of the Queensland Parliamentary Counsel	Office of the Queensland Studies Authority
Public Trust Office	Queensland Reconstruction Authority	Queensland Water Commission
Urban Land Development Authority	QComp	Australian Agricultural College
Legal Aid Queensland	Queensland Building Services Authority	Residential Tenancies Authority
Hospital and Health Services	Public Service Commission	
Queensland Ambulance Service	Queensland Fire and Rescue Service	

<table>
<tr><td colspan="3">Table 3
Other public sector agencies</td></tr>
<tr><td>Board of the Queensland Museum</td><td>Crime and Misconduct Commission</td><td>Gold Coast Institute of TAFE</td></tr>
<tr><td>Legislative Assembly</td><td>Library Board of Queensland</td><td>Office of the Governor</td></tr>
<tr><td>Office of the Ombudsman</td><td>Queensland Rural Adjustment Authority</td><td>Queensland Art Gallery Board of Trustees</td></tr>
<tr><td>Queensland Performing Arts Trust</td><td>South Bank Corporation</td><td>Southbank Institute of TAFE</td></tr>
<tr><td>The Council of the Queensland Institute of Medical Research</td><td>Tourism Queensland</td><td></td></tr>
</table>

Note: This list includes only the main statutory authorities and statutory agencies in this category.

<table>
<tr><td colspan="3">Table 4
Government Owned Corporations</td></tr>
<tr><td>CS Energy Ltd</td><td>Ergon Energy Corporation Limited</td><td>Port of Townsville Limited</td></tr>
<tr><td>Stanwell Corporation Limited</td><td>Queensland Rail Limited</td><td>Gladstone Ports Corporation Limited</td></tr>
<tr><td>Powerlink Queensland</td><td>Far North Queensland Ports Corporation Limited</td><td>SunWater Limited</td></tr>
<tr><td>ENERGEX Ltd</td><td>North Queensland Bulk Ports Corporation Limited</td><td>Queensland Investment Corporation Limited</td></tr>
</table>

Source: Public Service Commission, Commission of Audit

Information presented in the remainder of this Section relates primarily to persons employed in public service agencies, as the central data collection processes do not include other agencies. While other agencies are budget-funded, they engage employees directly under their own legislation rather than the Public Service Act.

For example, employees of the Queensland Ombudsman and the Crime and Misconduct Commission are not included in the definition and statistics for public service agencies. Both of these agencies engage employees under their own legislation, with the agency determining the terms and conditions of employment. However, the terms and conditions of employment are closely aligned to the rest of the public service. While both of these agencies operate independently of Government, there are a number of other independent agencies that are currently included within the scope of the public service, such as the Queensland Audit Office, the Health Quality and Complaints Commission and Legal Aid Queensland.

As a result of these anomalies, the Commission was unable to obtain comprehensive workforce information on the total public sector.

E1.3 WORKFORCE PROFILE

E1.3.1   Size of the workforce

The Queensland public sector workforce is large, geographically dispersed and involved in the delivery of a wide range of public services and the management of public money. The public sector workforce consists of diverse groups of occupations and professions, as well as administrative and generalist employees.

As at 30 June 2012, the Queensland public service employed 243,250 people, which represents 205,332 full-time equivalent (FTE) positions. The majority of public service employees are employed in agencies with a strong service delivery focus: health (33.5%), education (32.8%), police (7.1%) and community safety (5.3%), as shown in Chart E1.1.

Chart E1.1
Distribution of public sector workforce (full-time equivalent), 2012
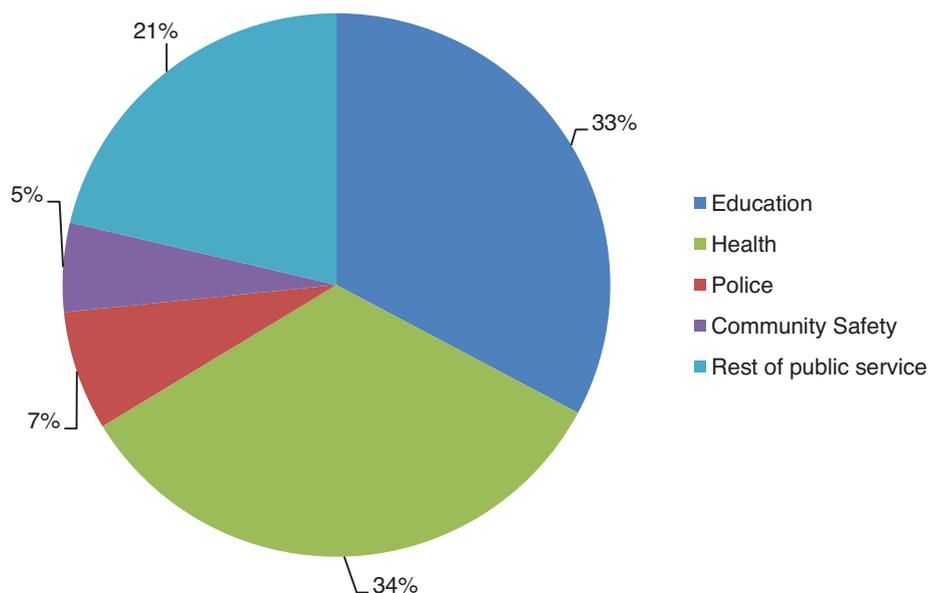
Note: Data as at 30 June 2012

Source: Public Service Commission

Table E1.1 shows the number of FTE employees by public service agency as at 30 June 2012. In the 2012-13 Budget, the Government announced a reduction in FTEs of 14,000, including 10,600 redundancies, as part of public service reforms. Table E1.1 also shows FTE employee numbers by public service agency as at 31 December 2012, reflecting progress towards achieving the projected FTE reductions.

Table E1.1 Number of full-time equivalent (FTE) positions by public service agency		
Agency	**As at 30 June 2012**	**As at 31 December 2012**
Aboriginal and Torres Strait Islander and Multicultural Affairs	297	338
Agriculture, Fisheries and Forestry	2,622	2,245
Anti-Discrimination Commission Qld	31	32
Commission for Children & Young People and Child Guardian	324	331
Communities, Child Safety and Disability Services	6,674	6,028
Community Safety	10,895	10,509
Education, Training and Employment	67,435	65,926
Electoral Commission Qld	48	53
Energy and Water Supply	270	232
Environment and Heritage Protection	1,299	1,057
Health	68,864	66,704
Health Quality Complaints Commission	67	62
Housing and Public Works	5,389	4,380
Justice and Attorney-General	4,863	4,505
Legal Aid	452	434
Local Government	122	92
Museum	235	231
National Parks, Recreation, Sport and Racing	1,451	1,302
Natural Resources & Mines	2,779	2,405
Police	14,543	14,485
Premier and Cabinet	411	391
Public Service Commission	87	78
Public Trust	558	541
Queensland Art Gallery	296	319
Queensland Audit Office	210	194
Queensland Treasury & Trade	1,100	1,032
Queensland Water Commission	63	54
Science, Information Technology, Innovation and the Arts	3,668	3,375
State Development, Infrastructure and Planning	948	769
State Library	262	265
Tourism, Major Events, Small Business and Commonwealth Games	120	107
TransLink Transit Authority	368	286
Transport and Main Roads	8,582	6,670
Queensland Public Service	**205,332**	**195,432**

Source: Public Service Commission

As highlighted in the Commission's June 2012 Interim Report, the public service has grown significantly over the past 10 years. From June 2001 to June 2012, the Queensland public service increased by 39%, including a slight decline in employee numbers during 2011-12 as a result of the Voluntary Separation Program (VSP) instituted by the previous government (Chart E1.2).

Chart E1.2
Queensland public service growth
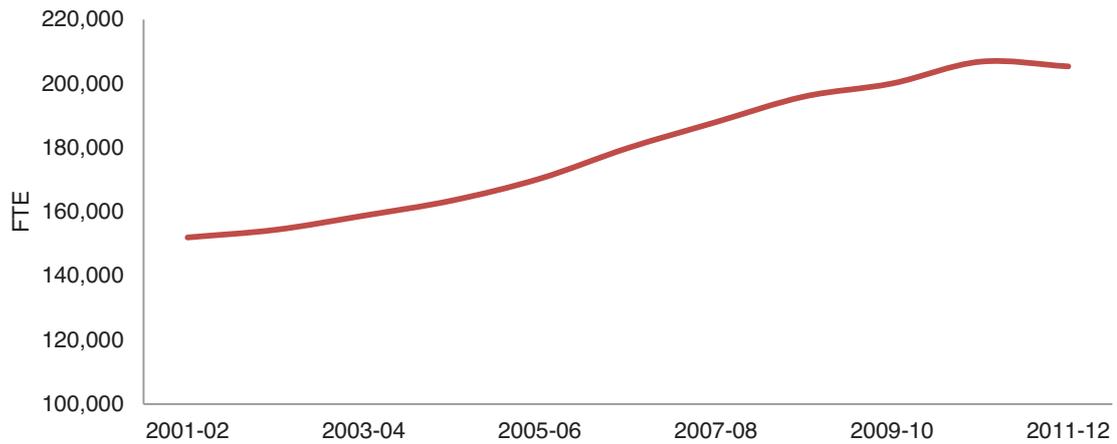
Source: Public Service Commission

The Commission's Interim Report also noted that increases in employee numbers since June 2000 were broadly in line with population growth for all functions apart from health. Chart E1.3 shows the increase in the health workforce as a share of the Queensland population, compared with marginal changes in relative shares for other functional categories.

Chart E1.3
Public service employees full-time equivalent, by function share of Queensland population
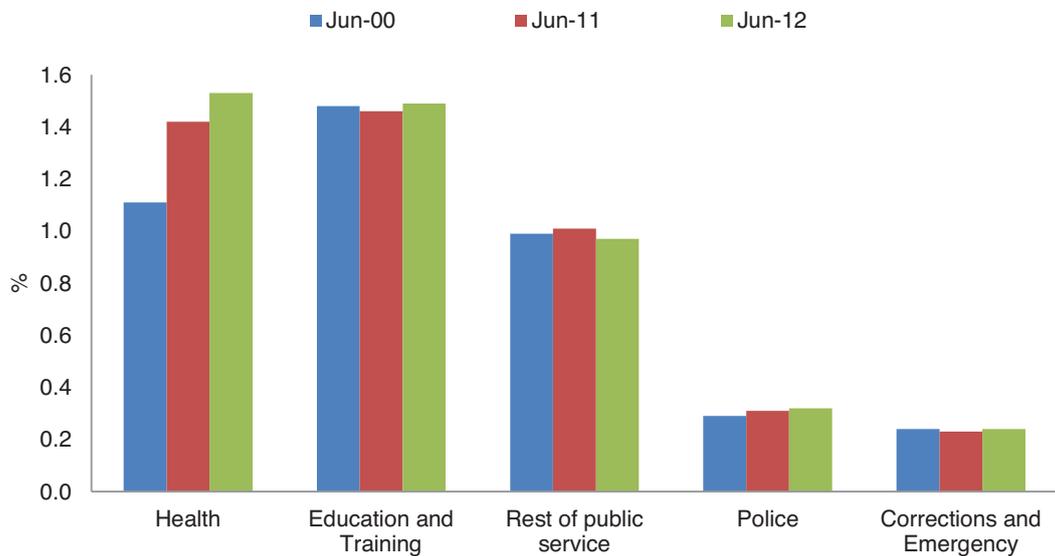
Source: Public Service Commission

The growth of the public service is also demonstrated by the relative increase in employee expenses since 2000-01. The average cost of employee expenses has varied between 44% and almost 48% of General Government recurrent expenses between 2000-01 and 2010-11. However, as a proportion of gross state product, Chart E1.4 shows public service employee expenses has grown from 4.2% in 2000-01 to 7.8% in 2010-11.

Chart E1.4
Public service employee expenses share of gross state product
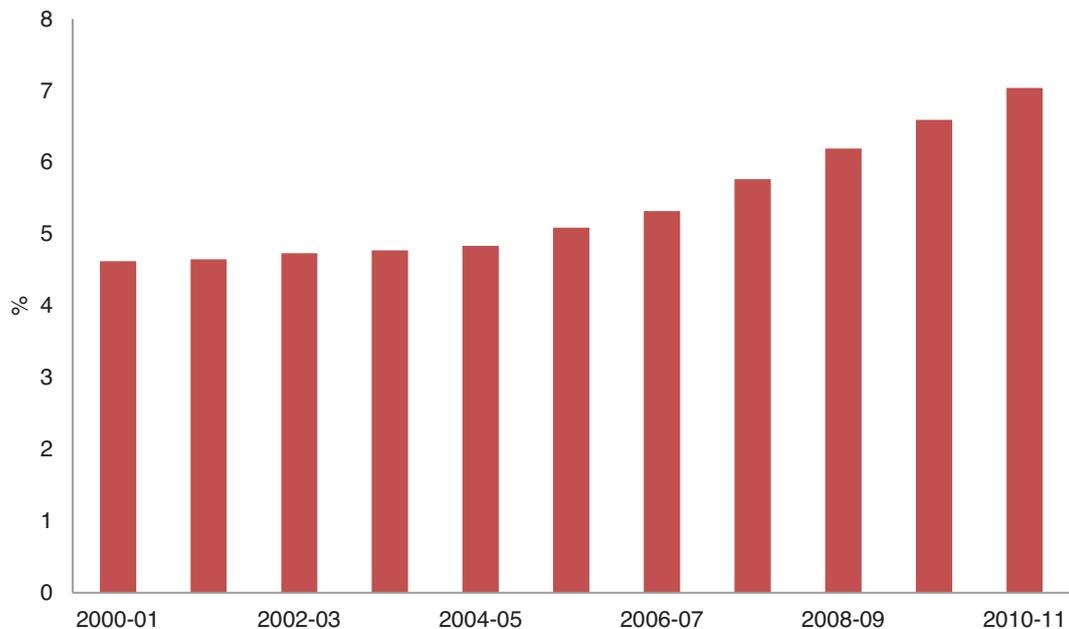
Note: Data not available for 2011-12

Source: ABS 5512.0 and 5220.0

As a proportion of the State's population, the number of public service employees was relatively stable between 2000 and 2005, at approximately 4%. The rate began to increase from 2005-06 and peaked at 4.6% at June 2011, before declining marginally to just over 4.5% as at 30 June 2012 (Chart E1.5). This proportion is expected to decline further with the reduction in public service employee numbers.

Chart E1.5
Proportion of Queensland public service (FTE) to state population
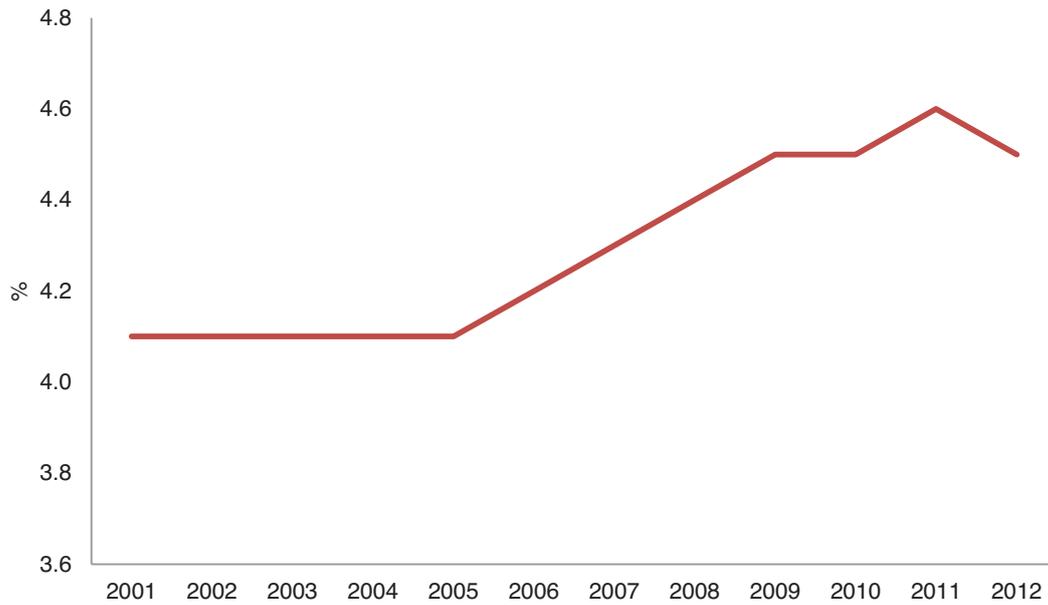
Note: Data as at 30 June each year

Source: Public Service Commission

On a broader measure of total government employees, Chart E1.6 shows that the Queensland proportion of government employees to population as at June 2012 was 6.7%, similar to South Australia and Western Australia (both 6.8%), but higher than New South Wales (6.2%) and Victoria (5.9%).

Chart E1.6
Proportion of state government employees to population, 2011-12

Note: ABS definition of 'state government' is broader than the workforce data captured under the mandatory obligatory human resource information (MOHRI) from the PSC.
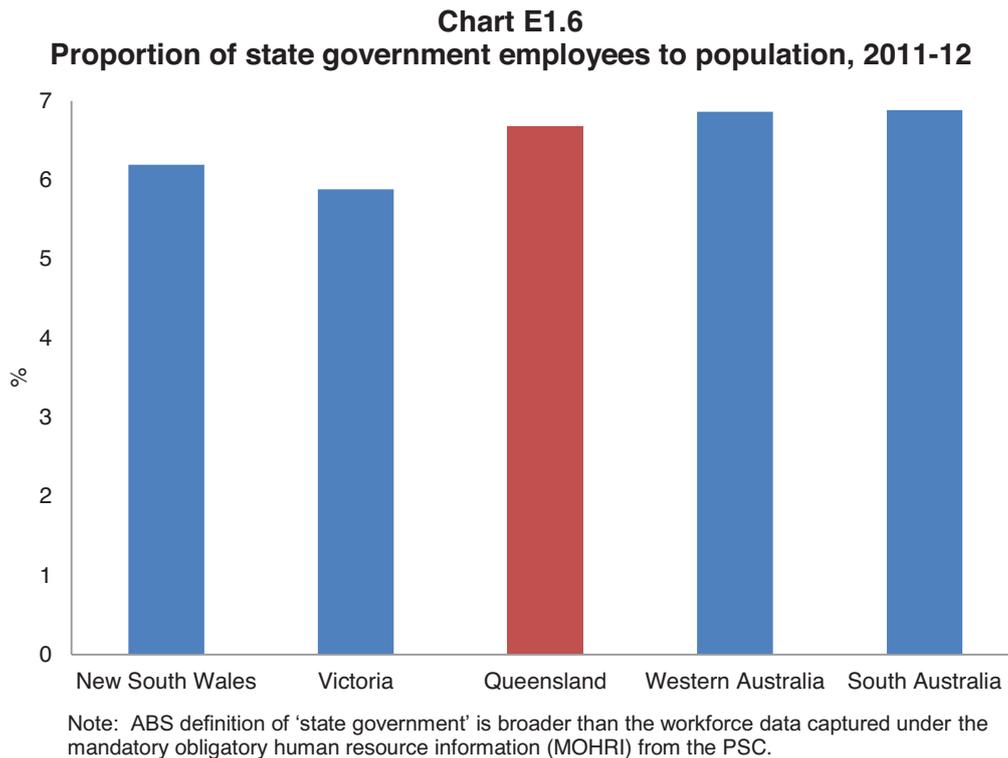
Source: ABS 6248 and 3101

Public service employees are employed in diverse locations throughout Queensland. Around 68,000 (FTEs) or 33% of the public service workforce are employed outside south-east Queensland (comprising the statistical regions of Brisbane, Gold Coast, Sunshine Coast and West Moreton). There are a number of regions in Queensland where the FTE per capita is higher than the state-wide average of 4.5%. The regions with the highest number of public service employees per capita are the Far North, North West, Central West, South West and Northern regions. Figure E1.2 shows the FTE per capita for each statistical region in Queensland.

Figure E1.2
Public service FTEs per capita as a % of Estimated Resident Population by region as at 30 June 2012

State-wide = 4.5%

■ < State- wide
■ >= State-wide

Far North
5.0%

Northern
5.0%

North West
6.3%

Mackay
3.2%

Central West
6.4%

Fitzroy
4.2%

Wide Bay-Burnett
3.9%

Sunshine Coast
3.0%

Brisbane
5.2%

South West
6.6%

Gold Coast
3.0%

West Moreton
2.1%

Darling Downs
4.3%
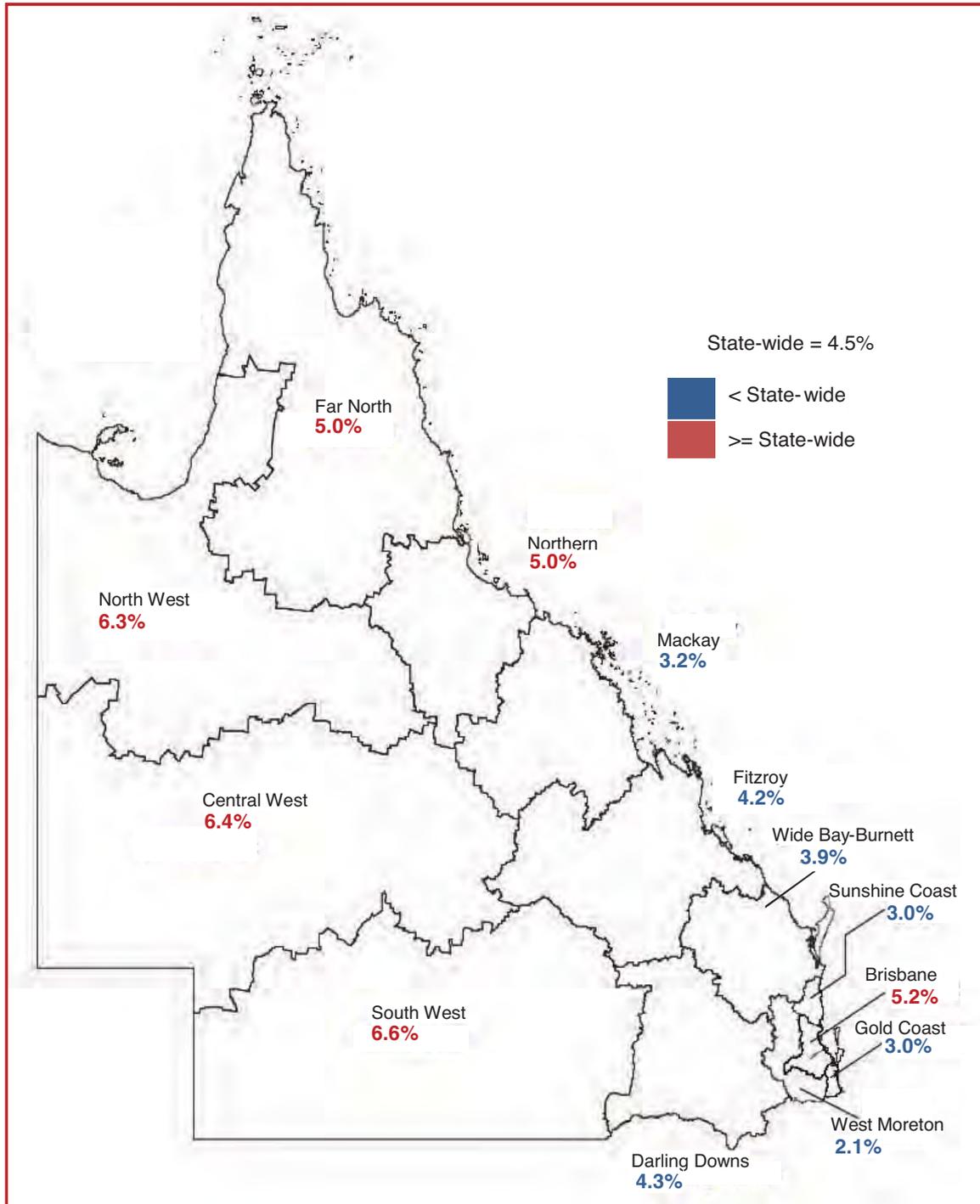
Source: Public Service Commission

E1.3.2   Classification

Table E1.2 shows the salary scale and classification levels of public service employees (FTEs) as at 30 June 2012.

Table E1.2		
Queensland Public Service salary scales and classification levels (FTEs), 30 June 2012		
Level	**Salary scale[1] $**	**FTEs**
AO1 equivalent	33,444 – 37,112	858
AO2 equivalent	41,278 – 48,779	38,859
AO3 equivalent	52,132 – 58,132	35,812
AO4 equivalent	61,641 – 67,780	29,513
AO5 equivalent	71,435 – 77,644	29,491
AO6 equivalent	81,962 – 87,691	37,426
AO7 equivalent	91,712 – 98,341	14,622
AO8 equivalent	101,610 – 107,467	9,937
SO equivalent	128,257 – 140,712	4,454
SES and above equivalent	128,869 – 221,024	4,360
TOTAL		**205,332**

Source: Public Service Commission

As at 30 June 2012, employees whose salary is equivalent to an Administrative Officer (AO) Level 5 ($77,644 pa) and below represented 66% of the public service, with AO6 and above representing 34% of the total public service (Chart E1.7).

Chart E1.7
Public service classifications, 2012
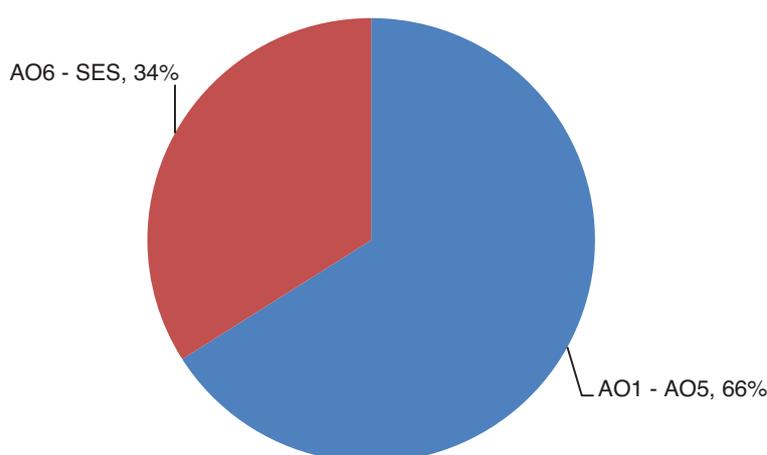
Note: Data as at 30 June 2012

Source: Public Service Commission

The Commission's Interim Report showed the changes in classification levels within the Queensland public service from June 2000 to June 2011. Updated information on classification creep is presented in Section E3 of this Report.

E1.3.3   Gender

Overall, females make up 64.6% of the total public service workforce. Females have the highest representation between the AO1 to AO5 classifications, with just over 60% of employees (Chart E1.8). The proportion of females declines to 51% in the AO6 to Senior Executive Service (SES) classifications and 37% in senior management roles (Senior Officer and above).

Chart E1.8
Proportion of full-time equivalent public service employees by level by gender, 2012
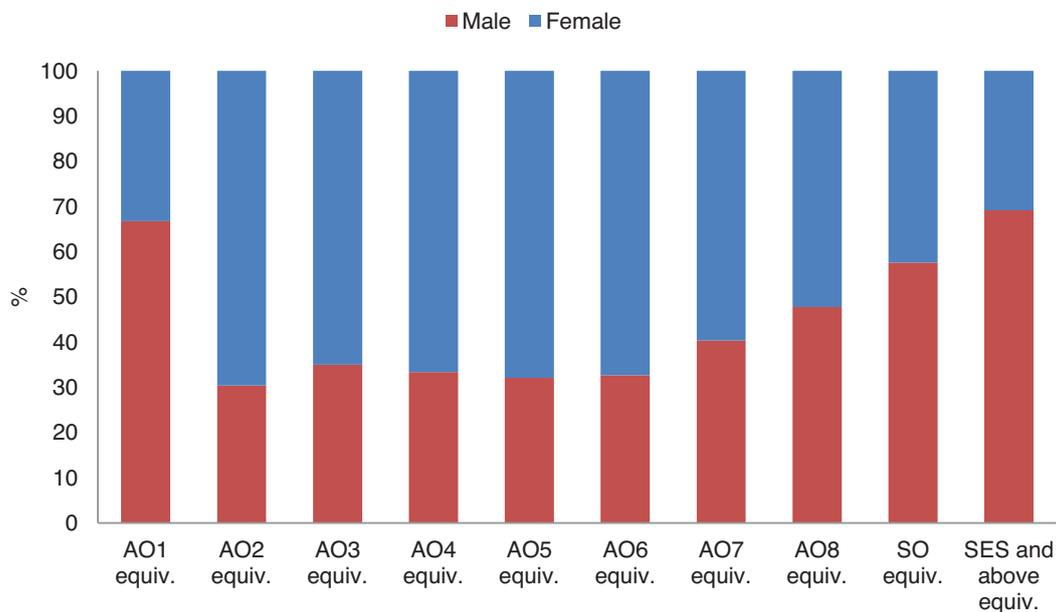
Note: Data as at 30 June 2012

Source: Public Service Commission

E1.3.4   Educational qualifications

Based on information submitted to the State of the Service employee survey in 2010, more than three-quarters of public service employees had a diploma or vocational qualification or higher (Chart E1.9).[2] By classification level, the educational qualifications were as follows:

- Almost 9 out of 10 employees at a Senior Officer, Senior Executive Service or Chief Executive level had a bachelor or postgraduate qualification.

- More than two-thirds of AO5 to AO8 employees had a bachelor or postgraduate qualification.

- Almost one-third of AO1 to AO4 employees had a diploma or vocational qualification, with one-quarter of this group having a bachelor qualification.

Less than 10% of public service employees had an educational qualification less than a Year 12 or equivalent.

Chart E1.9
Educational qualifications by classification, 2010
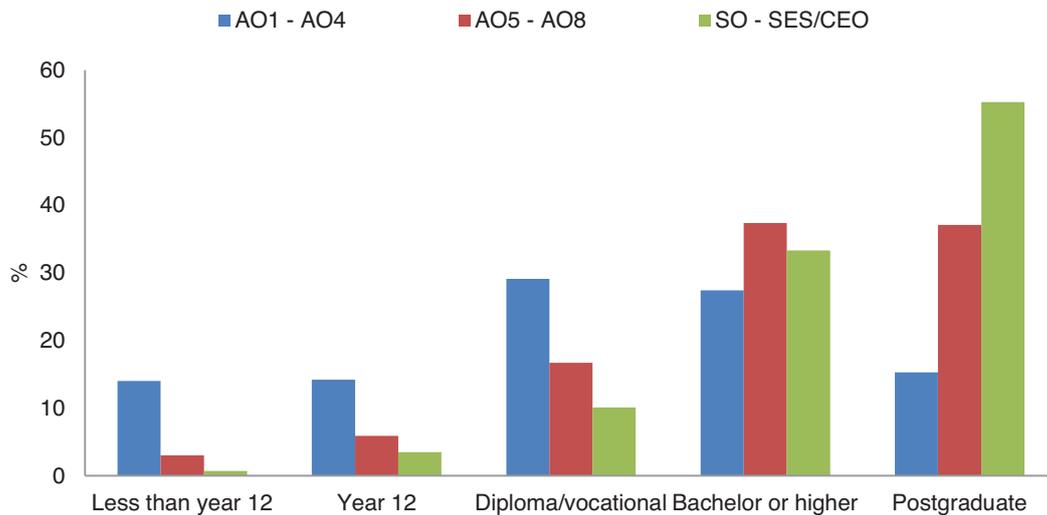
Source: Public Service Commission, State of the Service Employee Survey, 2010

E1.3.5   Type of work

Workforce data for the Queensland public service is collected through the Minimum Obligatory Human Resource Information (MOHRI) process. Individual agencies are responsible for providing the required information, and the PSC consolidates this data to identify relevant whole-of-government matters, such as the type of work which is being undertaken.

The categorisation of positions into front-line or non-front-line roles was introduced in 2007, following inquiries into the Queensland health system in 2006. Prior to this time, information which would identify the type of work that employees were performing was not separately recorded.

From 2007, employees were classified into 'corporate services' or 'non-corporate services' categories. In turn, those who were non-corporate services employees were then classified as either 'front-line' or 'support' employees. This classification was based on categories of employment from the Australian Standard Classification of Occupations (ASCO) defined by the Australian Bureau of Statistics. Individual agencies have been responsible for classifying employees according to these categories.

Chart E1.10 below shows the categorisation of employees over the past five years, based on information provided to the PSC by agencies. While the data shows a slight increase in the proportion of front-line employees between 2008 and 2012, there have been ongoing concerns about the accuracy and reliability of this data, particularly due to differences between agencies in the interpretation and application of ASCO category definitions. As a result, in May–June 2012 the PSC conducted an audit of the categorisation of employee roles by systematically scrutinising position titles, ASCO codes and agency structures to determine a more consistent measure of the proportion of front-line and non-front-line positions.

The PSC audit concluded that the definitions that were used to classify roles were too broad, relied upon a significant amount of agency interpretation and were subjective in their application. No benchmark information is available from other jurisdictions, as Queensland is the only state that has measured front-line and non-front-line positions. The PSC also observed that the quality of department establishment management and workforce data was generally poor, including unfunded positions, inconsistent and diverse position titles, and inferior data entry.

Chart E1.10
Public service employee categorisation
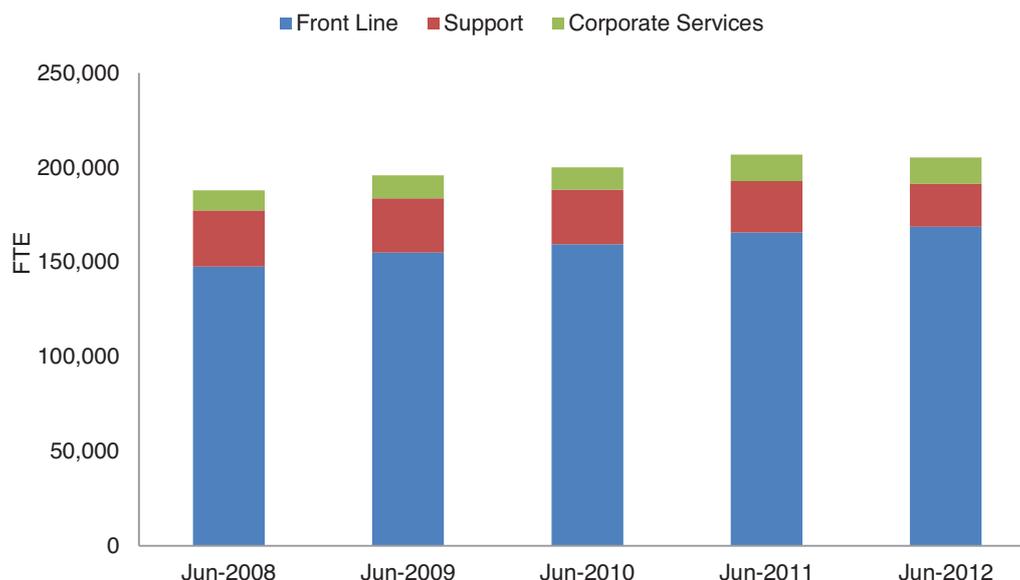
Note: Data only collected from 2008

Source: Public Service Commission

As shown in Chart E1.11, prior to the PSC audit, 83% of employee roles were categorised as front-line, with the remaining 17% being categorised as corporate services and support roles. After the PSC audit, 68% of employee roles were categorised as essential for service delivery, with the remaining 32% being categorised as corporate services roles. This represents a significant variation in results, leaving reservations about the quality of the underlying data, even allowing for the review undertaken by the PSC.

Chart E1.11
Public service employee categorisation pre- and post-PSC audit, 2012

■ Core Service Delivery   ■ Corporate Services
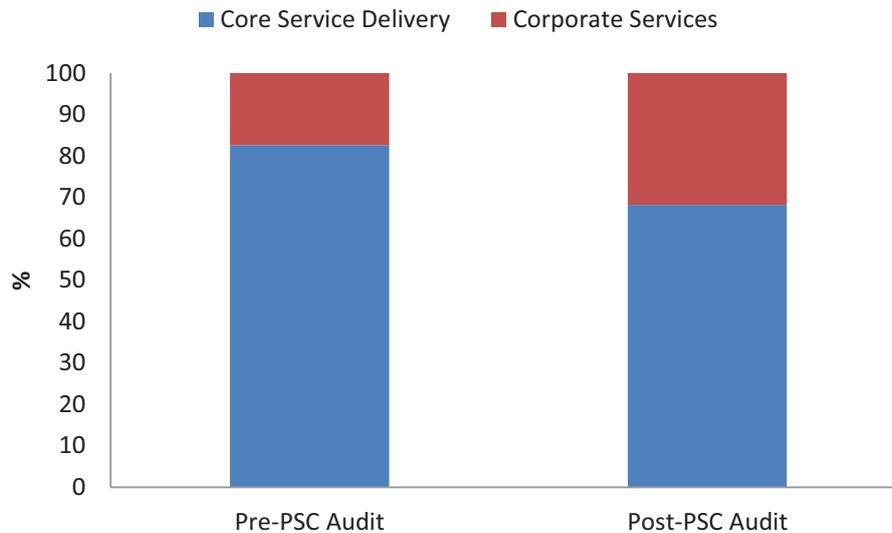
Source: Public Service Commission

The difficulty of deriving a reliable measure of employees involved in front-line service delivery functions is highlighted further by information obtained from the *State of the Service Report* published in 2010. As part of the employee survey, employees were asked about the type of work that they undertook in the public service.[3] As shown in Chart E1.12, less than half (44.7%) of the respondents considered that they were involved in direct service delivery to the public, while the remaining 56% were involved in other roles, including 14% engaged in administrative support.

Chart E1.12
Types of work performed in the public service, 2010
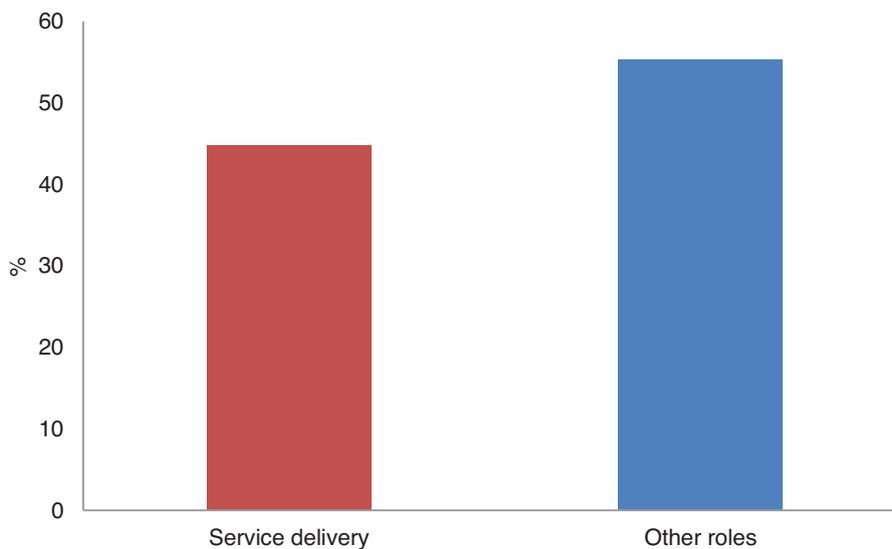
Source: Public Service Commission, State of the Service Employee Survey, 2010

Given the above considerations, the PSC is considering a more contemporary system of identifying those occupational groups that are essential to core government service delivery, based on ASCO coding. This will also include a more contemporary definition for corporate services, which is designed to assist with benchmarking comparisons with other states.

One of the crucial components to enhancing whole-of-government data is an improvement in the quality of agency establishment management and workforce data. While this responsibility rests with individual agencies, there is an active role for the PSC to monitor and audit agency data to ensure the consistent application of definitions across agencies, and to ensure that the ongoing quality of data is maintained.

Over time, the type of work undertaken by public service employees is likely to change significantly for a variety of reasons, including evolving changes in technology and models of service delivery, such as greater contestability, as recommended by the Commission in this Report. As a result, the relevance of categories such as front-line service delivery is likely to diminish. Inputs, such as type of work, need to be assessed in terms of their contribution to service outputs and outcomes, with the aim of achieving greater productivity in the delivery of services to the community.

E1.3.6   Length of service

Over the past decade, the average length of service for public service employees has largely remained consistent at approximately 10 years. This consistency has been influenced by the length of service of AO1 to AO5 employees, as shown in Chart E1.13.

Chart E1.13
Average length of service, A02-A05
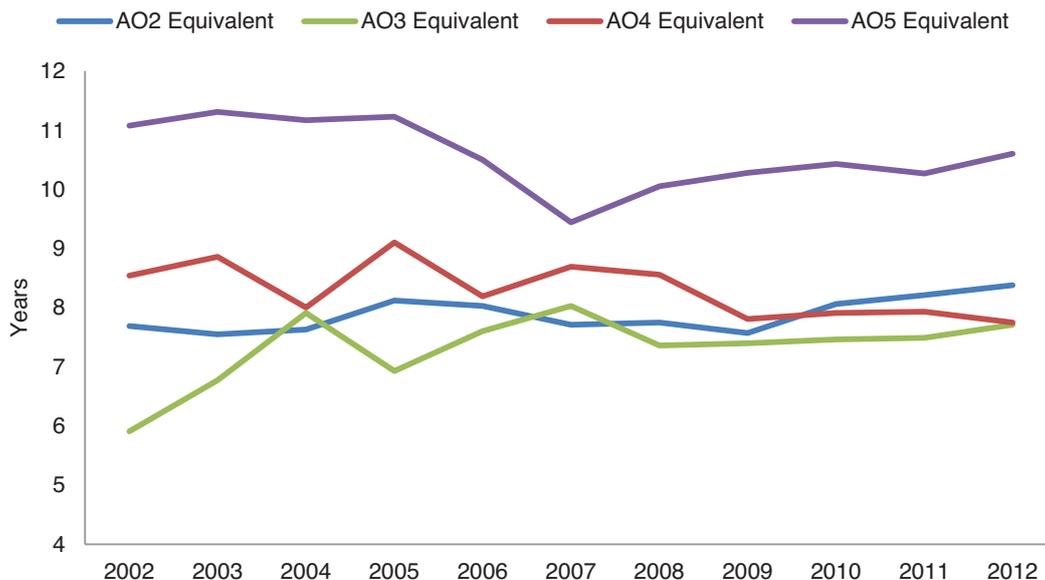
Note: Data only available from 2002; data as at 30 June each year

Source: Public Service Commission

In contrast, there have been some significant changes in the average length of service for AO6 to SES level employees, as shown in Chart E1.14. The average length of service is highest for the Senior Officer group, with an average of just over 20 years' service.

Chart E1.14
Average length of service, A06-SES
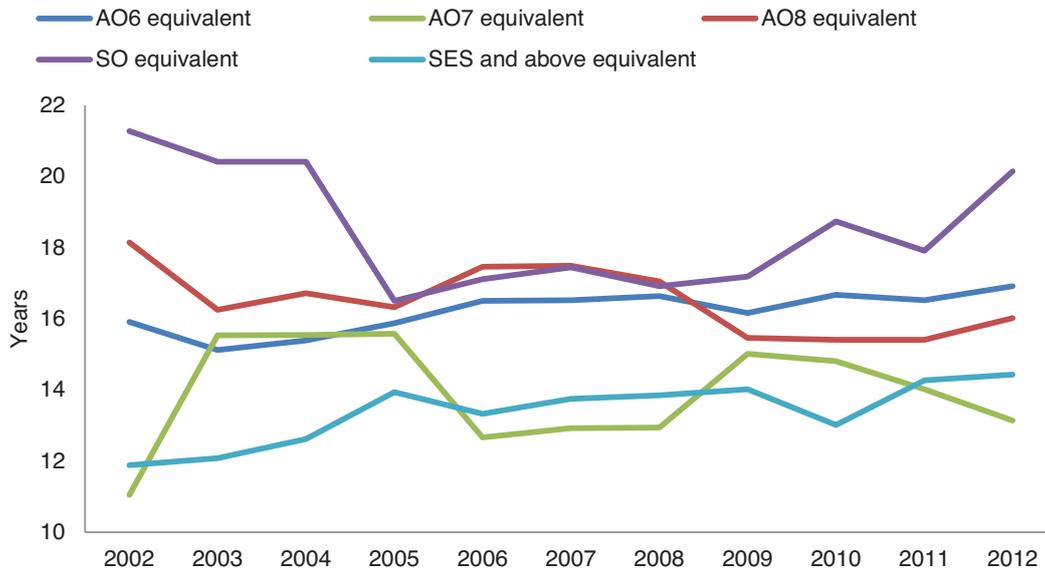
Note: Data only available from 2002; data as at 30 June each year

Source: Public Service Commission

E1.3.7   Separations

The separation, or turnover rate, is the percentage of permanent public service employees who leave the service as a proportion of the permanent workforce. The separation rate has increased from 5.3% in 2003-04 to 7.7% in 2011-12 (Chart E1.15). Between 2007-08 and 2010-11, the separation rate declined, possibly due to the uncertainty and volatility arising from the global financial crisis. The separation rate increased in 2011-12 due to the VSP and is expected to remain high in 2012-13 as a result of the planned reductions in the size of the public service workforce.

Chart E1.15
Annual Queensland public service separation rates
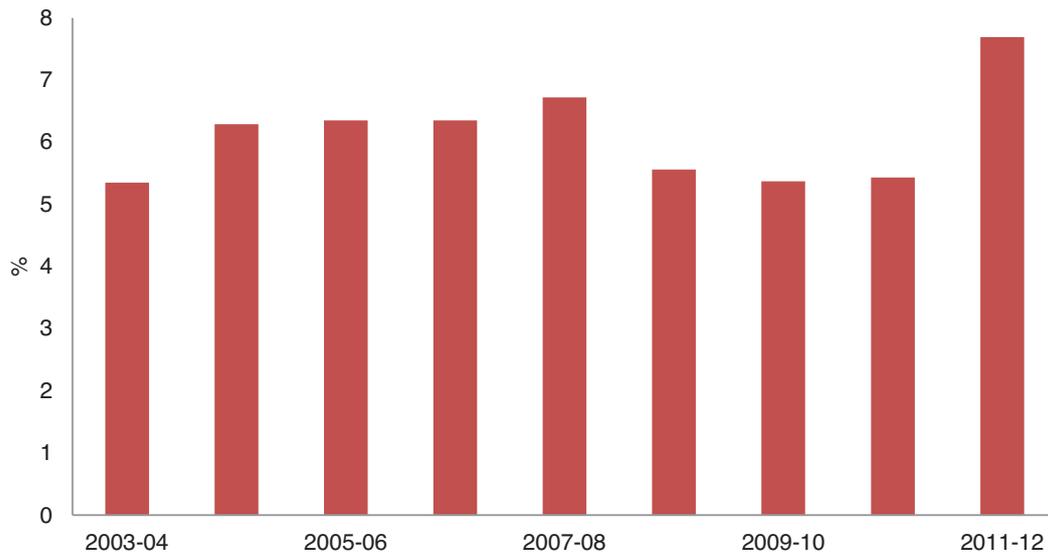
Note: Data only available from 2003-04; permanent employees only

Source: Public Service Commission

Chart E1.16 shows separation rates by age distribution. Until 2007-08, separation rates were highest for employees born between 1980 and 1994 (the so-called 'Generation Y'), and then for employees born between 1965 and 1979 ('Generation X'). However, since 2007-08, separation rates have been declining for these two groups of employees. In contrast, the separation rate for employees born between 1946 and 1964 ('Baby boomers') has been steadily increasing since 2007-08. In 2011-12, this latter group of employees had the highest separation rate, reflecting in part the relative attraction of retirement and voluntary separation options.

Chart E1.16
Annual Queensland public service separation rates age distribution
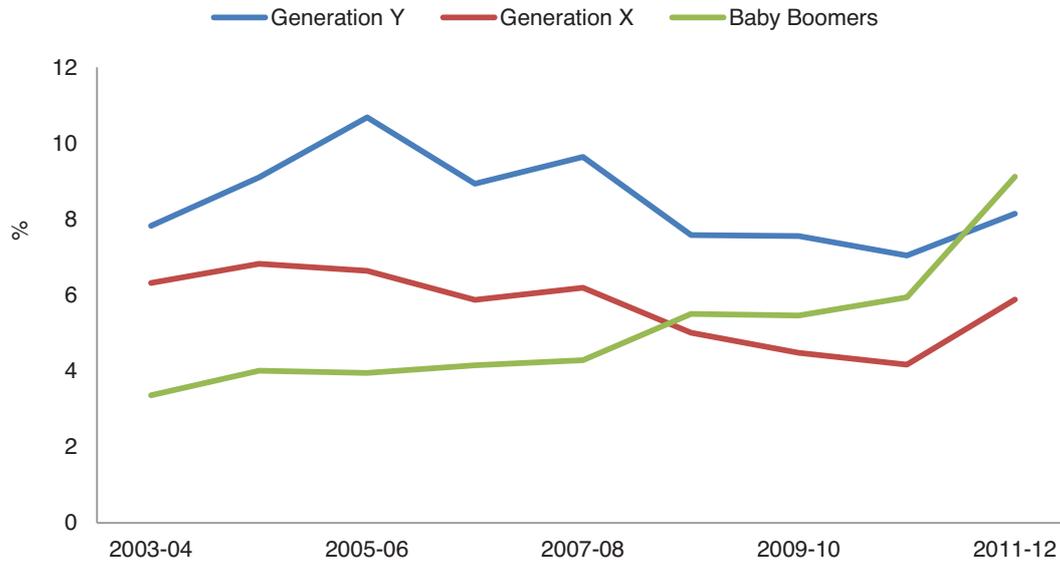
Note: Data only available from 2003-04; permanent employees only

Source: Public Service Commission

E1.3.8   Absenteeism

The average sick leave taken by Queensland public service employees in 2011-12 was just over seven days per year (Chart E1.17). This is a slight increase from 2010-11; however, the rate of sick leave has been trending upwards since 2006. In a recent report, the Auditor-General highlighted that between 2006-07 and 2010-11, the rate of unplanned absence per employee (78% of which is sick leave) has increased by 9% from an average of 8.28 days to 9.02 days.[4]

The total absenteeism rate, which includes sick leave, special leave, leave to claim workers' compensation, carers' leave and time absent due to industrial disputes, was 9.2 days in 2011-12.

Chart E1.17
Absenteeism/Sick leave, average full days taken per employee, 2004-2012
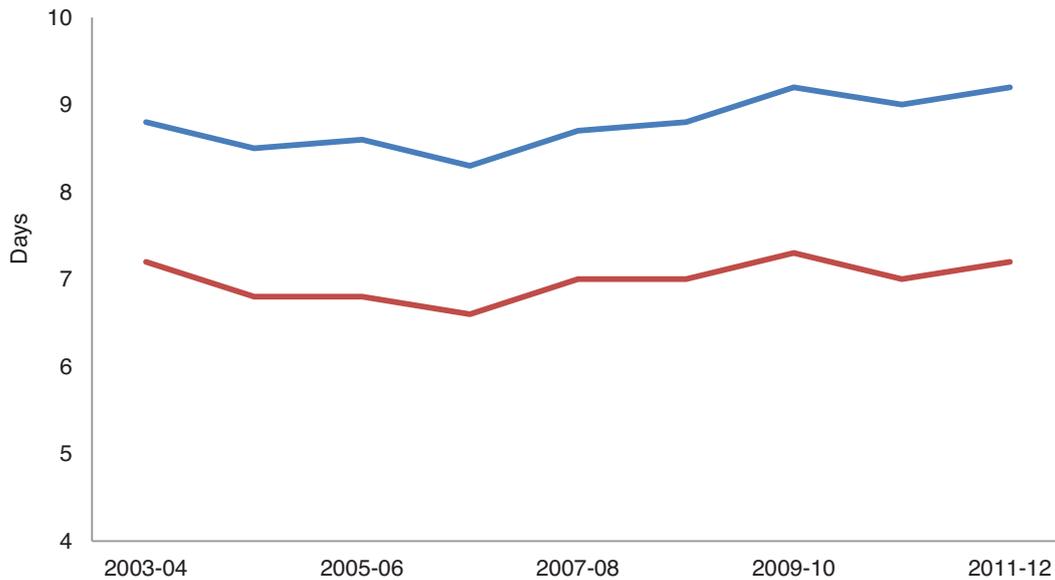
Note: Excludes casual employees; data only available from 2003-04

Source: Public Service Commission

There is no publicly available information on absenteeism which provides a basis for comparison between the public services within Australia. The Australian Public Service Commission reports that the median (which differs from average or mean) workplace absence rate in 2011-12 was 11.1 days per employee.[5] Workplace absence covers sick leave, carer's leave, compensation leave, types of miscellaneous or other leave, and unauthorised absence.

A 2010 audit by the New South Wales Auditor-General found that the average public sector sick leave per person in 2009-10 was 56.9 hours or 8.13 days.[6]

Direct comparisons are difficult due to differences in definitions, award conditions and standard working hours across jurisdictions. For example, the sick leave entitlements are different between Queensland and New South Wales public service employees.

E1.3.9   Ageing of the workforce

Over the last 10 years, the average age of the public service workforce has been increasing (Chart E1.18). In 2001-02 the largest group of public service employees was aged between 45 and 49 years, whereas in 2011-12 it is between 50 and 54 years of age. The average age of retirement for public service employees has also been slowly increasing over the past six years, from 59.9 years in 2005-06 to 61.3 years in 2011-12 (Chart E1.19).

Chart E1.18
**Age distribution of the permanent Queensland public service workforce –
headcount**
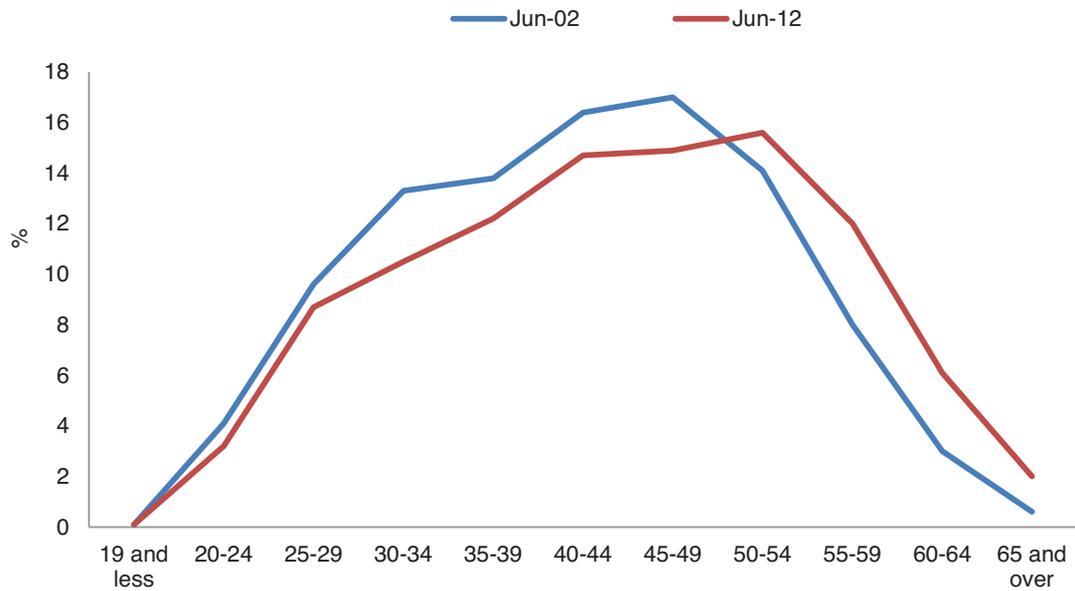
Note: Data only available from 2001-02

Source: Public Service Commission

Chart E1.19
Average age of retirement for permanent employees
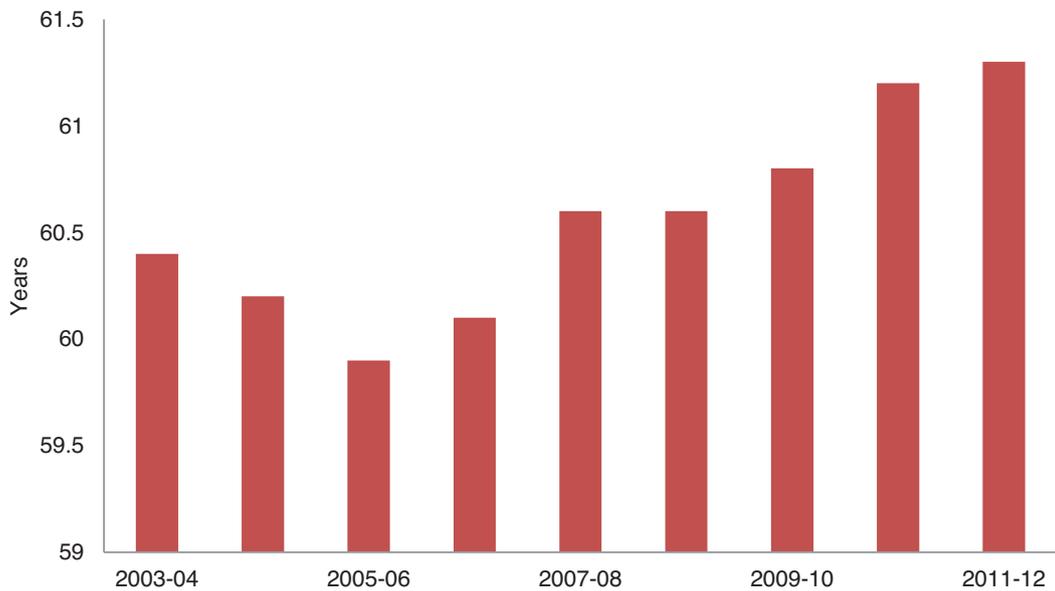
Note: Data only available from 2003-04

Source: Public Service Commission

While the workforce is ageing and the average age of retirement for public service employees is increasing, more than one-third of the public service workforce is expected to exit or retire over the next five years, and a further one-third in the following five years. (Chart E1.20).[7] This will have significant implications for the composition, skills and capacity of the public service, unless there is adequate workforce planning to address these issues.

Chart E1.20
Projected exits and retirements from the public service
over next 10 years, 2012
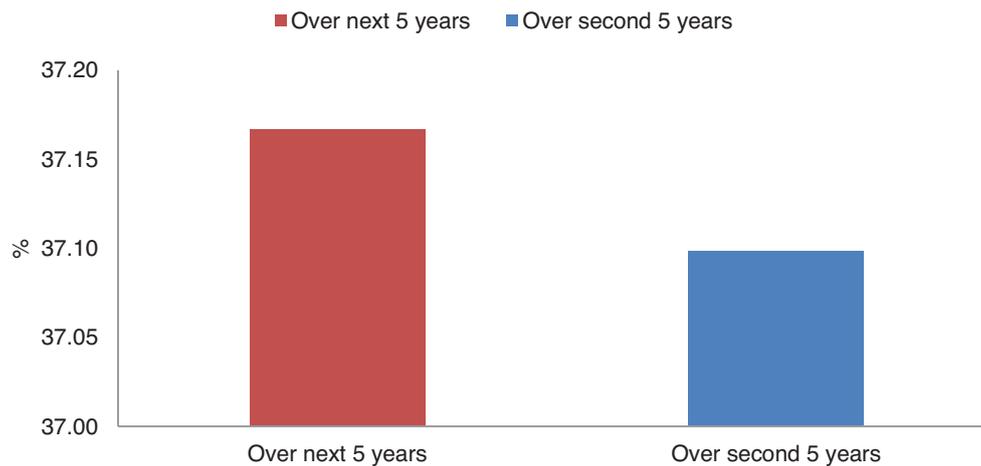
Note: Data as at 30 June 2012

Source: Public Service Commission

E1.4 WORKFORCE PLANNING

E1.4.1   Current workforce planning

Each public sector agency needs a workforce that is skilled, efficient and flexible to ensure its service delivery outcomes are met. This requires effective and timely planning, both at an agency and whole-of-government level, to be able to attract, develop and retain a suitable workforce. It is difficult to determine the extent or effectiveness of current public sector agency workforce planning, as agencies are not required to develop or publish strategic workforce plans.

Currently, agencies collect data through the MOHRI process on a range of indicators, including type of work, leave rates, suspensions, projected separations, absenteeism and Work Cover claims. From this, the PSC produces benchmarking reports based on a range of human resource and industrial relations measures. However, as illustrated by the recent PSC audit of type of work, the quality of much of this data may be questionable.

The current agency data is provided via a national public sector workforce information database, Workforce Analysis and Collection Application (WACA), which is hosted in Queensland. Other states and territories which participate in the WACA are Victoria, Western Australia, South Australia, Tasmania and the Australian Capital Territory. The Australian Government, New South Wales and the Northern Territory have their own data collection systems.

Given that the WACA is over 10 years old, this system will eventually need to be replaced or substantially upgraded. As part of future workforce planning, there will be a need to address deficiencies in data collection and the quality of existing systems when compared with other workforce data collection systems.

For example, the model adopted under the Australian Public Service Employment Database (APSED) allows for data to be collected about individual employees throughout their public service career. This differs from the information which is currently collected in Queensland, which does not 'track' or link the information about a particular employee throughout their public service career The current Queensland system provides limited information on workforce mobility because it is unable to record both temporary and permanent movements within agencies and the public service.

E1.4.2   Integration of planning processes

As illustrated in Figure E1.3, workforce planning should be integrated into business, performance and financial planning processes, to ensure that all of these planning processes are aligned, with the focus on achieving the agency's service delivery outcomes. Effective workforce planning allows for the development of initiatives that will ensure that challenges such as the demand for public services and workforce supply issues do not compromise an agency's ability to achieve its outcomes.

Figure E1.3
Workforce planning overview
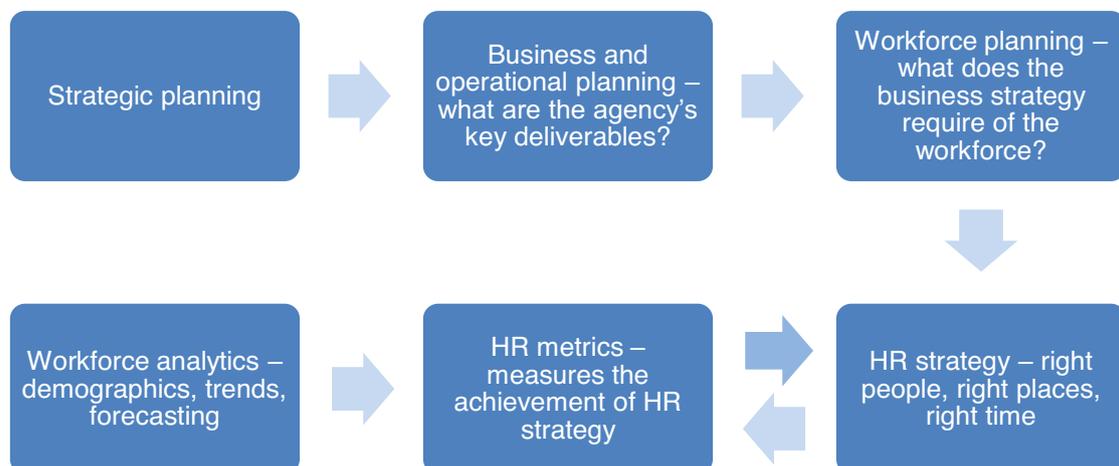
Source: Commission of Audit

The Commission considers that each agency should develop and publish a five-year strategic workforce plan to address issues such as workforce size, composition and capability, current and future skills needs (including critical skills gaps), and policies to attract, develop and retain employees.

In addition, the PSC should develop a whole-of-government plan consolidated from the workforce plans of agencies, to provide a holistic perspective on workforce issues across and between agencies. This is designed to ensure that the Queensland public service has a suitable workforce with the necessary skills, training and expertise to ensure the achievement of government priorities. For example, where Government chooses to introduce greater contestability in some service delivery functions, there will be a need for employees who have contract management skills, rather than service delivery skills.

Workforce plans should specifically address potential shortages of suitable employees likely to emerge over the next 5-10 years as a result of the projected exits and retirements of employees over this period.

Recommendations

125   *All public sector agencies develop and publish a five-year strategic workforce plan. The plan should include the following issues:*

- *workforce size, composition and capability*

- *identification of demand and supply pressures, including recruitment challenges and critical skill gaps, that may affect or impede business outcomes*

- *initiatives or strategies to attract, develop and retain an efficient and effective workforce aligned with business outcomes*

- *identification of workforce metrics, including employee surveys, to monitor and assess human resource performance, aligned with and to support business outcomes.*

126   *From the recommended agency workforce plans, the Public Service Commission develop and implement a whole-of-government strategic workforce plan which addresses future workforce capabilities, needs and performance.*

E1.5 THE ROLE OF THE PUBLIC SERVICE COMMISSION

The PSC was established in 2008 under the Public Service Act, as a result of the amalgamation of the Service Delivery and Performance Commission with the Office of the Public Service Commissioner. While the PSC commenced in 2008, a similar role has been performed for many years under different agency names (Office of Public Service Merit and Equity, Public Service Board and Public Sector Management Commission).

E1.5.1 Current role

The PSC provides advice on the administration of the Queensland public service and the management and employment of public service employees.[8] In this regard, the Public Service Act outlines a range of functions for the PSC, the most significant of which are public service-wide workforce issues, management and employment principles, and human resource management and capability.

There have been some significant changes to the role, function and emphasis of the PSC since March 2012, as follows:

- the inclusion of the public sector industrial relations function from the Department of Justice and Attorney-General

- the relocation of hearing and deciding of public service appeals from an Appeals Officer within the PSC to the Commissioners at the Industrial Relations Commission

- the relocation of the Office of Public Sector Renewal (OPSR) from the Department of the Premier and Cabinet.

Every state in Australia has a body which performs a similar role, although there are some differences in functional areas, jurisdiction and independence, as seen in Table E1.3. Most international jurisdictions also have a similar agency with a broad overarching responsibility for the management of its public sector workforce.

Table E1.3

Public service coordination bodies – Australian jurisdictions

State/Organisation	Extent of jurisdiction[9]	Level of independence/appointment	Functional areas
Queensland – Public Service Commission	Public service	Commission Chief Executive appointed by Governor in Council Appointment period of five years	Human resource and workforce management strategies Public sector ethics Review function (any matter relating to the effectiveness or efficiency of a public service offices) Industrial relations, remuneration and conditions of employment Chief and senior executive service Leadership and development Best practice advisory role Reporting on workforce profile
New South Wales – Public Service Commission	Public sector	Public Service Commissioner appointed by Governor in Council, but subject to approval by the Advisory Board Reports to Premier on performance, but not subject to direction or control. Time limited appointment – seven years	Promoting and maintaining the core public sector values Public sector workforce policy Review function (any matter relating to the administration or management of a public sector agency)
Victoria – State Services Authority	Public sector	Members appointed by Governor in Council on Premier's recommendation Independent agency Annual work program approved by Premier	Review function (service delivery and management effectiveness and efficiency) Promote high standards of integrity and conduct Strengthen professionalism and adaptability Promote high standards of governance, accountability and performance through providing advice Improving public sector leadership and management
Western Australia – Public Sector Commission	Public sector	Commissioner appointed by the Governor on the Minister's recommendation following consultation with all parliamentary party leaders Independent Parliamentary Officer Required to act independently in the performance of functions	Drive reform to enhance the sector's integrity, effectiveness, flexibility and efficiency Build workforce capability Provide an oversight, evaluation and reporting role for public sector management and administration Responsible for senior executive service administration Employer of chief executive officers Administers the arrangements for redeployment and redundancies of surplus employees Responsibility for *Public Interest Disclosure Act 2003*
South Australia – Office for Public Employment and Review	Public sector	Office operates within the Department of the Premier and Cabinet. Commissioner is subject to written ministerial direction	Promoting ethics principles Regulating employment framework Review function, but limited to employment and industrial relations matters
Australian Government – Australian Public Service Commission	Public sector (but limited to the Public Service Act 1999)	Appointment by Governor-General for up to five years	Values Employment policies/practices People management Training, career development and leadership Workforce planning Recruitment and retention Classifications, work level standards, pay and employment conditions, ensuring greater consistency for a united APS Review and evaluation as well as inquiry powers

Source: Public Service Commission

E1.5.2   Future role

The Commission has recommended that the Government set a strategic objective for the Queensland public sector to achieve the highest standards of excellence and to ensure that Queensland is the best administered state in Australia. Many of the Commission's other recommendations, especially in Part D of this Report, involve significant changes in service delivery models, which will necessarily shape the role of the public sector.

This will require changes to the role of the PSC, and the way it supports and guides the public sector. The PSC's future role needs to be clearly focussed at a strategic level on setting and coordinating service-wide HR and IR policies.

In conjunction with other amendments to the Public Service Act (recommended in Sections E2 and E3), the main functions of the PSC should be re-defined along the following lines:

- provide strategic leadership and direction to the public sector on HR, workforce and industrial relations issues

- improve the capability of the public sector to enable and support agencies to deliver government priorities

- foster a high performance and service culture, which values individual accountability and responsibility

- promote and maintain high standards of integrity, conduct and professionalism in the public sector

- support government and agency decision making with quality data on the public sector workforce.

Scope

The scope of the PSC's role should be expanded to include all public sector entities. This would be consistent with other jurisdictions, and would facilitate the application of a consistent employment framework across the public sector, as recommended in Section E2 in this Report.

Capability development

Changes to service delivery models will require new skills, capacity and changes in the profile of the workforce. There is an active role to be performed by the PSC in improving capability in areas which have whole-of-government implications, such as strategic HR skills, contract management and engagement of non-government service providers. The PSC needs to work closely with agencies in identifying future workforce requirements, and building skills and capabilities in areas of need.

For example, the PSC should work with agency HR managers at a strategic level in identifying critical capabilities necessary for a highly skilled HR workforce. However, management and operational HR issues should be left with agencies, with the PSC performing a support role, only as required. Similarly, the PSC should play a role across agencies in coordinating and supporting learning and development opportunities aligned with future workforce needs.

Industrial relations role

The transfer of industrial relations functions to the PSC will enable improved coordination of these issues from a whole-of-government perspective, having regard to the strategic priorities of the Government. Given its central agency role, the PSC is better placed than a line agency to ensure industrial relations arrangements support improved productivity in the delivery of front-line services. It also is better placed to achieve closer integration between industrial relations and employment arrangements.

State of the Service reporting

With the exception of Queensland and South Australia, other states produce an annual 'state of the service report' (SOSR) on the management of the public service. An inaugural Queensland SOSR was published in 2010 which included the results of an employee survey. It was intended that biennial reports would be prepared; however, the proposed employee survey scheduled for 2012 was deferred. A regular SOSR should be re-introduced as circumstances permit, to provide a consolidated workforce profile for the public sector, with particular emphasis on future challenges and priorities.

The New South Wales Public Service Commission released its inaugural SOSR, *How it is*, in November 2012. It provides a useful example for future Queensland reports, particularly as New South Wales has chosen to benchmark with the UK Civil Service and the Victorian public sector on a number of specific measures. This would be a useful benchmark to assess Queensland's progress towards the Commission's recommended strategic objective for the public sector.

Review function

The PSC has had the legislative power to conduct reviews on the effectiveness and efficiency of public service agencies since the amalgamation of the Service Delivery Performance Commission with the Office of the Public Service Commissioner in 2008.[10] However, no reviews under these legislative provisions have been undertaken in this time.

The future role for the PSC should be focussed on the strategic management of the public sector workforce. Reviews of efficiency and effectiveness of public service agencies necessarily would address service delivery issues. This would require the commitment of valuable resources, and would detract from the core business of the PSC.

Moreover, it is not clear that the PSC has the requisite skills, capacity or experience available to undertake reviews of service delivery issues on an ongoing basis. Such a review function more appropriately should be undertaken by a separate independent body with specialised skills and expertise, such as the Queensland Productivity Commission recommended in Section C5 of this Report.

Recommendation

127   The role of the Public Service Commission be focussed on setting and coordinating service-wide human resource and industrial relations strategies, and providing support, guidance and capability development to agencies in the implementation of these strategies, rather than seeking to direct and control agency practices.

ENDNOTES

1   The salary scales for AO1 to AO8 officers is for employees under the State Government Departments Certified Agreement 2009 and the Queensland Public Service Award 2003 (Administrative Stream) and reflects the annualised salary following the salary increase on 1 August 2011.The salary scale for SO officers is effective 1 July 2011 and includes superannuation and leave loading. The salary scale for SES officers is effective 1 July 2011 and includes superannuation and motor vehicle allowance. Salary scales for chief executives are not published.

2   The 2010 State of the Service Report employee survey included teachers and employees in policy, administrative and corporate support roles, but excluded those who were employed under legislation other than the *Public Service Act 2008* such as doctors, nurses, police officers and emergency workers

3   The 2010 State of the Service Report employee survey included teachers and employees in policy, administrative and corporate support roles, but excluded those who were employed under legislation other than the *Public Service Act 2008* such as doctors, nurses, police officers and emergency workers

4   Queensland Audit Office, *Managing employee unplanned absence*, 2012, p.17, accessed from www.qao.qld.gov.au

5   Australian Public Service Commission, *State of the Service Report 2011-12*, p. 97, accessed from www.aspc.gov.au

6   Audit Office of New South Wales, *Performance Audit: Sick Leave, Department of Premier and Cabinet*, 2010, accessed from www.audit.nsw.gov.au

7   Based on previous data of exits from the public service for employees 51 and under, together with projected retirements for employees aged 55 and over

8   Public Service Commission, 'About Us', 2012, accessed from www.psc.qld.gov.au

9   Public service includes core departments of government; public sector includes departments and statutory authorities

10 *Public Service Act 2008,* section 37, accessed from www.legislation.qld.gov.au

E2   EMPLOYMENT FRAMEWORK

KEY ISSUES

- The public sector operates within a complex set of employment arrangements, applied through the full range of industrial instruments, including legislation, directives, awards and certified agreements. This complexity limits the flexibility and mobility of the workforce.

- Around 58.5% of the public sector workforce is employed under the *Public Service Act 2008*, while a further 33.1% is employed under the *Hospital and Health Boards Act 2011.* A range of other employing legislation applies to other public service employees. This results in variability, anomalies and inconsistencies in employment conditions.

- There are currently 50 awards and 50-60 certified agreements that apply within the Queensland public service, resulting in increased cost and complexity in the administration of payroll, human resource and industrial relations systems.

- Rationalisation of the employment framework is necessary to remove unnecessary duplication, cost and complexity and to ensure that it is modern, flexible and responsive to emerging changes in the public sector and across the broader community.

E2.1 OVERVIEW

The Queensland public sector operates within a unique and complex employment framework which describes the employment conditions, rights and responsibilities of both employer and employee and prescribes pay scales.

As with the private sector, the public sector utilises a range of industrial instruments, such as awards and certified agreements. However, it can also use employing legislation and public service directives, which are unique to the public sector.

There is an established hierarchy that applies to the range of public sector industrial instruments, as shown in Figure E2.1. This hierarchy serves to highlight the extent of duplication, with some employment conditions appearing in more than four different layers of industrial regulation. For example, grievance procedures for public service employees are referred to in:

- the *Public Service Act 2008*[1]
- Public Service Commission Chief Executive Directive 8/10 – Managing Employee Complaints
- the State Government Departments Certified Agreement 2009, Part 15 – Prevention and Settlement of Disputes
- Queensland Public Service Award – State 2003, Part 3 – Communication, Consultation and Dispute Resolution.

Figure E2.1
Hierarchy of public sector industrial instruments
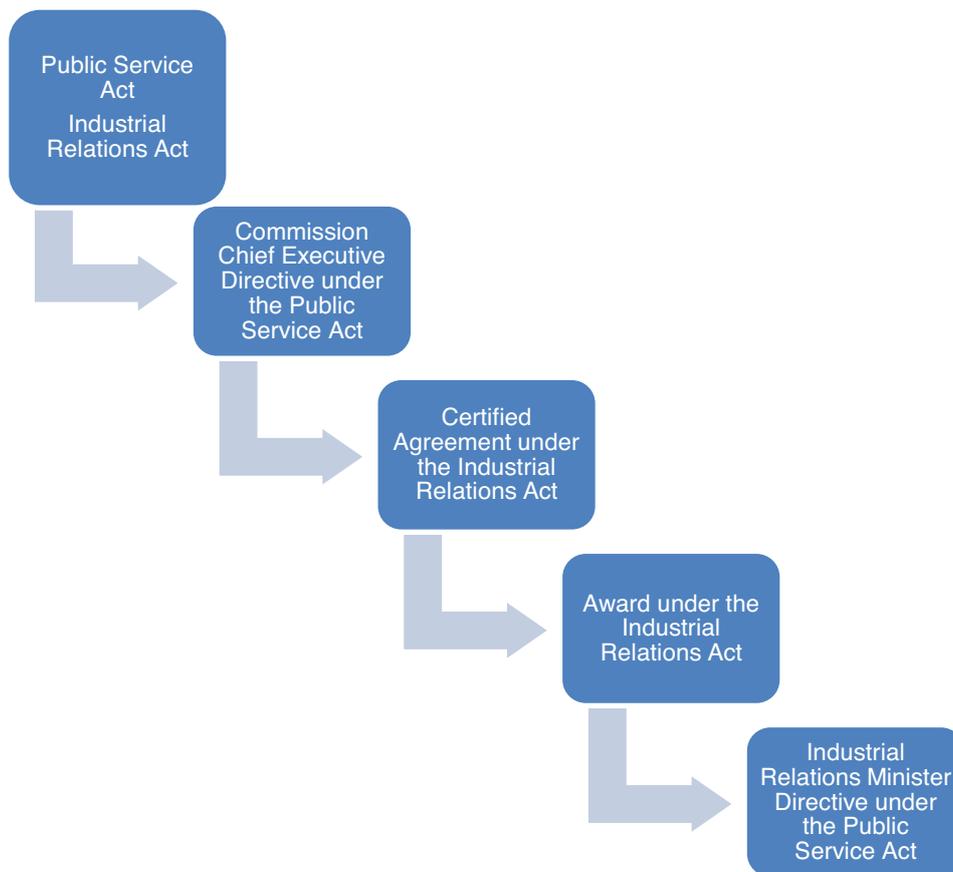
Source: Public Service Commission

The inherent difficulty with the established hierarchy of employment conditions was illustrated by the need for the Public Service Commission Chief Executive to issue Directive 8/12 on 31 July 2012 (followed by subsequent legislative amendments).[2] This Directive removed restrictive practices which had been entrenched in certified agreements, and which were impeding the workforce reforms of the Government.

The complexity of the employment framework for the Queensland public sector limits its flexibility to respond effectively and efficiently to changing government priorities and service delivery needs.

E2.2 EMPLOYING LEGISLATION

E2.2.1 Current situation

As noted in Section E1, the Queensland public service employed 243,250 people as at 30 June 2012. The Public Service Act is the predominant piece of employing legislation, although there is a range of other employing legislation, as shown in Table E2.1.

Table E2.1		
Public sector employing legislation other than the _Public Service Act 2008_		
Hospital and Health Boards Act 2011	Police Service Administration Act 1990	Fire and Rescue Service Act 1990
Ambulance Service Act 1991	Vocational, Education, Training and Employment Act 2000	Residential Tenancies and Rooming Accommodation Act 2008
Queensland Building Services Authority Act 1991	Legal Aid Queensland Act 1997	Agricultural College Act 2005
State Development and Public Works Organisation Act 1971	Major Sports and Facilities Act 2001	Queensland Art Gallery Act 1987
Maritime Safety Queensland Act 2002	Queensland Performing Arts Trust Act 1977	Queensland Theatre Company Act 1970

Source: Public Service Commission

More than half of public sector employees are employed under the Public Service Act, while a further 33.1% are employed under the _Hospital and Health Boards Act 2011_ (which replaced the _Health Service Act 1991_) (Chart E2.1). Smaller proportions of public sector employees are employed under the _Police Service Administration Act 1990_ (5.3%) and other various Acts (3.2%).

Chart E2.1
Public service employing legislation
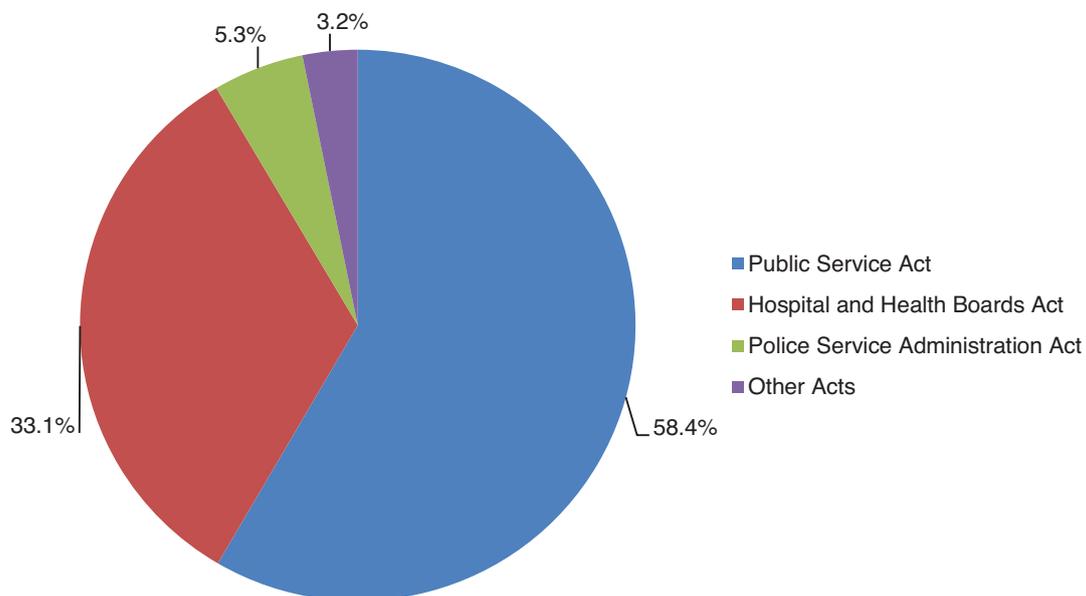
Source: Public Service Commission

The core provisions relating to employment that are contained within the Public Service Act are shown in Table E2.2.

| Table E2.2
Core employment provisions in the *Public Service Act 2008* ||
Provision	Description
Basis of appointment	Includes permanent, temporary or casual basis and either full time or part time.
Probationary period	General period is three months, although longer period can apply if agreed between the officer and chief executive.
Secondment (and other mobility provisions)	Provides for an employee to move to another agency or organisation outside the public service on a temporary basis.
Transfer or redeployment	Provides for an employee to move to another agency on a permanent basis.
Resignation	Provides for the notice period to be given before a signed resignation notice takes effect.
Criminal history checks	Provides for pre-employment and ongoing checks, as well as an obligation to advise of any charges or convictions once appointed.
Mental or physical incapacity	Provides for the transfer, redeployment or retirement of an employee whose mental or physical incapacity is affecting the performance of their duties.
Disciplinary action	Provides for penalties to be imposed for breaches of disciplinary standards including after an employee has left the public service, as well as provisions to allow for the suspension of employees from the workplace.

Source: Public Service Commission

The Public Service Act also contains 'management and employment principles'.[3] These principles reflect some of the broader, strategic goals of public service management, such as:

- providing responsive, effective and efficient services to the community and the Government

- maintaining impartiality and integrity in informing, advising and assisting the Government

- managing public resources efficiently, responsibly and in a fully accountable way.

In addition, the Public Service Act also contains 'work performance and personal conduct principles',[4] which describe the principles on which individual employee work performance and conduct must be based. There are 13 principles, including the following:

- ensuring the effective, efficient and appropriate use of public resources
- giving effect to government policies and priorities
- providing sound and impartial advice to the Government
- carrying out duties impartially and with integrity.

The majority of these work performance and personal conduct principles duplicate the ethics principles and values contained in the broader *Public Sector Ethics Act 1994* and the obligations contained in the Code of Conduct for the Queensland Public Service.

The work performance and personal conduct principles should more suitably be framed as responsibilities or obligations that apply to every public service employee and they should not, unnecessarily, re-state principles that already apply under the Public Sector Ethics Act and Code of Conduct. To the extent that such principles need to be retained (because they are not covered elsewhere), they should be placed together with other direct employment conditions in the Public Service Act.

Many of the core employment provisions under the Public Service Act are replicated in other employing legislation, creating unnecessary duplication. The extent of duplication is highlighted in Table E2.3.

Table E2.3
Core provisions of the *Public Service Act 2008* (PSA): Comparison with other employing legislation

Appointment	Probation	Secondment	Transfer/redeployment	Resignation	Criminal history check	Mental/physical incapacity	Discipline
Hospital and Health Boards Act 2011							
Yes	No[5]	No	No – uses PSA	No	No – uses PSA	No – uses PSA	No – uses PSA
Police Service Administration Act 1990							
Yes – police officers only	Yes	No	Yes	Yes	Yes	Yes	Yes
Fire and Rescue Service Act 1990							
Yes – fire service officers only	No	No – uses PSA	No – uses PSA	No	No	Yes	Yes
Ambulance Service Act 1991							
Yes	No	No	No – uses PSA (limited)	No	No	No	Yes
Ombudsman Act 2001							
Yes	No	Yes	No	No	No	No	No
Residential Tenancies and Rooming Accommodation Act 2008 – Residential Tenancies Authority							
Yes	No	No – uses PSA mobility provisions	No – uses PSA (limited)	No	No	No – uses PSA	No – uses PSA
Queensland Building Services Authority Act 1991							
Yes	No	Yes	No – uses PSA	No	No	No	No
Legal Aid Queensland Act 1997							
Yes	No	No	No – uses PSA	No	No	No – uses PSA	No – uses PSA
Agricultural College Act 2005							
Yes	No	Yes	No	No	No – uses PSA	No	No
State Development and Public Works Organisation Act 1971							
Yes	No	No	No	No	No	No	No
Major Sports and Facilities Act 2001							
Yes	No	Yes	No	No	No	No	No
Maritime Safety Queensland Act 2002							
Yes – marine pilots	No	No	No	No	No	No	No
Queensland Performing Arts Trust Act 1977							
Yes	No	No	No	No	No	No	No
Queensland Theatre Company Act 1970							
Yes	No	No	No	No	No	No	No
Crime and Misconduct Act 2001							
Yes	No	Yes	No	No	No	No	No

Source: Public Service Commission

There is a compelling case to simplify the employment framework that exists within the public sector, in order to:

• remove unnecessary complexity and confusion

• reduce the administrative costs necessary to maintain, renegotiate and administer multiple awards and certified agreements, including costs associated with IT and payroll systems

• ensure that public service pay and conditions are simpler and easier to understand.

The Commission broadly supports the retention of the main elements within the current system, which combines legislation, directives, awards and certified agreements. However, the role of each element needs to be clearly defined, to avoid unnecessary duplication and confusion, for example, in the way in which employment conditions are prescribed.

E2.2.2   Revised employment framework

Public service employees should first and foremost be employees of the Queensland Government, rather than employees of a specific agency. It does not make sense to have different employing legislation and different terms and conditions applying to differing groups of employees. This inhibits mobility between agencies. It also unnecessarily complicates the operation of payroll, human resources and industrial relations functions.

Where groups of employees such as health workers, ambulance officers and fire officers are employed under different pieces of legislation, agencies often will replicate public service requirements, such as disciplinary processes, in their own legislation, and apply all or a selection of the standard public service conditions (such as secondment) via regulation.

The Commission considers that all public service employees should be employed under the Public Service Act, with the common application of core terms and conditions. Separate legislation should be retained only to provide specific powers or functions, or to prescribe specific occupational or professional standards, for particular types of officers. Separate legislation of this nature should supplement the common terms and conditions in the core public service legislation, under which all public service employees should be engaged.

As part of this process, the Public Service Act should be amended to ensure that it is modern, flexible and can take account of the range of employment conditions that might apply to the public sector workforce under central employing legislation. There are eight core terms and conditions that should apply to all public service employees, regardless of their occupational group:

• the basis for appointment and resignation

• a probationary period to apply to all new public service employees (the period of probation will vary)

- mobility provisions to apply to all public service employees, including secondments, transfer and redeployment provisions

- criminal history checking to be conducted on any public service employee

- provisions to allow for workplace adjustments or retirement for public service employees who are unable to perform their duties due to mental or physical incapacity. (This should provide for a voluntary process as well as one which is directed by the agency).

- public service employment responsibilities. Possible responsibilities could include:

  – being customer focussed
  – acting with integrity
  – treating others fairly
  – providing sound and impartial advice
  – welcoming open accountability
  – maximising performance
  – ensuring value for money

- disciplinary provisions for breaches of conduct or work performance standards

- performance management to be an important component of public sector employment and to be conducted annually for every employee.

Figure E2.2 illustrates the proposed employment model, comprising two elements:

- the Public Service Act to be the employing legislation for all public service employees, and to contain core public service terms and conditions

- specific legislation to be used to supplement the Public Service Act where necessary for specific occupational groups.

Figure E2.2
Model public service employment framework

***Public Service Act 2008* – common employing legislation, with core public service terms and conditions:**

- Basis of appointment and resignation (including appointment to a level not a position)
- Probation
- Mobility
- Criminal history checks
- Mental/physical incapacity
- Public service employment responsibilities
- Discipline
- Performance management.

Fire officers:	**Correctional officers:**	**Ambulance officers:**	**Police officers:**	**Health:**
• Specific occupational powers such as power to enter premises for preventative or investigative purposes; power to require name and address. • Compulsory retirement age.	• Specific occupational powers such as requirements for searches to be conducted by a corrective services officer and specific confidentiality provisions.	• Specific occupational powers such as to protect people in an emergency situation.	• Specific occupational powers such as appointing special constables. • Compulsory retirement age. • Alcohol and drug testing. • Detailed pre-employment checking.	• Specific powers such as power to require name and address and specific confidentiality powers. • Minimum qualifications may be specified in other occupational legislation such as Health Practitioner Regulation National Law Act.

Source: Commission of Audit

E2.2.3   Types of public service engagements

One issue central to a revised public service employment framework is the number of different types of workforce engagements. The Public Service Act currently provides for seven different types of workforce engagements:

- public service officers engaged on tenure (full time or part time)
- public service officers engaged on a contract basis (full time or part time)
- general employees engaged on tenure (full time or part time)
- general employees engaged on a temporary basis (full time or part time)
- general employees engaged on a casual basis
- temporary employees engaged on a temporary basis (full time or part time)
- temporary employee engaged on a casual basis.[6]

This creates a significant level of complexity for agencies to take account of the differing types of workforce engagements and the differing conditions that apply to each group. The creation of a category of 'general employee' was originally designed to allow for an individual to perform work that was not ordinarily done by a public service officer, and general employees were engaged on different employment terms and conditions.

It is difficult to establish the numbers of general employees across the public sector as there is no central data collection of the number of general employees. Examples of the types of work that general employees perform include unsworn police employees working in watch houses and national park rangers.

This artificial separation of work no longer has the same relevance as a growing number of provisions in the Public Service Act (and directives) have been applied to general employees in the same way that they have applied to public service officers. There remain some differences in conditions between public service officers and general employees, as outlined in Table E2.4. However, these differences are not sufficiently material to warrant retention of a separate category of employee.

Table E2.4 Differences in conditions between public service officers and general employees		
Condition	**Public service officers**	**General employees**
Hours per week to be worked	36.25	38
Transfer	Applies	Does not apply
Secondment	Applies	Does not apply
Leave	4 weeks	4 weeks
Locality allowance	Applies	Does not apply
Disciplinary provisions	Applies	Applies
PSC directives	Applies	Does not apply unless specifically included

Source: Public Service Commission and Queensland Industrial Relations Commission

Elimination of the distinction between public service officers and general employees would assist in streamlining and simplifying the employment framework. Any additional costs are expected to be minimal, and could be managed by a phased implementation of changes.

The types of employment engagements should be defined simply as ongoing, non-ongoing or casual employment. For example, casual employment normally would be on an ad-hoc or 'as needs' basis, with no regular pattern of work. Non-ongoing employment would be for a specific period, until a specific task or project is completed or to deal with peaks and toughs in work demands. For example, this would include contractors and senior executive service officers who are employed under a contract for a specified period.

Employment other than on a casual or non-ongoing basis would be ongoing employment. This more appropriately reflects the nature of employment engagement in a modern public service.

In the Australian public service, non-ongoing engagements comprise approximately 8.5% of total employees.[7] By comparison, in most other states (which have a greater service delivery focus than the Australian Government), non-ongoing employment is a higher proportion of the total public sector workforce. In Queensland, the figure is approximately 18%,[8] while in New South Wales it is 20%[9] and in Victoria, the figure is 25%.[10]

Recommendations

128 The **Public Service Act 2008** *be amended to incorporate the following:*

- *core employment conditions for all persons employed in the Queensland public service*

- *streamlining of employment engagements to three categories:*

  - *ongoing employment (full time or part time)*
  - *non-ongoing employment (full time or part time)*
  - *casual employment.*

129 All other employing legislation for specific groups or categories of public service employees be amended to remove core employment conditions which are to be covered in the proposed amendments to the **Public Service Act 2008***, with only specific qualification and occupation issues to remain.*

E2.3   INDUSTRIAL RELATIONS LEGISLATION

Significant changes occurred in the industrial relations environment from 1 January 2010, when the Queensland Government referred its industrial relations powers in relation to private sector employees and employers to the Australian Government. This effectively means that the *Industrial Relations Act 1999* (Qld) now only applies to a relatively small group of employees, comprising:

- approximately 250,000 Queensland Government employees
- approximately 37,000 local government employees
- approximately 3,000 to 4,000 employees of Parents and Citizens Associations.[11]

Victoria referred its industrial relations powers to the Commonwealth in the mid-1990s, and its public sector now operates under the Australian Government's *Fair Work Act 2009.* Like Queensland, New South Wales referred its private sector industrial relations powers to the Commonwealth from 1 January 2010.

In March 2012, the public sector industrial relations function was transferred to the Public Service Commission from the Department of Justice and Attorney-General. This will enable better coordination of industrial relations issues from a whole-of-government perspective, having regard to the strategic priorities of the Government.

However, there is a need to update the Industrial Relations Act to ensure it is modern, flexible and relevant to the public sector environment in which it operates. In particular, the range of matters that can be referred to the Queensland Industrial Relations Commission (QIRC) should be limited to matters pertaining to the employment relationship, similar to the approach under industrial laws of the Australian Government.

Industrial laws should not fetter the ability of public sector managers to manage. For example, there should be limits on the extent to which industrial disputes can be referred to the QIRC, especially if they can be effectively resolved at an internal management level.

Amendments could also be made to the conduct of State wage cases. At present, under section 287 of the Industrial Relations Act, the Full Bench of the QIRC must consider a Queensland minimum wage at least once a year. This decision has no application to employees who are covered by a certified agreement, which are the significant majority of Queensland Government employees.

A State wage case involves hearings by the full bench of the QIRC, but impacts on a relatively small proportion of public sector employees (less than 0.5%). Rather than unnecessarily using resources in this way, consideration could be given to removing public sector employees from State wage decisions and using decisions made in Australian Government minimum wage cases as the basis for assessing any increase in the State minimum wage.

A similar approach now applies to the remuneration for Queensland Members of Parliament, with increases in remuneration based on determinations of the Commonwealth Remuneration Tribunal.

Recommendation

130   The Industrial Relations Act 1999 *be administered by the Public Service Commission and updated to ensure it is modern, flexible and relevant to the public sector environment.*

E2.4   AWARDS AND CERTIFIED AGREEMENTS

There are currently 50 awards and around 50-60 certified agreements that apply within the Queensland public service. Awards are issued by the Queensland Industrial Relations Commission under the Industrial Relations Act and provide for specified minimum entitlements for a profession or occupation. The major awards applying to the Queensland public sector are listed in Table E2.5.

Table E2.5
Major Awards, Queensland Public Sector
Queensland Public Service Award
Employees of Queensland Government Departments (Other than Public Servants) Award
Award for Employees in Direct Client Services
Building Trades Public Sector Award
Civil Construction, Operations and Maintenance General Award
Clerical Employees Award
Community Education Counsellors Interim Award
Conservation, Parks and Wildlife Employees' Award
District Health Services Employees Award
Engineering Award
Forestry Employees' Award
Legal Aid Queensland Employees' Award
Public Service Medical Officers' Award
Queensland Health Nurses and Midwives Award
Queensland Nursing Council Employees' Award
Queensland Police Service – Pilots Airwing
Queensland Rescue – Helicopter Rescue Service
Residential Tenancies Authority Employees' Award
Youth Workers' Award – Department of Communities

Source: Queensland Industrial Relations Commission

Almost two-thirds of the public service workforce is employed under three awards: Public Service Award (26.2%), the Teachers Award (19.5%) and the District Health Services Employees Award (16.3%) (Chart E2.2).

Chart E2.2
Public sector awards
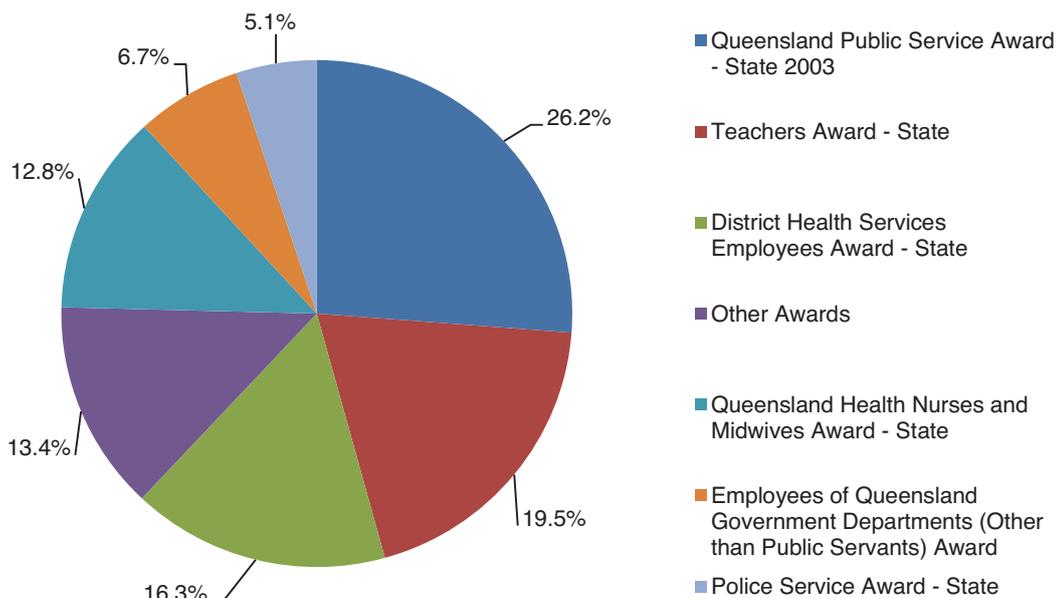
Source: Public Service Commission

In addition to awards, the Industrial Relations Act also allows for the endorsement of certified agreements (or enterprise agreements) between an employer and a group of specified employees. Certified agreements can include a broader range of issues than are included within awards. Some of the major certified agreements which cover specific public sector employees are listed in Table E2.6.

Table E2.6 **Major certified agreements, Queensland public sector**
Australian Agricultural College Employing Office Certified Agreement
CITEC Certified Agreement
Department of Education and Training (Education) Cleaners' Certified Agreement
Department of Education and Training Teachers' Certified Agreement
Department of Education and Training, TAFE Educational Employees Certified Agreement
Department of Education and Training Teacher Aides' Certified Agreement
Health Practitioners' (Queensland Health) Certified Agreement
Queensland Corrective Services – Correctional Employees' Certified Agreement
State Government Departments Certified Agreement
Transport and Main Roads Operational Employees' Certified Agreement

Source: Queensland Industrial Relations Commission

The State Government Departments Certified Agreement is the largest single agreement in the public service, covering 27.1% of the total workforce (Chart E2.3).

Chart E2.3
Public sector certified agreements
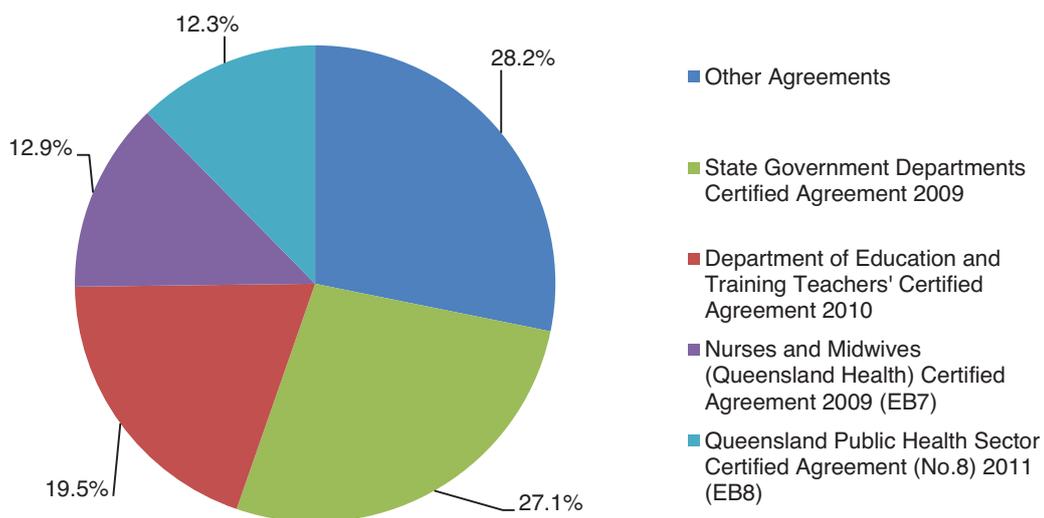
Source: Public Service Commission

Queensland Health employees are subject to a range of different legislation, directives, awards and certified agreements (Box E2.1). Greater consistency in employment conditions would eliminate potential cost differentials and simplify the administrative burden, especially for payroll, finance and human resource systems.

Box E2.1
Employment arrangements – Queensland Health employees

Queensland Health employees are subject to a complex set of employment arrangements applied through the full range of industrial instruments, including legislation, directives, awards and certified agreements.

For example, health employees are engaged under the *Hospital and Health Boards Act 2011*, with a variety of employment conditions also provided under this legislation. In addition, a number of provisions from the *Public Service Act 2008* have also been applied, including directives that have been issued by the Public Service Commission Chief Executive. Along with these legislative provisions, employees are covered under specific industrial agreements, awards, health service directives (which can be issued under the Hospital and Health Boards Act) and individual contracts (if applicable).

The application of separate industrial instruments for Queensland Health employees creates duplication between agencies that are using similar employment frameworks. For example, under the Hospital and Health Boards Act a health executive service has been created to "*promote effectiveness and efficiency in the delivery of public sector health services by attracting, developing and retaining a core of mobile, highly skilled health executive*" (section 70). The Public Service Act has similar provisions which apply to the senior executive service for the rest of the public service, and which could readily be applied to the health executive service.

Queensland Health has also offered employment conditions, even to employees engaged under the Public Service Act, which differ from the rest of the public service. Examples are as follows:

- Any leave taken by a Queensland Health employee while performing higher duties is payable at the higher duties rate, regardless of how long the employee has been performing higher duties. For the remainder of the public sector, leave at the higher duties rate is only payable once the employee has completed 12 months performing higher duties.

- Queensland Health employees are entitled to payment for any overtime that is worked. For the remainder of the public sector, only employees at AO5 or below are entitled to overtime payments, with employees at AO6–AO8 levels entitled to receive time in lieu rather than overtime.

Source: Queensland Health

Given the relatively large number of awards and certified agreements applying in the public sector, the Commission considers that there is scope to reduce significantly the number of these instruments, and to rationalise their content. For example, the number of awards should be no more than is necessary to allow for coverage of general public service employees, as well as a limited number of more specialist groups such as teachers, nurses, doctors and police. A subsequent reduction in the number of certified agreements should also be achievable.

The New South Wales Commission of Audit noted that the large number of awards causes administrative complexity. It recommended a process of rationalisation of awards to consolidate multiple awards covering similar occupational groups and to reduce the number of separate awards through amalgamation of awards which cover administrative and clerical employees.

The Government is in a unique position as an employer, because it is able to enact legislation for many employment terms and conditions applying to the public sector. A review of many public sector awards and certified agreements indicates that a large portion of clauses within these instruments restate obligations or entitlements that appear in legislation or public service directives. One avenue to rationalise and simplify awards and agreements would be to only include those matters that are not already contained in legislation or public service directives.

For example, there are numerous public service directives which describe different types of leave to which public service employees are entitled. Within awards and agreements, there are also clauses which either restate in full the leave entitlement, or refer to a leave entitlement which exists under a directive made under the Public Service Act.

It would be sensible to include one generic reference in an award or agreement to the effect that leave entitlements are contained in directives issued under the Public Service Act. The same situation applies for the various allowances which appear in directives, awards and agreements. Table E2.7 shows issues which could be addressed by way of directive, rather than within an award or certified agreement.

Table E2.7 **Items to be addressed by public service directives**	
Leave (annual, sick, long service, family/parental/special)	All allowances
Higher duties	Job re-design/evaluation
Redundancy entitlements	Flexible working arrangements

Source: Commission of Audit

Many awards and certified agreements also restate obligations that appear in other legislation, for example. anti-discrimination clauses and right of entry clauses. As these provisions merely repeat obligations that already exist under separate legislation, they need not be included in awards and certified agreements.

By using the Public Service Act as common employing legislation for all public service employees, the Commission considers that there could be a significant reduction in the items that are included within public sector awards. Table E2.8 shows items that should be included within awards.

Table E2.8 **Items for inclusion in public sector awards**	
Pay scales	Classifications
Working hours	Shift work penalties
Public holidays	Overtime

Source: Commission of Audit

Certified agreements should be used only for wages and conditions for specific groups of employees which are outside award conditions and which are linked to improvements in productivity and performance. All certified agreements (the need for and the content) should be approved by the Public Service Commission, as the central HR agency, to ensure that the numbers of agreements do not increase unnecessarily.

Recommendations

131   Awards continue to provide the basis for public sector wages and conditions; however, only matters not covered by legislation or public service directives should be included. The number of awards that apply in the public sector should be significantly reduced.

132   Certified agreements only contain wages and conditions for specific groups of employees which are outside award conditions and which are linked to improvements in productivity and performance. All certified agreements are to be approved by the Public Service Commission.

E2.5   FAIR WORK ACT

As noted in Section E2.3 above, from 1 January 2010, the Queensland Government referred its industrial relations powers in relation to private sector employees and employers to the Australian Government. However, it did not refer its industrial relations powers for the public sector.

Since then, the Queensland Government's jurisdiction over public sector industrial relations matters has been compromised by the recent action by the Australian Government in November 2012 to extend the 'transfer of business' provisions of its *Fair Work Act 2009* to former Queensland public service employees. The transfer of business rules will apply where:

- An employee transfers to a new employer within three months of the employment terminating with their old employer.

- The employee performs the same or similar work for the new employer as they did with their old employer.

- The old employer transfers assets or outsources work to the new employer, or undertakes certain corporate restructuring activities, such as movements to associated entities.[12]

These amendments may affect the way in which services currently delivered directly by the Queensland Government are transferred to the non-government sector. They may also disadvantage employees who are leaving the Queensland public sector and seeking comparable employment opportunities in the non-government sector. While ostensibly the amendments are designed to protect such employees, perversely they may have the opposite effect, by making these employees less attractive to other employers.

ENDNOTES

1   *Public Service Act 2008*, section 218A (Commission chief executive may make directive about dealing with complaints by officers and employees), accessed from www.legislation.qld.gov.au

2   Directive 8/12 *Industrial Instruments: Employment Security and Contracting Out Provisions*, accessed from www.psc.qld.gov.au

3   See *Public Service Act 2008*, section 25

4   See *Public Service Act 2008*, section 26

5   'No' indicates a lack of specific provision under the employing legislation. The agency may instead rely upon provisions in the *Industrial Relations Act 1999* or an industrial instrument such as an award or certified agreement. An agency can only rely upon provisions from the Public Service Act if the provision is applied by Regulation.

6   See *Public Service Act 2008*, sections 122, 125, 147 and 148

7   Australian Public Service Commission, *State of the Service Report 2011-12,* 2012, p. 244, accessed from www.apsc.gov.au

8   Public Service Commission, *Queensland Public Service Workforce Characteristics 2011-12*, 2012, p. 16, accessed from www.psc.qld.gov.au

9   New South Wales Public Service Commission, *Workforce Profile, 2012 Report*, 2012, p. 11, accessed from www.psc.nsw.gov.au

10 State Services Authority, *Fact sheet: Profile of the Victorian public sector workforce at June 2012*, 2012, p. 2, accessed from www.ssa.vic.gov.au

11 Queensland Government, *Submission to the 2012 State Wage Case*, 2012, p. 3, accessed from www.qirc.qld.gov.au

12 Australia, House of Representatives 2012, *Debates*, p. 12035, accessed from www.aph.gov.au

E3   CLASSIFICATION FRAMEWORK

KEY ISSUES

- The current public service classification system has been largely unchanged since the early 1990s, and no longer meets the need for a flexible, responsive and mobile workforce.

- There are approximately 250 levels with almost 750 pay points applying within the Queensland public sector, which gives rise to unnecessary complexity and rigidity.

- There has been significant classification creep in the public service. The total number of public service employees increased by around 40% from June 2000 to June 2012. However, for levels AO7 and above, the increase was 164%.

- The outcome of this classification creep is top heavy agency structures, with multiple layers of management. This results in slower and less effective decision making, and means that agencies often are less responsive to changing service delivery demands.

- Current job evaluation methods and the practice of making appointments to a particular position in a particular agency reinforce the inflexibility and rigidity of the public service workforce.

- The attraction and retention of certain professional employees is an ongoing problem for the public sector, particularly during times of strong economic conditions and labour market shortages. The existing classification system limits the flexibility of agencies in responding to this problem.

- The existing classification system needs to be simplified and streamlined, with a smaller number of broadbanded levels to encourage greater flexibility and mobility in public sector workforce arrangements.

E3.1   CURRENT CLASSIFICATION FRAMEWORK

The public sector utilises a system of classifying levels and roles to differentiate the type and complexity of the work to be undertaken. Each level or role is linked to a specific pay scale. The classification framework also provides a common reference system, which is designed to ensure consistency and enable mobility and flexibility between agencies and across the Government.

There have been numerous classification schemes that have operated over the life of the public service. The most recent and significant changes to the Queensland public service classification scheme occurred in the early 1990s. A revised remuneration scheme was proposed to simplify the then 100 plus levels of classification to four career streams – administrative, professional, technical and operational – each with a number of pay points.

This scheme has operated virtually unchanged since the early 1990s, and the generic level statements in the current Public Service Award, which describe the characteristics, duties and skills for each level, still essentially contain the wording from the 1990 discussion paper which formed the basis for the scheme.

Public sector classification schemes are contained in awards and certified agreements, and include 'generic level statements', which are "*a broad, concise statement of the duties, skills and responsibilities indicative of a given classification level*".[1]

The industrial awards and agreements have a complicated array of streams, classification levels and pay points which are used to categorise and remunerate the work performed within the public service. For example:

- Under the Public Service Award, the administration stream contains eight classification levels with a total of 35 pay points.

- There are also separate professional and technical streams which have six levels each, and between 27 and 29 pay points.

- Under the State Government Certified Agreement, there are 33 different classification schemes, each with its own levels and pay points.

The Commission examined the number of classification levels and pay points for the awards under the State Government Departments Certified Agreement 2009 and identified approximately 250 classification levels, with almost 750 pay points. In addition to this, there are separate classifications for senior officers (SO), senior executive service officers (SES) and chief executives.

The existence of multiple classification levels and pay points tends to inhibit flexibility and mobility of employees, and encourages multiple layers of management within agencies. It is not consistent with the objective of having a more streamlined and efficient public service.

E3.1.1   Other Australian jurisdictions

The current classification scheme in Queensland is broadly comparable with other jurisdictions in Australia. In the Australian public service (APS), there are 11 groups (APS1-6, EL1-2 and SES 1-3) which also act as a salary spine for other occupational groups, although there are no separate classification systems for professional or technical specialists.[2] An Integrated Leadership Framework guides the development of APS employees and identifies generic skills and capabilities which should be evident at each classification level.[3] Agencies provide specific work level definitions to aid in the alignment of tasks/duties with an appropriate classification level.

Recently, the New South Wales Commission of Audit has recommended that the New South Wales Government appoint employees to a substantive remuneration band level. Under this arrangement, employees would:

- no longer 'own' a position

- be assigned duties appropriate for their remuneration level and skill set

- be assigned to different duties over time to reflect the needs of the organisation

- be unable to refuse a reasonable direction to take on new or varied duties.[4]

In Victoria, there are six levels, with an additional senior technical specialist, and a three level executive category.[5] The levels are based on work value levels, with some levels having more than one work value range to allow for mobility of employees between the value ranges. The Victorian classification system also acts as a salary spine for other occupational groups.

Western Australia,[6] South Australia[7] and the Northern Territory[8] have schemes which are similar to the current Queensland classification system. There are a number of streams (administrative, executive, professional, technical) which rely upon a job evaluation system to determine the appropriate classification level for the role and tasks involved.

In 2010, the Australian Capital Territory Government commenced a review of its classification structures and salaries. The aim of the review was to achieve greater consistency across the ACT public service, improve mobility by removing structural barriers, consider the most effective way of moving to a single salary spine, and rationalise and simplify the classifications to improve administrative efficiency.[9]

An interim report was released in March 2012 and recommended:

- The adoption of an 11-band classification structure, with each band having, on average, five levels. The structure is based on four Career Clusters: Infrastructure Services, People Services, Support Services and Legal Services. These Career Clusters will support career development and mobility.

- The new classification structure should define work levels in terms of six compensable factors: achievement, complexity, skills and knowledge, breadth, ecology and environment demands.

- The new classification structure should use a Minimum Competency Framework based on the Australian Qualifications Framework.

- Job evaluations should use a Work Level Analysis, reframed in terms of the compensable factors and minimum competency framework.[10]

E3.1.2   Overseas jurisdictions

There are varying approaches to the issue of classifications and pay scales for public service employees in overseas jurisdictions.

In New Zealand, each agency sets its own remuneration scales under either a collective or individual agreement. As of June 2012, approximately 57% of employees were covered under a collective agreement.[11] The State Services Commission has a central role in the negotiation and approval of collective agreements. The Government has provided guidance to agencies about its expectations for pay and employment conditions, including through collective bargaining. The classification and remuneration scales differ from agency to agency. For example, the Ministry of Agriculture and Forestry has 11 bands, with a further five role-specific salary scales. Each band is divided into six levels, which allow for progression based on annual performance reviews, up to 120% of the salary scale.

In Canada, the rates of pay for public service employees are centrally set or negotiated by the Treasury Board (or agency heads by delegation), which is also the employer of all employees in the core public service.[12] The pay rates are aligned with 'bargained units', which are based on professional groups (or classifications), for example, administrative services, legal services and financial management. These classifications are also the basis for collective agreements.

The Canadian system has many similarities with the current Queensland system. It has multiple levels of pay and pay points. For example, in the administrative services group, there are nine levels of pay with between two and five steps, or pay points, within each level. The progression to each pay point has no link with performance (with the exception of one or two senior levels), with the payment being contingent upon reaching 52 weeks cumulative service.

In the United Kingdom, the pay level for administration roles is set by each department, with the structure and pay for senior executives managed by the Cabinet Office.[13] While agencies can set their own classification and pay levels for administration roles, the span of roles is distributed over seven levels from administrative assistant to a grade 7 position, which is a policy or content area specialist. The senior executive structure operates over three levels, with an additional two levels for Secretary and Cabinet Secretary.

E3.2   CLASSIFICATION CREEP

The Commission's Interim Report in June 2012 observed that the public service has become more top-heavy, reflecting a change in employment profile and classification creep. Since the Interim Report was released, further data is available which provides an updated picture of the classification changes between 2000 and 2012. This shows that between June 2000 and June 2012, the proportion of public service employees who are AO5 or below fell by 9 percentage points and the proportion of public service employees who are AO6 and above increased by 9 percentage points (Table E3.1). The small changes since the Interim Report reflect the decrease in total public service numbers between June 2011 and June 2012.

Table E3.1 Queensland public service classification change, June 2000 to June 2012				
Level	**June 2000**	**June 2012**	**Change**	**Contribution to change (%)**
AO1 equivalent	2,605	858	-1,747	-3
AO2 equivalent	38,124	38,859	735	1
AO3 equivalent	24,933	35,812	10,879	18
AO4 equivalent	23,809	29,513	5,704	10
AO5 equivalent	19,485	29,491	10,006	17
AO6 equivalent	24,740	37,426	12,686	21
AO7 equivalent	6,518	14,622	8,104	14
AO8 equivalent	1,900	9,937	8,037	14
SO equivalent	2,257	4,454	2,196	4
SES and above equivalent	1,951	4,360	2,409	4
Total	**146,323**	**205,332**	**59,009**	**100**

Source: Public Service Commission

While the total number of public service employees increased by around 40% between June 2000 and June 2012, there were significant increases in the number of employees in senior roles, notably between AO7 and Senior Executive Service (SES). Chart E3.1 shows the increases in public service numbers by classification level. While the largest increases in absolute terms were in the AO6, AO5 and AO3 classifications, the largest increases in relative terms were in the AO7 level and above. For the AO6 level and below, increases were around 50% or lower. For the AO7 level and above, the total increase was 164%.

Chart E3.1
Increases in public service numbers (full-time equivalent) by classification
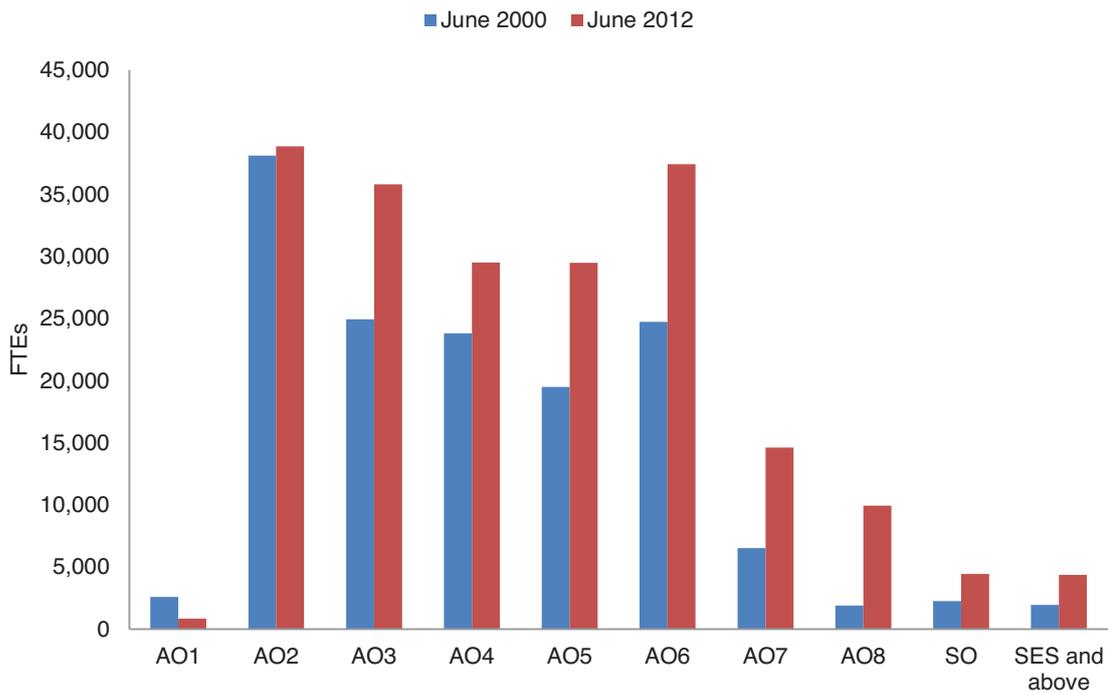
Source: Public Service Commission

The disproportionate growth in the number of senior public service employees is highlighted further in Chart E3.2. Between June 2000 and June 2012, the size of the senior executive service increased by 123%, while increases at the AO7 and Senior Officer (SO) levels were around 100%. However, the largest increase was in the AO8 classification, where employee numbers increased by 420%.

Chart E3.2
Growth in numbers of AO7 to Senior Executive Service employees
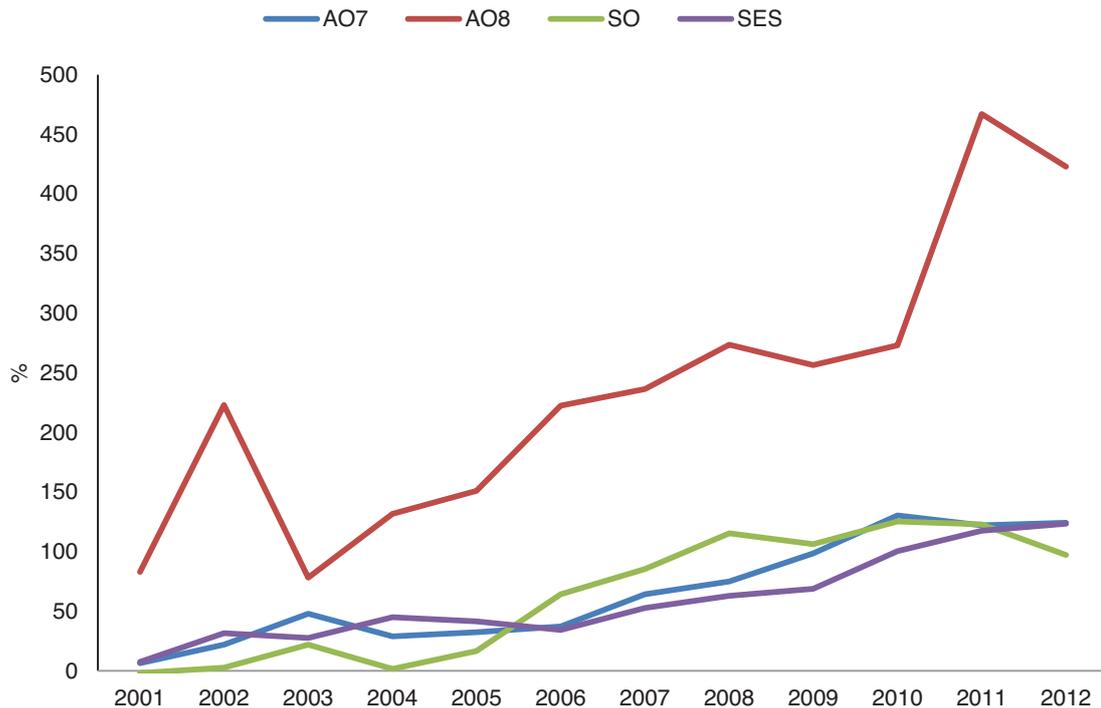
Note: Data as at 30 June each year

Source: Public Service Commission

There are a number of reasons why classification creep may have occurred within the Queensland public service, one of which may be that the environment of delivering government services has become increasingly complex. However, there are a number of key structural reasons for classification creep, including a job evaluation system which rewards roles with higher numbers of reporting subordinates and higher budget responsibility.

While it is not possible to obtain definitive evidence, there are anecdotal views that roles are being classified at higher levels than in the past. For example, roles that might have been previously classified at an AO6 level are now being classified at an AO7 or AO8 level. These changes effectively represent de facto wage rises. In addition, it would appear that some promotions to higher classification levels, often without a significant increase in responsibilities, have also been used as a substitute for pay rises.

This classification creep has compounded the problem of multiple layers of management within agencies. This results in slower and less effective decision making and means that agencies often are less responsive to changing service delivery demands.

Machinery of government changes in 2009 provided an opportunity to reduce layers of management due to the merging of agencies with common functions such as corporate support areas. However, such improvements did not eventuate.

There were significant labour market factors that also distorted the classification system over the past five years, particularly between 2006 and 2009. At this time, professional employment markets became very competitive in the strong economic conditions which preceded the global financial crisis. As an employer, the Government experienced considerable difficulty in attracting and retaining professional employees, such as engineers.

As a result, schemes such as the Transport Infrastructure Capability Scheme (TICS) were developed as a mechanism to remunerate professionals at market rates. The TICS program was only available to the Department of Transport and Main Roads, and only for a limited period.[14] As shown in Chart E3.3, there was a considerable utilisation of the TICS program from 2007 until the program was wound up in late 2009. Where a formal scheme such as TICS did not exist, agencies relied upon fixed term contracts under the *Public Service Act 2008* as a way of being able to offer a more competitive market salary for a temporary period.[15]

Chart E3.3
TICS and other contract appointments
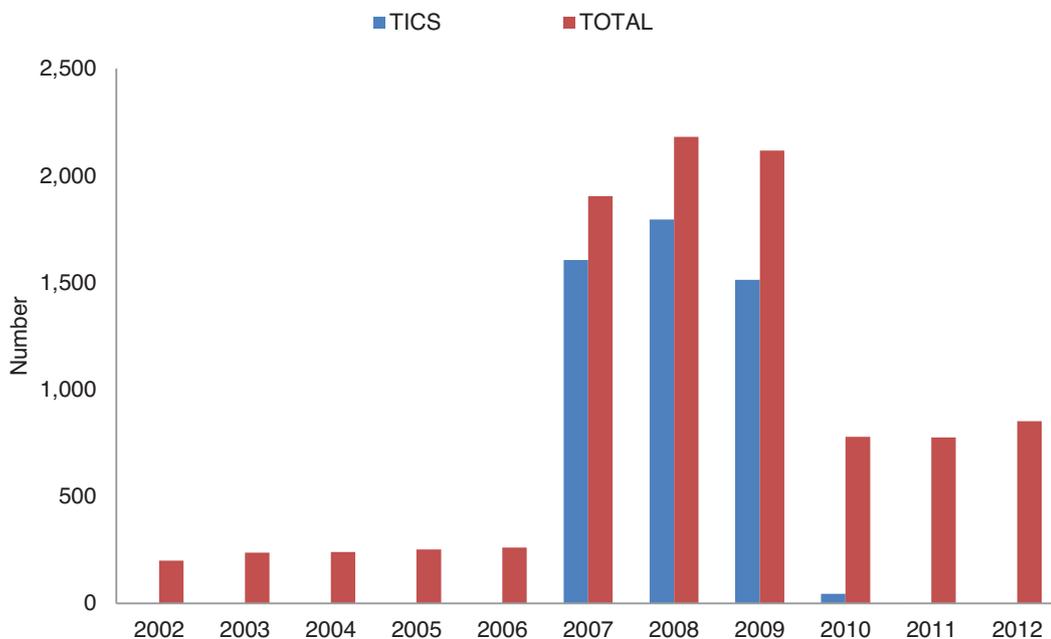
Notes:
- TICS contract appointments were made under section 70 of the *Public Service Act 1996* and section 122 of the *Public Service Act 2008*
- Data as at 30 June each year
- Data from June 2001 not available

Source: Public Service Commission

When the TICS scheme finished in late 2009, there was a sharp increase in the number of contracts for sub-SO-equivalent and SO-equivalent positions, as a fixed term contract was the only mechanism that was available to offer an increased salary. As shown in Chart E3.4, the number of contract appointments for SO equivalent and SES 2 level roles has continued to increase since this time, despite the easing of labour market conditions. The number of sub-SO roles has decreased from its peak in 2009, although the number of sub-SO contracts is still three times the number that existed before the TICS scheme was introduced.

Chart E3.4
Distribution of contract appointments, excluding TICS
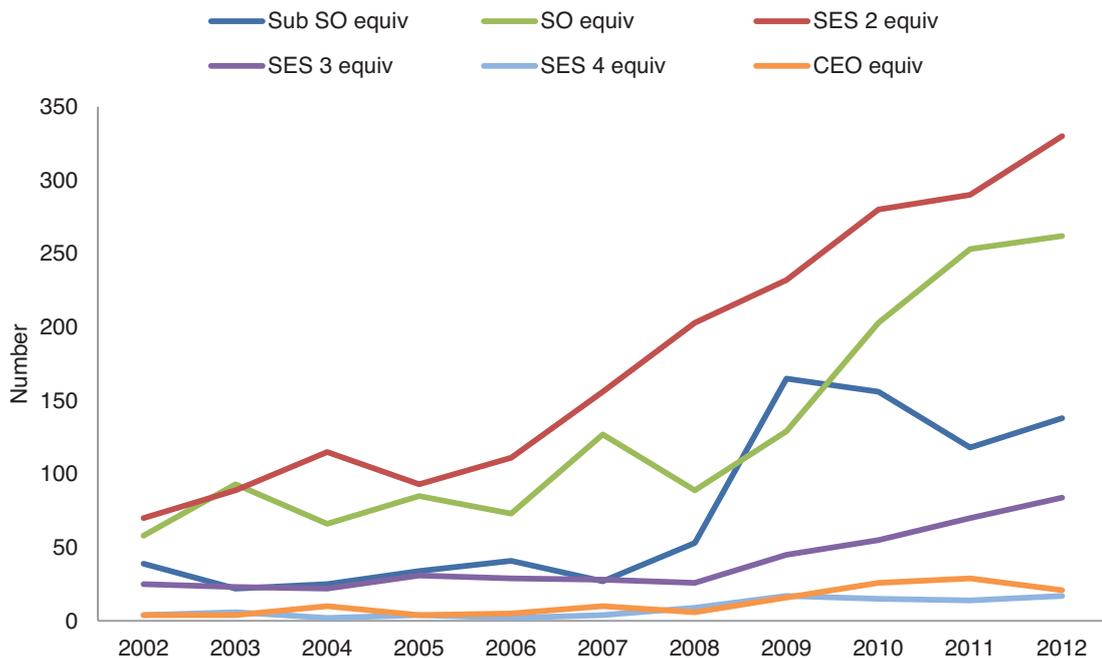
Note:
- Data from June 2001 not available
- Data as at 30 June each year

Source: Public Service Commission

A further factor compounding the significant increase in contract appointments was the removal of the requirement to obtain approval from the Public Service Commission for any contract appointments from mid-2008. Prior to this time, agency chief executives were required to demonstrate the need for a contract appointment. The removal of central agency approval has resulted in an increase in the numbers of contract appointments, without the appointment being subject to external scrutiny.

There has been a significant increase in contract appointments through section 122 of the Public Service Act. Chart E3.5 shows that section 122 contracts at the SES 2 and SES 3 levels have increased at a much faster rate than standard SES 2 and SES 3 appointments.

Chart E3.5
SES 2 and SES 3 roles and contract roles
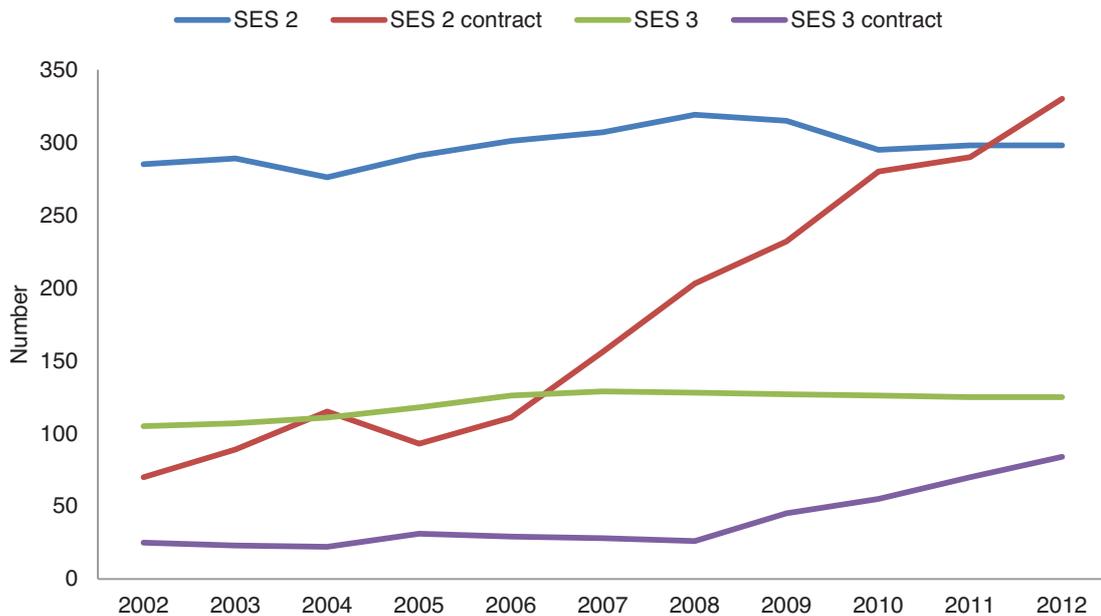
Note:
- Data for contract appointments not available for June 2001
- Data as at 30 June each year

Source: Public Service Commission

A related issue also contributing to classification creep is that agencies have tended to fit a desired pay scale to the equivalent classification, rather than establishing the appropriate classification level and then seeking to adjust the salary to reflect a market rate. This can occur, for example, where a role may be assessed at a PO6 classification level but, because of a perceived need to remunerate at a higher rate (for example, due to skill shortages or demands), an appointment is made at a higher classification level.

The New South Wales Commission of Audit also identified an increase in the middle and top classified positions in the NSW public service over the past decade. Many of the factors it identified are similar to factors applying in Queensland, and include:

- *"failure to undertake organisational redesign due to lengthy central approval processes and intensive union consultation*
- *poorly conceived or implemented organisational design*
- *duplication of management layers after agency amalgamations, if unaccompanied by proper consolidation structures*
- *unnecessarily tall reporting structures, due to inappropriately high delegations*
- *poor job evaluation and grading, due to poor application of workforce planning frameworks."*[16]

E3.3   REVISED CLASSIFICATION SYSTEM

The existing classification system which has been in place since the early 1990s has resulted in a system that is complex, inefficient and outdated, and one which no longer meets the needs of the Queensland public service. The breadth and range of the system impacts on the ability of agencies to remain flexible and to deploy their existing human resources according to the needs of the Government.

In view of these problems, the Commission considers that the existing classification system should be replaced with a simpler, broadbanded system with fewer levels.

Broadbanding has been used in the Australian public service to a limited extent. It means that a role can span more than one existing classification level and employees can take on higher level work on an ongoing basis, without the requirement to move between classification levels. Movement within a broadbanded level is not a promotion, but rather reflects adjustments to differing work needs and priorities. It can also be used to reward superior performance.

There are some significant advantages to a simpler, broadbanded approach:

- a greater level of employee mobility to ensure that the service delivery needs of an agency can be met

- a reduction in the layers of management and bureaucracy, thereby facilitating a flatter and more streamlined organisational structure within agencies to enable more timely and effective decision making

- a greater degree of consistency across the public service, which can reduce the structural impediments to mobility and flexibility

- an improvement in administrative efficiency, with a streamlined number of classifications.

A broadbanded classification system would also eliminate set pay points. Increments between pay points were initially designed to recognise seniority and reward length of service. Increasingly, they have been viewed as an entitlement by employees, without any prerequisite of a link to satisfactory performance. Broadbanding provides for a greater link between skills, knowledge and capabilities, with the ability for employees to progress within a band based on superior work performance. It also removes the perception of an automatic entitlement.

The Commission has considered two options for a new broadbanded classification system, modelled on the existing public service administrative classification scheme.

Option A provides for a more consistent spread of the existing 11 classification levels into six new bands, with generally two existing classification levels combined to form each new band (Table E3.2). This option retains the SES and chief executives as separate bands, with SOs being merged with the existing AO8 level to form the top, non-executive level band. This is consistent with the current basis of SO employment, which is on a permanent basis, rather than a contract basis.

Table E3.2 Option A – broadbanded public service classification scheme			
Existing classification level	Proposed band	Indicative salary range[17] $	Indicative number of employees[1]
AO1 AO2 AO3	Level 1	33,444 - 58,132	75,529
AO4 AO5	Level 2	61,641 - 77,644	59,004
AO6 AO7	Level 3	81,962 - 98,341	52,048
AO8 SO (and equiv)	Level 4	101,610 - 123,332	14,391
SES (and equiv)[18]	Level 5	128,869 - 211,067	4,272
CEO (and equiv)	Level 6	not published	88

1   Based on FTEs as at 30 June 2012

Source: Commission of Audit

Option B provides for a greater consolidation of the existing lower classification levels, with AO1 to AO4 being combined to form a new band 1. This option also combines SOs with SES officers to form a new band 4, which would be the new senior executive service (Table E3.3).

Table E3.3 Option B – broadbanded public service classification scheme			
Existing classification levels	Proposed band	Indicative salary range[19] $	Indicative number of employees[1]
AO1 AO2 AO3 AO4	Level 1	33,444 - 67,780	105,042
AO5 AO6	Level 2	71,435 - 87,691	66,917
AO7 AO8	Level 3	91,712 - 107,467	24,559
SO (and equiv) SES (and equiv)	Level 4	112,416 – 211,067	8,726
CEO (and equiv)	Level 5	not published	88

1   Based on FTEs as at 30 June 2012

Source: Commission of Audit

A new broadbanded classification system also should serve as a salary spine for occupational groups other than the administrative stream. This would enable greater simplicity and efficiency, and encourage greater mobility of employees between agencies.

Tables E3.4 and E3.5 show the possible mapping of the public service professional stream to broadbanded options A and B respectively. There would need to be some minor adjustments of professional level salary ranges to ensure mapping was aligned with the public service salary range.

Table E3.4 Option A – incorporating existing professional stream				
Existing AO classification level	**Proposed band**	**Indicative salary range $**	**Existing professional classification level**	**Current salary range $**
AO1 AO2 AO3	Level 1	33,444 - 58,132	PO1 PO2	34,161 - 66,650
AO4 AO5	Level 2	61,641 - 77,644	PO3	70,013 - 76,460
AO6 AO7	Level 3	81,962 - 98,341	PO4 PO5	81,399 - 98,341
AO8 SO	Level 4	101,610 - 123,332	PO6	101,610 - 107,467

Source: Commission of Audit

Table E3.5 Option B – incorporating existing professional stream				
Existing AO classification level	**Proposed band**	**Indicative salary range $**	**Existing professional classification level**	**Indicative salary range $**
AO1 AO2 AO3 AO4	Level 1	33,444 - 67,780	PO1 PO2	34,161- 66,650
AO5 AO6	Level 2	71,435 - 87,691	PO3 PO4	70,013 - 89,691
AO7 AO8	Level 3	91,712 - 107,467	PO5 PO6	91,712 - 107,467

Source: Commission of Audit

The adoption of a broadbanded classification system such as Option A or Option B would have some specific impacts on SO and SES officers.

As already noted, Option A would maintain the existing separation between SO and SES officers. It would also consolidate SO and AO8 level officers within the same band. This would necessitate some rationalisation of wage and employment arrangements, as currently AO8 level officer pay and conditions are included within awards and certified agreements, but conditions for SOs are prescribed in a directive issued by the Minister for Industrial Relations.

Option A would also necessitate some changes to the employment conditions of SOs, although these would not be significant. For example, the hours of duty provisions in certified agreements that apply to administrative officers do not apply to SOs, whose hours of duty are determined by the chief executive.

Option B would remove the existing distinction between SOs and SES officers and consolidate the two groups within the same band. This would necessitate a change of employment status for SOs, from permanent to contract employment, as SES officers are contracted employees.

Option B also would expand the scope of the SES. It would be similar in scope to that which prevailed when the SES was first created in 1991. At that time, there was a fourth SES band (SES 1). In an effort to reduce the overall number of SES officers and minimise the cost involved, the Government subsequently created an additional classification of SO, which had equivalent pay scales to the SES 1 range, but employees were engaged on a permanent basis without a motor vehicle allowance.

Option B would resolve the current anomaly by which AO8 salary rates have increased at a faster rate than SO salary rates, causing the two levels to converge. (Adjustments to the SO salary rates were required in 2011 in order to remedy this issue.) This occurred because Administrative Officer (AO) salary rates form part of the State Government Certified Agreement, whereas SO salary rates are aligned with SES salary rates, and are only varied through a directive issued by the Public Service Commission Chief Executive.[20]

On balance, the Commission prefers Option A, as it provides a more balanced distribution of existing levels between the proposed new broader bands, and it limits the size of the SES.

E3.4   JOB EVALUATION METHODS

In conjunction with a revised classification system, there would be merit in reviewing the method by which work value and appropriate salary bands are determined.

There are currently two main approaches to job evaluation methods utilised across other Australian jurisdictions: a points-factor method and a work level descriptor. In Queensland, a points-factor method, Job Evaluation Management System ('JEMS'), has been used since the 1990s. JEMS enables the worth of a position to be expressed in terms of work value points. The number of points calculated for a position determines the classification level. There are three primary factors that are taken into account:

- expertise, which is the knowledge and skills needed to do the job

- judgement, which is the complexity of the work (in the context of the organisational environment) and the requirement for resolving problems

- accountability, which is the scope and impact, influence, independence, authority and responsibility of the position.[21]

This method tends to give more weight to positions which supervise larger numbers of employees or that have larger budgets to manage, which in turn can provide for undesirable incentives for 'empire building', or accumulating additional human and financial resources.

The alternative method, work level descriptor, describes generic work requirements for a role at a particular classification level. The requirements should include a broad work level description, key duties and responsibilities, required skills and attributes, operating context, and performance characteristics, which should be evident in work performed at a particular classification level.

Work level standards will be complementary to a capability and leadership framework, such as the Capability and Leadership Framework or Lominger Leadership Framework. Work level descriptors are intended to be formative rather than prescriptive and they do not attempt to describe in detail all the possible components of every role at their different levels across the public service.

This method requires agencies to exercise greater judgement in applying the work level standards to individual roles, and provides greater flexibility in applying the standards across the range of public service roles. It also allows agencies the discretion to determine the appropriate classification based on a combination of generic work level descriptors, along with job-specific and agency requirements.

In a recent audit of SES roles in the Australian Government, a review found that both methodologies provided consistent classification outcomes.[22]

The Commission considers that the work level descriptor method should be adopted, as it has certain advantages over the points-factor method.

Firstly, it does not provide the perverse incentive to encourage the unnecessary accumulation of resources to boost points factors for positions.

Agencies would need to take direct responsibility for the job evaluation decisions, rather than relying upon a determination from an external party. A job evaluation could not be justified purely on the basis that the points value indicated that the role should be established at a particular level. The work level descriptor requires that agencies genuinely evaluate the role, duties, skills and responsibilities in order to make an informed decision about the appropriate classification level, and then be prepared to justify the reasons for the decision.

A further advantage of using work level descriptors is that it provides a greater focus on the generic capabilities at a broadbanded level, rather than focussing on specific characteristics of individual positions. This would assist in breaking the nexus between an individual and a position, and would enable greater flexibility in deploying resources to meet emerging priorities, without requiring formal appointment processes.

As has been adopted in the Australian Government, the Public Service Commission could develop a set of generic work level descriptors and guidelines for their use. These documents then could be used as a starting point or reference point for adjustment by individual agencies as part of their decision-making process.

It would be important to ensure that there are robust internal moderation processes to monitor the consistency of agency decisions. It would also be useful for the Public Service Commission to conduct a random annual audit of job evaluations to ascertain and moderate the practices across the sector.

There would be some additional costs for agencies in undertaking the work-level descriptor method internally. However, these costs should be more than offset by the savings in not using external consultants for the points-factor method.

E3.5   ADVANCEMENT WITHIN BANDS

A broadbanded system could result in some differences in salary for similar roles across agencies over time, as well as potential differences in advancement arrangements within the bands. Many of these effects could be managed appropriately by ensuring there is sufficient central agency guidance and regular reviews of agency practices to enhance consistency across the public sector.

A centralised oversight of public sector wage and condition negotiations also would assist in minimising the effects of agency discretion in the setting of individual employee salary levels, based on the work to be performed.

The Public Service Commission should develop revised work level standards to apply across Government, and prepare guidelines to assist agencies in the application of these standards.

This guidance should include options for agencies to monitor and moderate decisions internally, as well as monitoring and moderation by the PSC from a whole-of-government perspective. This would ensure that there is a reasonable level of consistency within agencies as well as across the Government, while still allowing agencies to make decisions which will assist with meeting agency objectives and work programs within budget constraints.

Possible guiding principles include:

- An employee should demonstrate superior performance in an existing role (as assessed through a formal performance management process) and demonstrate the skills and competencies to perform work at a higher level. The employee must spend a sufficient period of time at a lower level in order for this assessment to be made.

- An employee who is subject to a performance improvement process should not be considered for progression, until this process has been completed satisfactorily.

- A broad description of competencies should be used as a benchmark for a given band. However, the actual competencies for any given role should be directly relevant to the work of the agency.

- Additional responsibilities and/or higher level work normally would be a prerequisite for advancement within a band. This could include an increase in accountability, responsibility, independence of action and judgment. It could also include a requirement to provide training or supervision.[23]

Recommendation

133 The Public Service Commission:

- *review the existing work level standards (or generic level statements, work level descriptions or other similar title) with a view to developing revised whole-of-government work level standards that are modern and meet the needs of agencies*

- *develop guidelines to assist agencies with the assessment of work value and determination of appropriate levels.*

E3.6   APPOINTMENT TO A LEVEL

As part of a revised classification system, the practice of linking a position to an employee should be discontinued. This practice has given rise to a view that employees 'own', or are attached to, a particular position, and has built resistance to the notion that employees can be assigned tasks or duties that may not have been in the original position description when they were appointed. This limits the flexibility of agencies to reallocate their employees based on the current demands and priorities of the organisation.

Public service legislation in Victoria[24] and South Australia[25] contains a provision which allows an agency to determine the duties of employees and the place or places at which the duties are to be performed. The New South Wales Commission of Audit also recommended decoupling positions from a narrow classification to provide greater flexibility within an agency.

Employees should no longer be appointed to a particular position in a particular agency. Rather, they should be engaged under the Public Service Act on the basis that their employment is with the Queensland Government at a particular broadbanded level.

The application of the Public Service Act as the common foundation for all public sector employment would reinforce the 'single employer' model. This should be clearly communicated in advertisements for public sector employment and as a condition of appointment. This could be supported by whole-of-government induction training, which would emphasise the role of the Queensland Government as the employer and ensure that core concepts such as the system of government and core public service employment conditions could be clearly explained to all employees.

Employing legislation also should include provisions to allow employees to be transferred or redeployed wherever the need arises, based on business and operational requirements. Again, employees should be fully informed of these conditions at the time of appointment. This ensures that changing agency or government priorities can be met through the use of a more mobile and responsive workforce.

Appointment to a broadbanded level within the Queensland Government would be assisted and supported by the streamlining of employing legislation and the creation of greater consistencies in employment conditions, as recommended in Section E2.

Recommendation

134   The Public Service Act 2008 *be amended to provide for:*

- *employees to be appointed to a generic broadbanded level in the public service, rather than a specific position in a public service agency, thereby promoting greater flexibility and mobility in resource utilisation to address the service delivery priorities of the Government*

- *a new broadbanded classification system in accordance with the Commission's preferred Option A*

- *the proposed new broadbanded classification system be supported by a revised job evaluation methodology based on work level descriptors and core competencies, to be developed by the Public Service Commission, together with guidelines for job evaluations.*

E3.7   ATTRACTION AND RETENTION INCENTIVES

The issue of attracting and retaining certain professional employees remains a continuing challenge for the public sector. Private sector companies are not subject to the same constraints as the public sector in offering attractive market-based remuneration packages. This becomes more pronounced during times of strong economic conditions and labour market shortages.

To some extent, this can be mitigated by enhancing the 'total reward' of public service employment, including non-financial benefits, such as work-life balance, professional development and the opportunity to work in challenging service delivery areas which make a difference to the lives of Queenslanders. However, flexibility to provide remuneration incentives can also assist.

In Western Australia, agencies have the ability to offer an attraction and retention incentive (ARI) in order to attract and retain skilled employees. The ARI is approved by the Western Australian Public Sector Commission and depends on the existence of a number of factors including the value to the state of the function to be performed, the specialised skills, expertise or experience of the individual, the impact of recruitment and market pressures and an assessment of the market rate for such a position. ARIs are offered on a temporary basis as part of contract conditions.

As part of the Australian Capital Territory (ACT) Government's classification review, it was recommended that the ACT adopt a two tier approach to determining salaries:

- use of a salary spine to determine public service salaries for the majority of employees

- use of supplements where an occupation is in demonstrated short supply, in order to increase remuneration to meet external market remuneration levels.[26]

Consideration should be given to adopting a similar approach to the ARIs in Western Australia. The Public Service Commission could approve cases where it can be argued that the payment of a supplement is critical to the service delivery of the agency.

Any payment of a supplement should be on a temporary basis and should not form part of base salary or contract conditions. In this way, the supplement can be discontinued if market conditions change. This approach should differ from the previous TICS scheme by ensuring that the financial incentive is aligned, in full or part, to the attainment of predetermined milestones and/or operational or project targets.

The requirements for an ARI system should be contained in a directive from the Public Service Commission, and the PSC should ensure that any approvals meet stringent standards which require that agencies demonstrate the need for a temporary financial incentive. In addition, any roles which require an ARI should not be regarded or categorised as SES roles and should be publicly reported on separately by the PSC. These measures would enhance the transparency of offering such incentives.

Recommendation

135   *Temporary Attraction and Retention Incentives (ARIs), not forming part of base salary, be applied as necessary to meet specific labour market recruiting pressures. The Attraction and Retention Incentives should be approved by the Public Service Commission Chief Executive and should be subject to stringent requirements and performance assessment. The Public Service Commission should ensure annual public reporting on the number and value of ARIs approved.*

ENDNOTES

[1]   *Queensland Public Service Award – State 2003*, Section 5.1.1, accessed from
      www.qirc.qld.gov.au

[2]   *Public Service Classification Rules 2000*, made under the *Public Service Act 1999* (Cwlth),
      accessed from www.apsc.gov.au

[3]   Australian Public Service Commission, *Integrated Leadership System*, accessed from
      www.apsc.gov.au

[4]   New South Wales Commission of Audit, *Interim Report: Public Sector Management*, 2012,
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[5]   State Services Commission, *VPS Workplace Determination 2012*, 2012, accessed from
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[6]   Public Sector Commission, *Approved Procedure 1: Approved Classification System and
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[7]   Commissioner for Public Sector Employment, *Determination 5: Determination of the
      Commission for Public Sector Employment Classification and Remuneration of Employees*,
      2011, accessed from www.oper.sa.gov.au

[8]   Office of the Commissioner for Public Employment, *NTPS Pay & Conditions*, 2011, accessed
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      accessed from www.cmd.act.gov.au

[10] Chief Minister and Cabinet Directorate/Black Circle, *ACT Public Service Classification Review,
      Interim Report – Element 5*, 2012

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[12] Treasury Board of Canada, *Policy on Classification System & Delegation of Authority*, 2007,
      accessed from www.tbs-sct.gc.ca

[13] Civil Service, *Pay & Reward in the Civil Service*, 2012, accessed from www.civilservice.gov.uk

[14] At the time, it was the Department of Transport and the Department of Main Roads.

[15] *Public Service Act 2008,* section 122 (contract employment) or under the previous legislation,
      Public Service Act 1996, section 70

[16] New South Wales Commission of Audit, *Interim Report: Public Sector Management*, 2012

[17] The salary scales for AO1 to AO8 officers is for employees under the State Government
      Departments Certified Agreement 2009 and the Queensland Public Service Award 2003
      (Administrative Stream) and reflects the annualised salary following the salary increase on 1
      August 2011.The salary scale for SOs is effective 1 July 2011 and includes superannuation
      and leave loading. The salary scale for SES officers is effective 1 July 2011 and includes
      superannuation and motor vehicle allowance. Salary scales for chief executives are not
      published.

[18] Includes employees on section 122 contracts

[19] The salary scales for AO1 to AO8 officers is for employees under the State Government
      Departments Certified Agreement 2009 and the Queensland Public Service Award 2003
      (Administrative Stream) and reflects the annualised salary following the salary increase on 1
      August 2011.The salary scale for SOs is effective 1 July 2011 and includes superannuation
      and leave loading. The salary scale for SES officers is effective 1 July 2011 and includes
      superannuation and motor vehicle allowance. Salary scales for chief executives are not
      published.

[20] The power to issue a directive on the remuneration and employment conditions of senior
      officers was previously with the Minister responsible for industrial relations.

21   Department of Justice and Attorney-General, *Job Evaluation Methodology,* accessed from
     www.psc.qld.gov.au

22   Pricewaterhouse Coopers, *Review of the Senior Executive Service, Report to the Special
     Minister of State for the Public Service and Integrity*, 2011, accessed from www.apsc.gov.au

23   Adapted from the Chief Minister and Cabinet Directorate/Black Circle, *ACT Public Service
     Classification Review: Interim Report – Element 1*, 2011

24   See *Public Administration Act 2004* (Vic), sections 28 and 31A, accessed from
     www.legislation.vic.gov.au

25   See *Public Sector Act 2009* (SA), section 9(3) and section 47, accessed from
     www.legislation.sa.gov.au

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     Interim Report – Element 1*, 2011

E4   MOBILITY AND FLEXIBILITY

KEY ISSUES

- Classification creep in the Queensland public sector has resulted in agencies that are top heavy, with too many layers of management, which add unnecessary costs to agency budgets. They also engender cumbersome decision-making processes, thereby making the public service less responsive to changing service delivery requirements and government priorities.

- Flatter organisational structures are necessary. An efficient and effective public sector requires clear and accountable responsibilities, timely decision making, and an empowerment of leadership roles.

- Limited available information on spans of control suggests that the public service has a relatively low ratio of employees per manager, which needs to be improved.

- Limited available evidence also suggests that mobility in the public service is relatively low, and could be improved, for example, through more flexible transfer arrangements.

- The intended mobility within the Senior Executive Service (SES) has not been fully realised. Improved mobility of the SES is an important component in addressing the strategic objectives of agencies and the Government. It would facilitate the deployment of skilled and experienced SES managers as necessary to address changing priorities and resource needs of Government.

As outlined in Section E2 in this Report, the complexity of the public sector employment framework is hampering the ability of the Government to manage its workforce effectively and adapt to changing service delivery demands.

While the employment framework is an important component of workforce flexibility, there are two further workforce structural issues that will impact on an agency's ability to ensure it is working efficiently and is able to deploy resources in accordance with changing priorities: managerial structures and mobility provisions for employees. These issues are considered in this Section.

E4.1   MANAGERIAL STRUCTURES

A common characteristic of many bureaucracies, both in the public sector and the private sector, is excessive layers of management. This can lead to blurred accountabilities and a lack of clear managerial authority, which slows down and confounds decision-making processes.

There has been significant classification creep in the Queensland public sector over the last 10 years, as identified in the Commission's June 2012 Interim Report, and in Section E3 of this Report. This has resulted in agencies that are top heavy, with too many layers of management, which inhibit effective decision-making processes.

Excessive layers of management add unnecessary costs to agency budgets. They also engender cumbersome decision-making processes, thereby making the public service less responsive to changing service delivery requirements and government priorities.

An efficient and effective public sector requires clear and accountable responsibilities, timely decision making, and an empowerment of leadership roles.

E4.1.1 Spans of control

One of the factors that will impact on the number of layers of management within an organisation is the span of control that is adopted. Spans of control are commonly referred to as the number of subordinates that can be effectively supervised by one manager.

There are factors which favour a narrow span and factors which enable a wider span of control. Also, there can be specific considerations for functional groups such as police, fire officers, ambulance officers and child safety officers. Table E4.1 presents illustrative spans of control, based on key operational criteria for an organisation.

Table E4.1 Spans of control				
Number of employees for which an individual is responsible (indicative only)	**Narrow spans - more managers**	**Criteria**	**Wide spans - less managers**	**Number of employees for which an individual is responsible (indicative only)**
Approx. 5-6	Professional/Complex	Organisational function	Operational/Not complex	Approx. 8-15
	Diverse	Nature of functions/activities performed	Similar	
	Complex/Extensive problem solving	Degree of task certainty	Definite rules/Routine	
	High	Degree of risk for the department	Low	
	High	Degree of public scrutiny	Low	
	Dispersed	Geographic location of employees	Co-located	
	New/Rapidly evolving	Clarity of function/program objectives	Clear/well established	
	Extensive/High	Degree of coordination (internal and external to department)	Minimal/Low	
	Extensive training and time required to master duties	Employee capability and training	Highly skilled/Limited training required	
	Limited experience/qualifications	Manager's skills and capabilities	Extensive experience/qualifications	

Source: Adapted from 1994 City of Portland Span of Control Study; AT Kearney Securing 2026 Operational Sustainability (Brisbane City Council); and State of Louisiana, Department of State Civil Service, Span of Control Report, 2011

In general, a wider span of control is achievable where a function involves very definite or specific rules or routines, has a low degree of risk and public scrutiny, and the employee are highly skilled (and therefore need limited training to perform the function). In a wide span of control, there are more employees per manager. As shown in Table E4.1, this ratio typically may be one to 8-15 employees per manager.

A narrower span of control generally is preferred for functions which are more complex with significant problem solving required, where there is a high degree of risk and public scrutiny, and where employees require extensive training. As shown in Table E4.1, a narrow span of control may have a ratio of one to 5-6 employees per manager.

There is no universal or optimal span of control ratio that can be applied to all occupations in all organisations. However, in the United States a number of states have legislated for specific ratios of managers to employees. For example, in Texas and Oregon, the public service is required to achieve a ratio of 11 employees per manager.[1] [2]

The New South Wales Commission of Audit highlighted that narrow spans of control can make responsibility and accountability unclear. It highlighted the practice of endorsement and signing off of approvals by senior employees as an example of an unnecessarily narrow span of control, which results in:

- a needless focus by senior employees on procedural paper shuffling, rather than responsibility being taken at a more appropriate level

- reduced morale because employees are not able to exercise the leadership and levels of accountability that they were recruited to undertake

- unclear accountabilities between the employees who were endorsing and those who were approving.[3]

Many organisations perform a variety of functions and the spans of control will vary between these functions. This is the case for the Queensland public sector, which performs a diverse range of functions in a large number of locations.

It has not been possible for the Commission to analyse the spans of control within the Queensland public sector, as the limited workforce information that is available does not distinguish between managers and other employees. There is also a lack of benchmarking information available from other jurisdictions.

However, one simplistic approach is to assume that all employees at an AO7 level and above are managers and all employees between AO1 and AO6 levels are not managers. Based on this assumption, there is an average span of control ratio of 5.1 employees per manager for the Queensland public service.

The ratio no doubt will be higher in some agencies and in some service delivery areas, where there is a wider span of control. Nevertheless, across the entire service, this would seem to be a relatively low ratio, even allowing for the limitations of the analysis. Based on the information presented in Table E4.1, a ratio in the range of 6-10 employees per manager should be a reasonable expectation in order to improve the spans of control across the service.

E4.1.2 Layers of management

The Public Service Commission (PSC) recently has completed work on a number of public sector staffing models which have implications for layers of management. There were three primary purposes for this work:

- achieving benchmarks for the delivery of core services across functions in similar sized agencies

- developing agreed organisational structures and staffing allocations

- creating efficiencies in program/policy delivery, executive support and corporate services.

To date, the PSC's work has focussed on the layers of senior management that exist within agencies from senior officer (SO) to chief executives and developing proposed staffing models, based on agency size.

As shown in Table E4.2, the PSC work has established benchmarks of between four and seven organisational levels for all departments. This would be an improvement on the current situation, where there can be up to 6-8 levels of management.

Table E4.2
Public Service Commission staffing models

Model	Agency size	Total organisation levels	Director General (CEO)	Deputy Directors General (SES 2-4[4])	Executive Directors (SES 2-3)	General Managers (SES 2)	Directors (SO)	Agencies
1	<400	4 – 5	1	1	4 – 6	..	20 – 30 (5 reporting to SES 2-3)	Aboriginal and Torres Strait Islander and Multicultural Affairs; Energy and Water Supply; Local Government; Tourism, Major Events, Small Business and C'wealth Games
2	400 – 2,000	5 – 6	1	2	15 (additional for regional functions)	..	45 (3 reporting to SES 2-3)	Environment and Heritage Protection; National Parks, Recreation, Sport and Racing; State Development, Infrastructure and Planning
3	2,000 – 9,000	6	1	3	25 (additional for regional functions)	..	75 (3 reporting to SES 2-3)	Agriculture, Fisheries and Forestry; Communities, Child Safety and Disability Services; Housing and Public Works; Justice and Attorney-General; Natural Resources and Mines; Science, Information Technology, Innovation the and Arts
4	> 9,000	7	1	4	20	45	135 (3 reporting to SES 2-3)	Community Safety; Education, Training and Employment; Queensland Health; Queensland Police Service; Transport and Main Roads

.. not applicable

Note: A separate staffing model is to be developed for the central agencies: the Department of the Premier and Cabinet, Queensland Treasury and Trade and the Public Service Commission.

Source: *Public Service Commission*

While the PSC work is a useful starting point, the Commission considers that further work needs to be undertaken to achieve flatter organisational structures within agencies. This is important in order to establish closer linkages between senior managers and front-line employees, and also to give senior managers closer exposure to conditions at the front-line of service delivery.

Flatter organisational structures will also encourage more streamlined decision-making processes within Government, thereby reducing regulatory and administrative delays for business and the community.

For smaller agencies, flatter organisational structures should be achievable within a reasonably short period, with some changes to internal structures and processes. For other organisations, flatter structures will require more comprehensive reviews of corporate governance and service delivery processes as well as changes to business models.

For example, in larger agencies, it is likely that a number of roles will need to be redesigned to provide a greater emphasis on management activities. Delegations within the agency will need to be evaluated to ensure that the ability to make decisions related to the function is provided to the manager in that area. Also, current work processes and business models within agencies will require changes to support a flatter, more streamlined structure.

Recommendation

136   Agencies be required to adopt flatter organisational structures to encourage more streamlined and effective decision-making processes within Government, thereby reducing regulatory and administrative delays for business and the community.

E4.2   CURRENT MOBILITY IN THE PUBLIC SECTOR

There are a number of current arrangements which facilitate mobility within the public service. Under the *Public Service Act 2008*, there are provisions to allow for:

• the movement of public servants on a temporary basis between agencies (secondments)

• the transfer of public servants within an agency or between agencies

• the employment of temporary employees to meet organisational demand

• a work performance arrangement, where a public servant performs work for another entity

• an interchange arrangement, where a public servant performs duties in another entity.

The Act does not specify a detailed process for these mobility arrangements. However, there are four Public Service Commission Chief Executive Directives that apply, along with a secondment policy and a guideline to assist agencies with appointment, secondment and interchange arrangements for senior executive service officers.[5]

There are two main agencies that utilise mobility to ensure appropriate levels of resourcing are available to fulfil service delivery demands across the State: the Queensland Police Service and the Department of Education, Training and Employment. For police officers and teachers, the capacity to be transferred to meet operational requirements is clearly communicated to potential employees as a basic condition of employment. The transfer arrangements that apply for teachers are outlined in Box E4.1.

Box E4.1
Case study: Effective mobility for teachers

For teachers, the requirement to teach at any school in the State is a key component of the conditions of employment. Potential teachers are advised that they should expect, as part of their teaching career, that they may be required to teach in locations not necessarily of their choice, as all teachers are likely to be required to transfer at some stage. This is illustrated by the following:

From the department website:

"*It is a condition of permanent employment with the department that teachers may be required to work anywhere in Queensland to meet state-wide staffing requirements.*

Permanent teachers should expect that they will be required to teach in locations across Queensland, as all teachers are likely to be required to transfer at some stage. This condition applies to all teachers appointed on a permanent basis regardless of location preferences at the time of application for teacher employment. The condition of employment summary outlines the entitlements and obligations of state school teachers."

From Summary of Conditions of Employment, Classroom Teachers:

"*Permanent teachers may be required to teach anywhere in the State. You should also expect, as part of your teaching career, that you may be required to teach in locations not necessarily of your choice as all teachers are likely to be required to transfer at some stage. This requirement applies irrespective of whether you expressed restricted initial appointment location preferences on your Application for Teacher Employment.*"

There is an internal process in which schools are allocated one of seven levels based on their remoteness and complexity. The priority given to transfer requests is determined by the Transfer Points System, which is based on the transfer rating of each school. Teachers accrue transfer points which accumulate for up to 10 years. An accelerated transfer points system also operates for rural and remote schools. Its purpose is to encourage a rapid accumulation of points over an extended period in return for an increased prospect of a transfer to a preferred geographic area in the future.

Source: Department of Education, Training and Employment, Conditions of Employment, 2012, accessed from www.education.qld.gov.au

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With the exception of police officers and teachers, the rate of mobility for other employee groups within the Queensland public service anecdotally is considered to be low. It is difficult to confirm this view, as there is limited information available on this issue.

The information available represents only permanent transfers (at level or to a higher or lower level) for permanent public service officers. Information is not collected on temporary movements of permanent employees (including secondments) or any movements of temporary employees. Also, there is no reliable information available on rates of promotion within or between agencies, or other movements between agencies.

There appears to be a relatively low number of transfers that occur within the public service each year. In 2011-12, there were approximately 1,550 transfers of employees below senior officer level (Chart E4.1).[6] This represents an average transfer rate of 3.3% for permanent employees.

Chart E4.1
Public service transfers
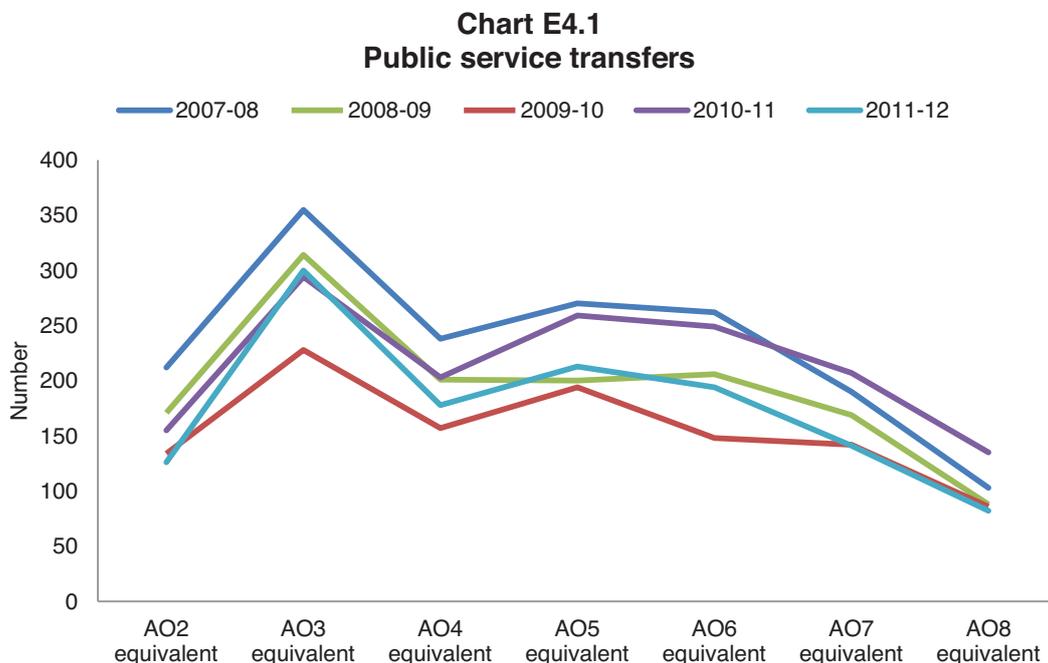
Source: Public Service Commission

Comparisons between Queensland and other jurisdictions are problematic due to differences in data definitions and collections. For example, the Australian Public Service Commission collects data in relation to mobility within the Australian public service (APS). The reported average transfer rate for APS classifications in 2011-12 was 1.7%, down from 1.9% in 2010-11.[7] This includes not only permanent transfers but also temporary transfers for permanent employees. Also, the validity of comparisons with the APS is limited by the fact that the nature and extent of service delivery activity in the Queensland public service is significantly different to the APS.

New South Wales, Victoria and Western Australia do not publish any mobility data about their workforces, although Western Australia has plans to implement changes to its data collection in order to improve monitoring and reporting efforts on employee movements.[8]

The only other state with available mobility information is South Australia. The information collected covers employees engaged under the *Public Sector Management Act 1995* (SA) that moved internally within the public service, including within the same agency or to a different agency. The information covers ongoing as well as contract employees.

Recognising the limitations of the comparisons, Chart E4.2 shows that the Queensland mobility rate is lower than that of South Australia, but higher than the APS rate.
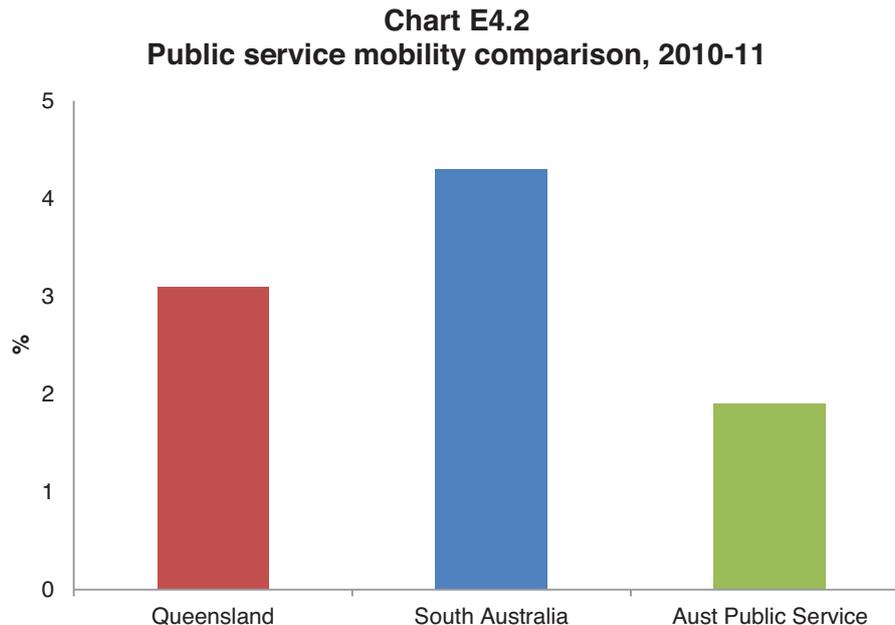
Chart E4.2
Public service mobility comparison, 2010-11

E4.3   GREATER FLEXIBILITY FOR TRANSFERS

Some of the structural impediments to mobility within the public service are due to the complex employment and classification frameworks already addressed in Sections E2 and E3, including appointment to a specific position, rather than a generic level. The Commission's recommendations outlined in those sections will assist to overcome these structural impediments.

Other Australian jurisdictions have broadly similar legislative provisions to Queensland to allow for mobility and flexible deployment of the public sector workforce by way of secondments, transfers (temporary and permanent) and other temporary assignments to agencies such as another state or the Australian Government, private sector or universities.

However, there is scope to encourage greater mobility by amending the 'reasonable grounds' provisions for transfers currently incorporated in the Public Service Act.

Under these provisions, an officer can refuse a transfer if the officer can satisfy the chief executive that there are reasonable grounds to do so. This could include grounds that the new location involves increased travel or that the officer has some extenuating personal circumstances, such as family responsibilities or medical issues. If the officer refuses a transfer without satisfying the chief executive that there are reasonable grounds, the officer's employment may be terminated.

The public sector employing legislation in Victoria, Western Australia and South Australia provides that an employee may be transferred on the basis that the terms and conditions of their employment are comparable or that their level of substantive remuneration is maintained. This does not restrict an agency's ability to consider reasonable grounds for refusing a transfer.

The Commission considers that the 'reasonable grounds' provision in the Public Service Act should be amended to provide that an employee may be transferred on the basis that the terms and conditions of their employment are comparable or that their substantive level of remuneration is maintained. The provision to allow for termination if a transfer is refused should remain. The capacity for any employee to be transferred should be made explicit during the advertising, appointment and induction processes for public service roles, as is the case with teacher positions.

Recommendation

137 **The Public Service Act 2008 be amended to remove the 'reasonable grounds' test for transfers and to provide for employees to be transferred on the basis that the terms and conditions of their employment are comparable and that their substantive level of remuneration is maintained.**

E4.4 SES MOBILITY

The Senior Executive Service (SES) was designed to be a core of mobile, highly skilled senior executives.[9] There is an anecdotal view that, over the past five to 10 years, mobility has been limited, and that the original aspirations for this group have not been fully realised. Unfortunately, it has not been possible for the Commission to test this view, as there is no information collected on the extent of mobility within the SES. However, the State of the Service Report (SOSR) in 2010 indicated that, on average, SES officers had worked for 2.5 agencies during their career.[10]

Until 2008, the approval of the PSC was required to appoint SES officers. Currently, agencies are able to exercise their own discretion about the appointment of SES officers, within the agency SES profile determined by the PSC. However, temporary SES roles (under section 122 of the Public Service Act) are only required to be approved by the agency chief executive, subject to budget considerations. There is no approval or monitoring of section 122 appointments by the PSC.

A formal SES mobility program commenced in 2002, which required one SES officer from each department to participate in a six-month secondment annually, and participate in other executive development elements such as executive coaching. This was designed to encourage learning, and professional and career development, for better performing SES officers.

The program is reported to have yielded some benefits, such as the sharing of new ideas, processes and insights to improve business performance. However, it was discontinued in 2010, due to concerns that the program was being used in some instances to relocate officers with diminished performance, thereby compromising its original objectives.

The current Queensland practice whereby individual agencies directly employ SES officers is consistent with other Australian jurisdictions, with the exception of the Australian Capital Territory where long-term (five year) contracts for SES officers are with the chief executive of the Chief Minister's office (although, short-term contracts are with individual agency chief executives). Practices in other jurisdictions also feature a varying amount of central control over issues such as template contracts, numbers of SES officers and approval to advertise.

Improved mobility of the SES across the Queensland public service is an important component in addressing the strategic objectives of agencies and the Government. It would facilitate the deployment of skilled and experienced SES managers as necessary to address changing priorities and resource needs of government.

The Commission considered whether all SES contracts should be established with the PSC Chief Executive to encourage greater mobility. The disadvantage of this approach is that it could diminish the incentive for department Chief Executives to be accountable for the performance of their SES officers.

On balance, the Commission considered that department Chief Executives should retain responsibility for the appointment of SES officers, to ensure they remain fully accountable for their performance. However, SES officers should be employed on standardised contracts, counter-signed by the PSC Chief Executive, to promote easier transfer and greater mobility of SES officers between departments, in accordance with changing priorities.

As part of this process, the PSC Chief Executive should ensure that contracts with SES officers reflect appointment to a particular level and salary, rather than an individual role (consistent with other public servants). This will ensure that SES officers can be deployed across the sector, at level, to any role in order to meet agency and government objectives, without the necessity of amending an employment contract.

In managing and assessing the performance of individual SES officers, Chief Executives should work with the PSC to ensure that an SES officer's performance development can be enhanced by maximising opportunities for mobility.

As part of a revised SES performance and development framework, the PSC has introduced an SES Technical Specialist category for SES officers with 'limited leadership and managerial responsibilities'. There is a question as to whether such technical specialists should form part of an SES sub-category, as this may compromise the achievement of mobility and leadership objectives for the SES as a whole. The SES cohort should be focussed on developing a mobile, highly experienced group of senior executives with outstanding leadership qualities.

Recommendation

138   All Senior Executive Service (SES) officers be employed on standardised contracts. The Chief Executive of the Public Service Commission promote easier transfer and greater mobility of SES officers between departments, in accordance with changing priorities. Department Chief Executives retain responsibility for employment of SES officers, and co-operate with the Public Service Commission to allocate resources across the public service to areas where the Government's needs are greatest.

E4.5   MOBILITY FOR NON-SES OFFICERS

The mobility of officers below the SES level is also important, and should be linked to performance management processes and career progression. A review of job mobility literature and practice prepared for the Australian Public Service Commission in July 2011 found that mobility programs are an important part of talent management, workforce planning and professional career development.[11] However, design, communication and integrity of operation are important to success.

There would be merit in implementing a service-wide mobility program for officers below SES level. This type of program could allow for employees to self-nominate for mobility and should aim to fulfil two needs:

- enhancing organisational workforce capability and talent management

- supporting employee professional development and career aspirations.

The effectiveness of such a program would be enhanced by rationalisation of employment and classification frameworks, as recommended by the Commission in Sections E2 and E3 in this Report. The program should be coordinated by the PSC to maximise the opportunities available across the public service and to encourage a greater pool of interested employees.

ENDNOTES

[1] Texas Legislative Council, *Government Code, Chapter 651.004*, 2012, accessed from www.statutes.legis.state.tx.us

[2] Oregon State Legislature, *Oregon Revised Statutes, Chapter 291.229*, 2011 Edition, accessed from www.leg.state.or.us

[3] New South Wales Commission of Audit, *Interim Report: Public Sector Management*, 2012, accessed from www.treasury.nsw.gov.au

[4] The level of role will depend on many factors, including the size of the organisation. For smaller agencies, DDG role may be SES 2-3 and for larger agencies SES 3-4.

[5] *Directive 03/09 Recruitment and selection*; *Directive 17/05 Information to be conveyed when employees move between departments*; *Directive 17/10 Transfer and appointment expenses*; and *Directive 24/99 Transfer within and between classification, levels and systems*, accessed from www.psc.qld.gov.au

[6] Based on employees under the Public Service Award, which excludes police and teachers

[7] Australian Public Service Commission, *State of the Service 2011-12, Workforce Trends*, 2012, p. 251, accessed from www.apsc.gov.au

[8] See New South Wales Public Service Commission, *Workforce Profile, 2012 Report*, 2012, accessed from www.psc.nsw.gov.au; State Services Authority, *Profile of the Victorian public sector workforce at June 2012*, 2012, accessed from www.ssa.vic.gov.au; and Public Sector Commission, *State of the Sector Report 2012,* accessed from www.psc.wa.gov.au

[9] *Public Service Act 2008,* section 106(3), accessed from www.legislation.qld.gov.au

[10] Public Service Commission, *State of the Service Report 2010*, 2010, p.92, accessed from www.psc.qld.gov.au

[11] G Drew and R Cooper, *Job Mobility Research Report: encouraging employees to expand their career experience in the Australian Public Service*, 2011, accessed from www.apsc.gov.au

E5 PERFORMANCE MANAGEMENT

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KEY ISSUES

- The investment in people in the public service is significant. In 2011-12, employee-related costs were $18.2 billion and represented 38.9% of total recurrent expenses.

- Performance management is the way in which agencies can ensure that this investment is being maximised to achieve effective organisational performance.

- Since 1997, there has been a requirement for agencies to have performance agreements for all employees. The 2010 *State of the Service Report* indicated that, while almost all agencies (91.9%) said they required employees to have a performance agreement, less than half (46.8%) of employees who completed the survey said they had a current performance agreement in place.

- The State of the Service Report also indicated that less than half of respondents agreed that immediate managers dealt well with poorly performing employees. Only 21.4% of respondents believed that their agency dealt with underperformance effectively.

- An effective performance management system will improve organisational performance – by rewarding those employees who achieve excellence in performance and lifting the performance of those employees whose performance is not considered to be satisfactory.

- The Crime and Misconduct Commission has adopted a wide interpretation of official misconduct. As a result, there has been an increase in administrative process, costs and time involved in managing misconduct.

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E5.1 CURRENT ARRANGEMENTS

The investment in people in the public service is significant. In 2011-12, employee-related costs were $18.2 billion and represented 38.9% of total recurrent expenses.

Performance management is the way in which agencies can ensure that this investment is being maximised to achieve effective organisational performance. Chief executives cannot optimise agency performance without optimising employee performance. Performance management provides the essential linkage and alignment between individual, team and organisational objectives and results. Effective performance management involves managing diminished or poor performance, as well as recognising and rewarding excellence.

There are existing frameworks for performance management, both at an organisational and an employee level, already in the public service. However, they have not been widely or consistently applied in a way that achieves greater efficiency and effectiveness for the delivery of agency services.

The organisational performance management framework is reflected in the Financial and Performance Management Standard 2009 and the Performance Management Framework developed by the Department of the Premier and Cabinet. These frameworks describe the requirements for agencies to:

> "…*develop and implement systems, practices and controls for the efficient, effective and economic financial and performance management of the department*".[1]

This includes governance requirements such as planning, performance management and resource management, as well as requirements for financial and annual reporting. These requirements are overseen by Queensland Treasury and Trade (for financial aspects) and the Department of the Premier and Cabinet.

Requirements for employee performance management are outlined in Directive 21/10 (Employee performance management) issued by the Public Service Commission, effective from 1 November 2010. The directive includes four general requirements:

- All agencies are required to have an employee performance management strategy, system and processes.

- Chief executives are to ensure that employee performance management is implemented for all public service employees.

- Public service employees are to participate actively in their agency's employee performance management.

- Employee performance management must complement the agency's implementation of organisational performance management.

Under current arrangements, there are no direct sanctions for agencies or chief executives for failing to comply with or achieve the outcomes specified in a directive.[2] However, a failure by a chief executive to comply with a requirement under a directive should be considered as part of the assessment of that chief executive's performance.

The effectiveness or extent of compliance by agencies with the performance management requirements is unclear, as there has been no comprehensive assessment undertaken by the Public Service Commission. However, limited available evidence tends to suggest a mixed position.

Since 1997, there has been a requirement for agencies to have performance agreements for all employees. The 2010 *State of the Service Report* indicated that, while almost all agencies (91.9%) said they required employees to have a performance agreement, less than half (46.8%) of employees who completed the survey said they had a performance agreement.

As shown in Chart E5.1, the *State of the Service Report 2010* also indicated that less than half of respondents agreed that immediate managers deal well with poorly performing employees. Only 21.4% of respondents believed that their agency dealt with underperformance effectively. These results suggest that performance management needs to be more meaningful and relevant for employees.

Chart E5.1
Employee satisfaction with manager dealing well with
poorly performing employees

Agreed
40%

Neutral/Not
Agreed
60%
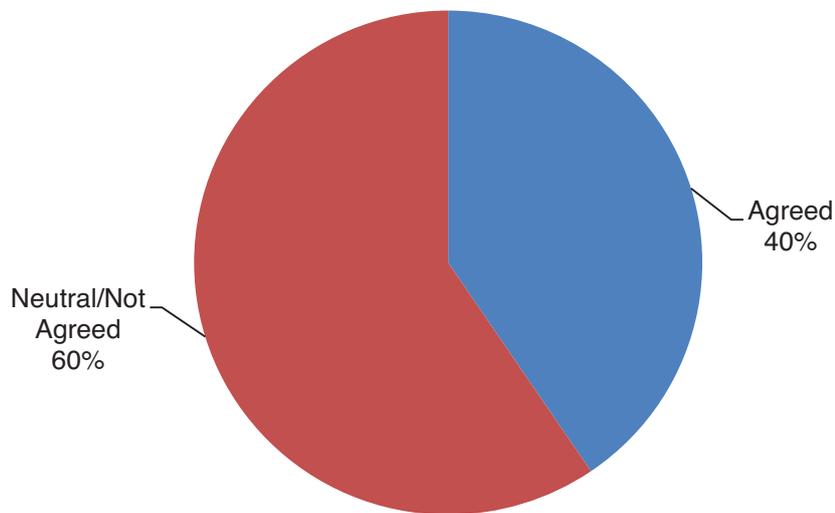
Source: Public Service Commission, State of the Service Report 2010

E5.2   EFFECTIVE PERFORMANCE MANAGEMENT

It is important that performance objectives for individual employees, senior executives and chief executives are consistent with the strategic and operational plans, which in turn should reflect the implementation of government priorities. The performance planning process should cascade from government priorities and agency planning processes such as strategic and operational planning through to chief executive, senior executive and individual employee performance agreements, as shown in Figure E5.1.

Figure E5.1
Cascading nature of performance management

Government priorities

Agency planning processes

CEO performance agreement

SES performance agreement

Individual employee performance agreement

Source: Commission of Audit

There are a number of essential elements that should be present in an effective performance management system, as follows:

- Performance management should be evident at all levels of the organisation. It should apply clearly to all employees from the chief executive through to the most junior employees, and should be embraced by senior managers as an important tool for assessing the effectiveness of the organisation.

- Organisational goals or objectives should be clearly understood. All employees should understand and be aware of the agency purpose and goals. They should also know how their roles assist the agency to achieve its goals or objectives.

- Clear performance expectations should be established from the outset. Employees need to understand clearly their role and responsibilities, the expectations of their managers as to their performance, and how they will be assessed against these expectations.

- There should be a suitable focus on public service values, as well as specific job requirements. The *Public Sector Ethics Act 1994* outlines public service values of integrity and impartiality, promoting the public good, commitment to the system of government, and accountability and transparency.

- There should be joint responsibility for performance management. Both managers and employees should engage and participate actively in the performance management process.

- There should be ongoing assessment of performance. Performance management should be an ongoing process, not just a perfunctory discussion once or twice a year. Managers should have frequent, informal conversations with employees to provide feedback on their performance. These conversations should be open and honest, but respectful.

- Performance management should be linked closely with workforce planning. For example, information on skills and training needs derived from the performance management process should inform workforce planning processes.

An effective performance management system will improve organisational performance – by rewarding those employees who achieve excellence in performance, and lifting the performance of those employees whose performance is not considered to be satisfactory.

Existing performance management arrangements can be made more effective and meaningful to employees. Suggested improvements are as follows:

- ensuring active executive involvement and clear communication with employees about performance expectations

- ensuring managerial capability for performance management and embedding performance management as a performance expectation for all managers

- utilising financial and non-financial performance incentives for excellence at all levels

- implementing clear action for poor performance, including streamlined disciplinary processes

- simplifying the administrative requirements.

E5.2.1   Performance expectations

There needs to be tangible and demonstrable commitment to performance management by the chief executive and other senior executives of agencies. This should include regular and consistent performance management assessments for all employees at all levels with agencies. The importance of individual performance in contributing to the strategic objectives and service delivery outcomes of an agency need to be communicated clearly as part of the assessment process.

All employees should receive ongoing guidance from their immediate managers about expectations of their work performance – the functions and duties to be performed in their roles; how their performance in undertaking those roles will be assessed; and how those roles may change over time due to changing priorities.

Agency HR teams and the PSC should provide support to line managers as necessary in promoting wider understanding of performance expectations. This should commence at induction, through a whole-of-government induction program covering issues such as public service employment conditions, Queensland's system of government, the structure of the public service, and public sector ethics and values. Agency induction should address agency service delivery priorities, and the way in which performance management arrangements operate.

E5.2.2   Management capability

Performance management should be embedded as a performance expectation for all managers. Managers should have clear responsibility and accountability for managing the performance of their employees. This responsibility is an integral component of the roles of managers, and should be clearly articulated as such.

Agencies should ensure that managers have sufficient capability and competency to manage the performance of employees, including the ability to develop and apply relevant and appropriate performance targets and measures. Managers should establish a constructive work environment that encourages open and honest discussion about issues of performance as a normal, ongoing practice.

Assessments of the performance of managers should focus to a large extent on their competency and effectiveness in managing the performance of their employees. This includes the management of both good performance and poor performance.

E5.2.3   Incentives for excellence

Performance management needs to be meaningful to employees, and not just a compliance exercise. There should be agreed outcomes from performance assessments, such as incentives or rewards for superior performance and a clear course of action to address poor or diminished performance.

Performance incentives should be limited to those employees who achieve superior or excellent performance. Generally, they might be expected to apply to a relatively small proportion of employees. They should not be available for employees who perform at an average or satisfactory level.

Financial incentives for excellent performance have previously formed part of employment contracts for chief executives in the Queensland public sector.[3] As part of 2012-13 performance agreements, chief executives may receive an At Risk Component (ARC) for exceeding performance targets.

This type of financial incentive could be extended to a wider group of employees on a gradual basis. In the Australian Government, performance bonuses are available to non-SES employees. In 2011, 13.45% of eligible, non-SES employees from APS1 to EL2 received an average bonus of $1,701.[4] In comparison, 29% of SES employees received an average bonus of $14,078.[5]

Another option for rewarding high performance would be to consider an increase in base remuneration. Under a broadbanded classification system such as recommended by the Commission in Section E3, there no longer would be an entitlement to annual salary increments. However, there would be scope for agencies to reward high performance with salary increases within a band, subject to budgetary constraints.

There is also a range of non-monetary reward and recognition mechanisms to acknowledge and encourage high performance of employees. Options include team and agency recognition programs and whole-of-government programs, such as the Premier's Awards for Excellence in Public Service Delivery. Good performance also should be recognised through direct feedback to employees.

E5.2.4   Management of poor performance

While superior performance should be rewarded, it is equally important that there are implications for poor performance. The Public Service Act already allows for disciplinary action for employees as a consequence of poor work performance. This includes the ability to reduce an employee's classification level or remuneration level. However, the extent of such disciplinary action is unknown, due to a lack of relevant information.

Other options for managing poor performance would be available with a broadbanded classification system and more flexible employment conditions. For example, there would be greater scope to transfer an employee to another role with different responsibilities more suited to their skills and experience. There would also be greater scope to adjust salary within a band, rather than necessarily reducing the classification level of an employee. Probationary periods could be used more effectively to identify and manage poor performance.

Formal disciplinary processes need to strike an appropriate balance between the needs of an agency and the rights of an individual employee. There is a danger that such processes can become complex, cumbersome and time consuming, and privacy requirements may lead to the perception that poor performance is not being dealt with. To be effective, disciplinary action needs to be handled promptly, in the interests of all parties. Wherever possible, disciplinary matters should be handled in the context of internal processes to manage performance and conduct. More formalised external processes, involving specialist investigators or external consultants, should be used only for a limited number of serious or complex matters.

E5.2.5   Administrative requirements

The administrative requirements of performance management programs need to be reasonable and proportionate, so that they do not act as a disincentive to managers or employees to participate. Performance agreements need to be documented properly, but need not be lengthy or burdensome. Generally, documentation should include:

- a documented performance plan for each employee developed at least annually (which can be updated and revised as circumstances change)

- notes from discussions with employees about their progress towards the performance goals, including areas for improvement

- a documented assessment process, at least once a year, which clearly explains whether an employee has achieved agreed performance goals or not, and the actions to be taken as a result.

E5.3   PERFORMANCE OF CHIEF EXECUTIVES AND SES OFFICERS

E5.3.1   Chief executives

In July 2012, a revised performance framework was introduced for chief executive officers. This framework applies a balanced scorecard approach, which analyses chief executive performance across four different perspectives:

- financial
- stakeholder and outcome
- internal business
- learning and growth.

A small number of objectives, which will be reviewed each year, are identified within each of these perspectives, which will form the basis for performance monitoring and assessment. The objectives for 2012-13 are shown in Table E5.1.

Table E5.1 Chief Executive Performance Objectives, 2012-13	
Perspective	**Objective**
Financial	• Financially sustainable service delivery • Financially sustainable workforce
Stakeholder and outcome	• Revitalised frontline and/or client services • Benefits to business and/or community through red tape reduction • Implementation of government priorities and commitments
Internal business	• Streamlined organisational structure • Efficient organisation that identifies and reduces waste
Learning and growth	• Capable, high performing workforce • Client-focussed organisational culture

Source: Public Service Commission

There is an At Risk Component (ARC) available as part of the remuneration for chief executives. The ARC is up to 15% of total fixed remuneration, depending on performance. Eligibility for the ARC requires a rating of at least 3 out of 5 for each of the nine objectives and the achievement of a minimum score of 350 (from a maximum score of 500). The financial perspective objectives and the stakeholder and outcome perspectives each comprise 30% of the balanced scorecard, with internal business and learning and growth perspectives comprising 20% each.

Performance agreements for chief executives will be prepared in July of each year, and will be followed by a mid-year performance check in February between the chief executive and Minister. The Premier will meet with each chief executive for a performance assessment in July/August each year. Recommendations on a chief executive's eligibility for the ARC are to be made by the Chair of the Public Service Commission Board, following discussions with the Director-General of the Department of the Premier and Cabinet and the Under Treasurer.

The new performance framework for chief executives provides a balanced focus on the range of government priorities that chief executives will be expected to achieve. It is important that the number of objectives does not become excessive, as this would tend to reduce clarity and accountability for the achievement of those objectives. However, there would be merit in recognising public service values, or 'how' the objectives are achieved.

The effectiveness of the revised performance management framework for chief executives will depend on the nature and candour of discussions between the chief executive and Minister at the mid-year check and with the Premier at the end of year assessment.

E5.3.2   Senior executives

A revised performance and development framework also has been introduced for the Senior Executive Service (SES). The SES framework is based on the CEO framework, with the addition of development planning. It acknowledges that SES officers must focus on current government priorities and support the chief executive in delivering services to the community. The SES framework also includes a strong focus on financial performance, although it does not include an ARC for high performance, as is the case for chief executives.

E5.4   WIDER APPLICATION OF PERFORMANCE MANAGEMENT

With revised arrangements now in place for chief executives and the SES, it is important that effective performance management arrangements are embedded in the operations and culture of the entire public service. As already noted, the adoption of effective performance management arrangements across the public sector has been mixed.

The wider application of performance management is primarily a role for chief executives and senior management of agencies. However, there is a pro-active role for the PSC in supporting agencies in this process, for example, through training, provision of advice, resources and guidance material, and building the capacity of managers. There should be clear, consistent and cogent messages from the PSC about the importance of performance management, together with active support and capability development for agency managers, in partnership with agency HR areas.

The PSC also needs to provide a whole-of-government perspective, by coordinating and oversighting the application of performance management across the public service. This should include regular monitoring to ensure agencies are adopting the improvements in performance management arrangements as outlined in Section E5.2 above. The PSC should also ensure compatibility with government strategic objectives and priorities.

Performance management will become increasingly relevant in the context of the changes in service delivery models which the Commission considers will be necessary to ensure sustainability of government operations in the future.

Recommendations

139   The Public Service Commission coordinate and oversee the implementation of more effective performance management arrangements within public service agencies, including by:

- *building and supporting the capacity of managers to apply effective performance management practices*

- *developing both financial and non-financial incentives that encourage public service employees to improve performance*

- *streamlining public sector disciplinary processes to deal effectively and expeditiously with under-performing employees.*

140   Public service agencies ensure that:

- *performance management practices are applied regularly and consistently at all levels of their organisations*

- *performance management is embedded as a performance expectation for all managers*

- *clear linkages are established between performance management and service delivery outcomes.*

E5.5   MANAGING MISCONDUCT

As well as managing diminished or unsatisfactory performance, public sector managers and agencies may also need to manage allegations of misconduct committed by employees. The appropriate management of misconduct is essential in maintaining the integrity of public administration in Queensland.

All public sector employees are required to work and behave in a manner which is consistent with the ethics principles under the Public Sector Ethics Act, which are also the basis for the 'Code of Conduct for the Queensland Public Service'. The Public Service Act (and other similar employing legislation) provides the basis for agency chief executives to take disciplinary action against an employee if they have acted contrary to these conduct expectations.

In principle, it should be a relatively straightforward process to determine whether an employee has acted in a manner contrary to the Code (on the balance of probabilities). However, there are other legislative obligations which affect how and when such determinations can be made. Specifically, there is a legislative requirement to report all suspected official misconduct to the Crime and Misconduct Commission (CMC).

Under the *Crime and Misconduct Act 2001*, there are two types of misconduct – official misconduct and police misconduct. For conduct to be official misconduct, it must involve either:
- dishonesty or lack of impartiality
- a breach of the trust put in a person by virtue of their position

- misuse of officially obtained information.[6]

In addition, the conduct also must be a criminal offence or a disciplinary breach sufficiently serious to justify dismissal, if proven.[7]

The CMC has adopted a wide interpretation of official misconduct. As a result, there is a low threshold for matters to be required to be referred to the CMC. In its submission to the 2012 review by the Parliamentary Crime and Misconduct Committee (PCMC), Queensland Rail highlighted this issue:

> "… the reportee does not have to have formed a reasonable suspicion or belief that any actual conduct, that could constitute official misconduct, has occurred. No evidence is required to support the complaint. The application of this threshold requires reporting of potentially unnecessary matters".[8]

To ensure compliance with legislative requirements, some agencies have established internal coordinating units to which managers must report allegations of misconduct, before taking any action to resolve the issue. This has eroded the authority of managers to deal effectively and expeditiously with matters of a more minor nature.

It has also encouraged some managers to adopt a risk-averse approach, by avoiding direct responsibility for the issue and, instead, leaving that responsibility to other parties to resolve. The overall impact has been an increase in administrative process, costs and time involved in managing misconduct.

Concern about the time taken to deal with matters, particularly those of a more minor nature, were raised in the submission from the then Department of Education and Training to the 2012 review by the Parliamentary Crime and Misconduct Committee (PCMC):

> "The period of time between the referral of the matter to the CMC and the Department's receipt of the CMC Matters Assessed Report is generally not less than two weeks and occasionally can extend up to six or seven weeks. These delays can impact on the Department's ability to commence timely investigations and manage its workforce, and is of increased significance where an employee is under suspension with pay."[9]

Broader concerns about the efficacy of the process and the administrative framework that has developed were expressed in the 2011 review of the police complaints, discipline and misconduct system:

> "… the organisation … tends to overcook investigations, oblige protracted delays and unnecessary complexity, and operationalise injustice as it surrenders to the rules and expectations of a system that serves no one well."[10]

Under the provisions of the Crime and Misconduct Act, the CMC must ensure that misconduct is dealt with in an appropriate way, having regard to four principles: cooperation, capacity building, devolution, and public interest. The principle of devolution involves referring a matter back to the relevant agency for action. During 2011-12, 5,303 complaints were received by the CMC, of which 2,616 (42%) related to public sector agencies. Of the total number of complaints assessed:

- 85% were referred to the appropriate agency to deal with, subject to monitoring
- 14% were assessed as requiring no further action
- 1% were retained for investigations by the CMC, including investigations conducted cooperatively with agencies.[11]

Where complaints are referred back to an agency to deal with, the process of monitoring by the CMC takes various forms:

- oversighting an investigation while it is taking place
- reviewing interim reports as an investigation progresses
- reviewing an agency's finalised investigation report before any disciplinary or other managerial action is taken
- auditing the way in which an agency has dealt with a general class of complaints
- evaluating the quality of an agency's overall integrity framework
- recording outcome data for all referred matters.[12]

In terms of its monitoring role, in 2011-12, the CMC reviewed a total of 136 complaints dealt with by public sector agencies. The CMC was satisfied with the way in which agencies dealt with these matters in 96% of cases.[13] This suggests a high degree of satisfaction on the part of the CMC with the way in which agencies have managed these matters.

Concerns about the devolution principle have been raised by many stakeholders through the regular PCMC reviews. In addition, the 2011 review of police complaints, discipline and misconduct stated:

> "*The objective of the devolution policy implemented under the* Crime and Misconduct Act 2001 *was to effect quicker remedial responses to complaints through police management taking responsibility. In the decade since, neither remedial nor timely objective has been achieved.*"[14]

The principle of devolution is sound. However, the more relevant issue is the extent to which misconduct matters should be referred to the CMC in the first place.

Where a misconduct allegation is of a serious nature or may require specialist investigative skills, it is appropriate that the matter should be referred to the CMC. However, responsibility to deal with disciplinary breaches of a more minor matter should remain with the agency concerned. Managers should be empowered to exercise this responsibility, to ensure proper accountability for managing performance, including matters of misconduct.

Similar issues have arisen in the management of misconduct in other jurisdictions. Box E5.2 outlines the approach recently taken by the Victorian Government in the formation as its Independent Broad-based Anti-corruption Commission (IBAC). Box E5.2 also describes the new arrangements proposed in Western Australia.

Box E5.2
Management of misconduct in Victoria and Western Australia

Victoria

Victoria's new Independent Broad-based Anti-corruption Commission (IBAC) commenced on 1 July 2012. The IBAC is

> *"… Victoria's first anti-corruption body with responsibility for identifying and preventing serious corrupt conduct across the whole public sector, including members of Parliament, the judiciary and state and local government."*

While the definition of 'corrupt conduct' is necessarily broad, the IBAC legislation provides that the IBAC may only identify, expose and investigate serious corrupt conduct. This obligation reflects the intent that the purpose of the IBAC is to "*focus on the most concerning public sector integrity issues*".

Western Australia

The two key bodies responsible for public sector integrity in Western Australia are the Corruption and Crime Commission (CCC) and the Public Sector Commission (PSC).

In June 2012, the Western Australian Government introduced legislation to significantly reform the management of misconduct within the public sector in Western Australia.

The legislative amendments are aimed to achieve three purposes:

- enable the CCC to perform a new organised crime investigative function by utilising exceptional powers, as well as to assist and support police investigations into serious offences and investigate serious or criminal offences involving public officers

- transfer the management of minor misconduct from the CCC to the PSC, with serious misconduct being dealt with by the CCC, as well as matters of police misconduct

- transfer misconduct prevention and education to the PSC, with the CCC to assist and work in cooperation, where there is a special need identified to increase capacity to prevent or combat misconduct.

Source:
- *Independent Broad-based Anti-corruption Commission, 2012, accessed from www.ibac.vic.gov.au*
- *Victoria Government, Victorian Legislation and Parliamentary Documents, Independent Broad-based Anti-corruption Commission Act 2011 (Victoria), sections 3A & 9(2)(a), accessed from www.legislation.vic.gov.au*
- *Parliament of Western Australia, Corruption and Crime Commission Amendment Bill 2012, accessed from www.parliament.wa.gov.au*

It is clear that the current arrangements for managing misconduct have become cumbersome, costly and time consuming. Significant efficiencies in agency performance could be achieved by returning responsibility and accountability for the management of minor misconduct matters to agencies and managers, with post-action audit or review by the PSC. In addition, the PSC should have a role in misconduct education and prevention, along similar lines as in Western Australia.

Recommendation

141   **The responsibility and accountability for the management of minor misconduct matters be returned to public service agencies and managers, with oversight to be provided by way of post-action audit or review by the Public Service Commission.**

ENDNOTES

[1] *Financial and Performance Management Standard 2009*, section 4(1), accessed from www.legislation.qld.gov.au

[2] A failure to comply with a directive could be raised by an individual employee through an appeals process. For example, a failure by an agency to take action to resolve an employee complaint within 21 days of receipt as required by section 7.2.2 (a)(v) of Directive 8/10 could be raised by an employee as part of an appeal about an agency decision under this directive.

[3] For example, the Office of the Public Service Commissioner's Annual Reports recorded bonus payments for chief executives between 1998 and 2002: $423,316 in 1998-99; $462,114 in 1999-00; $466,922 in 2000-01; and $461,492 in 2001-02.

[4] Australian Public Service Commission, *2011 APS Remuneration Report*, accessed from www.apsc.gov.au

[5] Australian Public Service Commission, *2011 APS Remuneration Report*

[6] *Crime and Misconduct Act 2001*, section 14, accessed from www.legislation.qld.gov.au

[7] *Crime and Misconduct Act 2001*, section 15

[8] Queensland Rail, Submission to the *Three Year Review of the Crime and Misconduct Commission,* 2011, accessed from www.parliament.qld.gov.au

[9] Department of Education and Training, *Submission to the Three Year Review of the Crime and Misconduct Commission*, 2011, accessed from www.parliament.qld.gov.au

[10] S Webbe, G Williams and F Grayson, *Simple, Effective, Transparent, Strong: An independent review of the Queensland police complaints, discipline and misconduct system*, 2011, accessed from www.premiers.qld.gov.au

[11] Crime and Misconduct Commission, *Annual Report 2011-12,* p. 25, accessed from www.cmc.qld.gov.au

[12] Parliamentary Crime and Misconduct Committee, *Three Yearly Review of the Crime and Misconduct Commission: Report No.86*, 2012, pp.52-53, accessed from www.parliament.qld.gov.au

[13] Crime and Misconduct Commission, *Annual Report 2011-12*, p. 31

[14] S Webbe, G Williams and F Grayson, *Simple, Effective, Transparent, Strong: An independent review of the Queensland police complaints, discipline and misconduct system*, 2011

E6   DEPARTMENTAL CORPORATE SERVICES

KEY ISSUES

- The delivery of corporate services has experienced fundamental change over the past 10 to 15 years. Governments across Australia, including Queensland, have introduced shared service arrangements for the provision of some 'back office' corporate services.

- The overall objectives of shared service arrangements are improved services, efficiencies and cost savings. The shared services model was introduced in Queensland in 2003 and, since that time, there have been various structural changes designed to improve performance and achieve anticipated outcomes.

- Nevertheless, the adoption of the shared services model in Queensland has been of questionable value for money. Compared with the original business case, costs have been higher, savings lower, and the time required for implementation longer. The deadlines for full implementation of services and realisation of cost savings have been regularly extended, and have not yet been achieved, some 10 years after the original milestones.

- Various external reviews have identified further shortcomings, including a relatively low level of maturity of shared services functions, particularly in some key performance areas such as internal service efficiency, service delivery outcomes and the overall strength of the provider–client relationships.

- Greater contestability in the provision of corporate services would encourage more competitive pricing, better quality of service and improved value for money.

E6.1 BACKGROUND

Corporate services refer to the range of 'back-office' functions that support agencies in the delivery of front-line services to the community. In the Queensland public service, corporate service functions are defined as including:

- audit services
- documents and records
- executive support services
- finance
- human resources
- information services
- procurement
- property and facilities.[1]

As noted in Section E1 of this Report, it is difficult to obtain an accurate picture of the proportion of Queensland public service employees who work in corporate services. Earlier work undertaken by the Public Service Commission (PSC) indicated that 17% of employee roles were categorised as corporate service. However, a more recent audit by the PSC in 2012 categorised 32% of roles as corporate service roles. This represents a significant variation in results, leaving reservations about the quality of the underlying data.

About eight out of 10 corporate service staff are employed on a permanent basis. The proportion of permanent corporate services employees to total corporate service employees has ranged from 80.3% to 81.3% between 2008 and 2012, as shown in Chart E6.1. The proportion of temporary corporate service staff decreased from 22.5% in 2011 to 16.6% in 2012.

Chart E6.1
Corporate service workforce by employment type
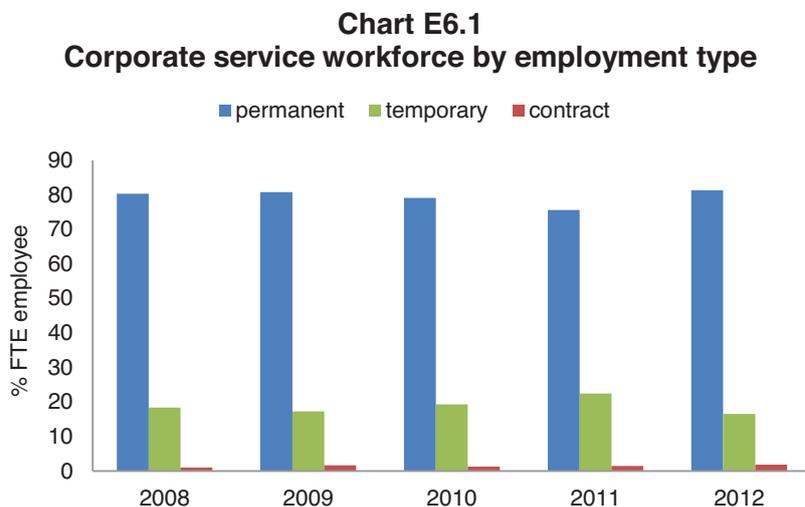
Note: Includes employees working in shared service providers

Source: Public Service Commission

Benchmarking with other public sector jurisdictions and the private sector is necessary to assess efficiency and effectiveness of corporate service functions in the Queensland public service. Such benchmarking depends on consistent and reliable definitions of corporate service roles across the service and agencies' coding of these roles, which are currently being reviewed by the PSC. The Public Sector Renewal Board is also undertaking a review of corporate services in order to identify opportunities for greater efficiencies and savings.

E6.2   THE SHARED SERVICES MODEL

The delivery of corporate services has experienced fundamental change over the past 10 to 15 years. Governments across Australia, including Queensland, have introduced shared service arrangements for the provision of some 'back-office' corporate services.

'Shared services' describes a model of service delivery in which multiple agencies share common corporate functions such as finance, human resources, information and communication technology (ICT) and procurement through a dedicated, stand-alone shared service provider (SSP). Shared services entail the consolidation and standardisation of high volume, repetitive, transaction-based processes, such as payroll and accounts payable/receivable, that traditionally have been provided within individual agencies.

The overall objectives of shared service arrangements are improved services, efficiencies and cost savings, although it is widely acknowledged that cost savings are the principal driver. Various studies have suggested that shared services in the public sector could deliver a 15-20% reduction in costs with improved levels of service and quality.[2]

Shared services objectives are intended to be realised through:

- economies of scale
- standardisation of processes
- greater expertise in the provision of services
- increased service levels
- freeing of resources for the client agencies and consequent focus on core business
- redirection of resources to government priorities
- increased flexibility for the overall organisation and sector.

In Queensland, corporate services have been delivered through a combination of agency corporate service units and shared service providers since the mid-1990s. The earliest shared service arrangements began with the creation of the Corporate Services Agency (CSA) in 1996 and the Corporate Administration Agency (CAA) in 1997. The CSA was established to provide corporate services to the (then) new Department of Natural Resources (DNR) and the Department of Primary Industries from which DNR had been created. In the following year, the CAA was established to provide a range of corporate services to small statutory bodies within the arts portfolio.

In 2002, following the Aligning Services and Priorities Review of Corporate Services, the Queensland Government approved a whole-of-government Shared Service Initiative (SSI), commencing in July 2003. The aim of the SSI was to deliver cost-effective corporate services through standardising business processes, consolidating technology and pooling resources and expertise. The SSI Business Plan projected that once shared service arrangements were fully implemented in mid-2006, annual savings of $100 million would be achieved. The Business Plan also detailed the following key benefits to be realised through shared services:

- maximise cost effectiveness by leveraging from the Government's investment in corporate services

- provide a rewarding and challenging career for corporate service professionals

- be more responsive and generate consistent information

- be more adaptable to agency structural change

- deliver the benefits of both centralised and decentralised approaches to service delivery.[3]

The SSI was one of the largest and most complex reforms undertaken in the Queensland Public Service. The reform included:

- the organisational amalgamation of certain corporate service functions and staff
- the development and roll-out of whole-of-government standard business solutions (that is, standardised business processes and technology systems) for human resource and finance functions, mandated across government departments.

As a result, funding arrangements for corporate services also changed. The resources required to deliver specified corporate services, based on agencies' estimates of their own costs, were to be quarantined within agency budgets. Agencies would pay 1/12 of the annual quarantined amount to their SSP and CorpTech on a monthly basis.

Shared services began with eight SSPs providing services across some common back-office functions to various agencies and clusters of agencies. These shared service providers were:

- CorporateLink
- PartnerOne
- Corporate Solutions Queensland
- Corporate and Professional Services (CAPS) – to provide services to Education Queensland
- Queensland Health Shared Service Provider (QHSSP)
- Corporate Administration Agency (CAA) – providing services to Arts Queensland and related statutory bodies
- Parliamentary Services – to provide services to some statutory authorities
- CorpTech – a single technology centre to provide ICT applications, infrastructure and systems support to the SSPs and agencies, including the development and implementation of whole-of-government business solutions for finance, human resources (HR), and electronic document and records management.

Between 2003 and 2010, the shared services model was directed towards standardised, whole-of-government provision of 'back-office' HR and finance services. In keeping with this direction, three SSPs – CorporateLink, PartnerOne and Corporate Solutions Queensland – were consolidated in 2006 into a single provider, the Shared Services Agency (SSA).

This direction changed in 2011, however, in response to problems with the implementation of Queensland Health's (QH) new payroll system by CorpTech. The Government moved away from the whole-of-government model for the provision of business applications, notably payroll in this case, and replaced it with a three-cluster model for shared services: Queensland Shared Services (QSS), QHSSP and CAPS.

QSS was established through a merger of SSA and CorpTech, with responsibility for both service delivery and business applications for the 'rest of Government' (RoG) agencies. The two in-house shared service providers, QHSSP and CAPS, were to be given back responsibilities for the HR/payroll and finance applications of their respective departments.

In summary, the implementation of shared service arrangements has entailed a number of structural changes over time, as shown in Figure E6.1.

Figure E6.1
Shared service arrangements
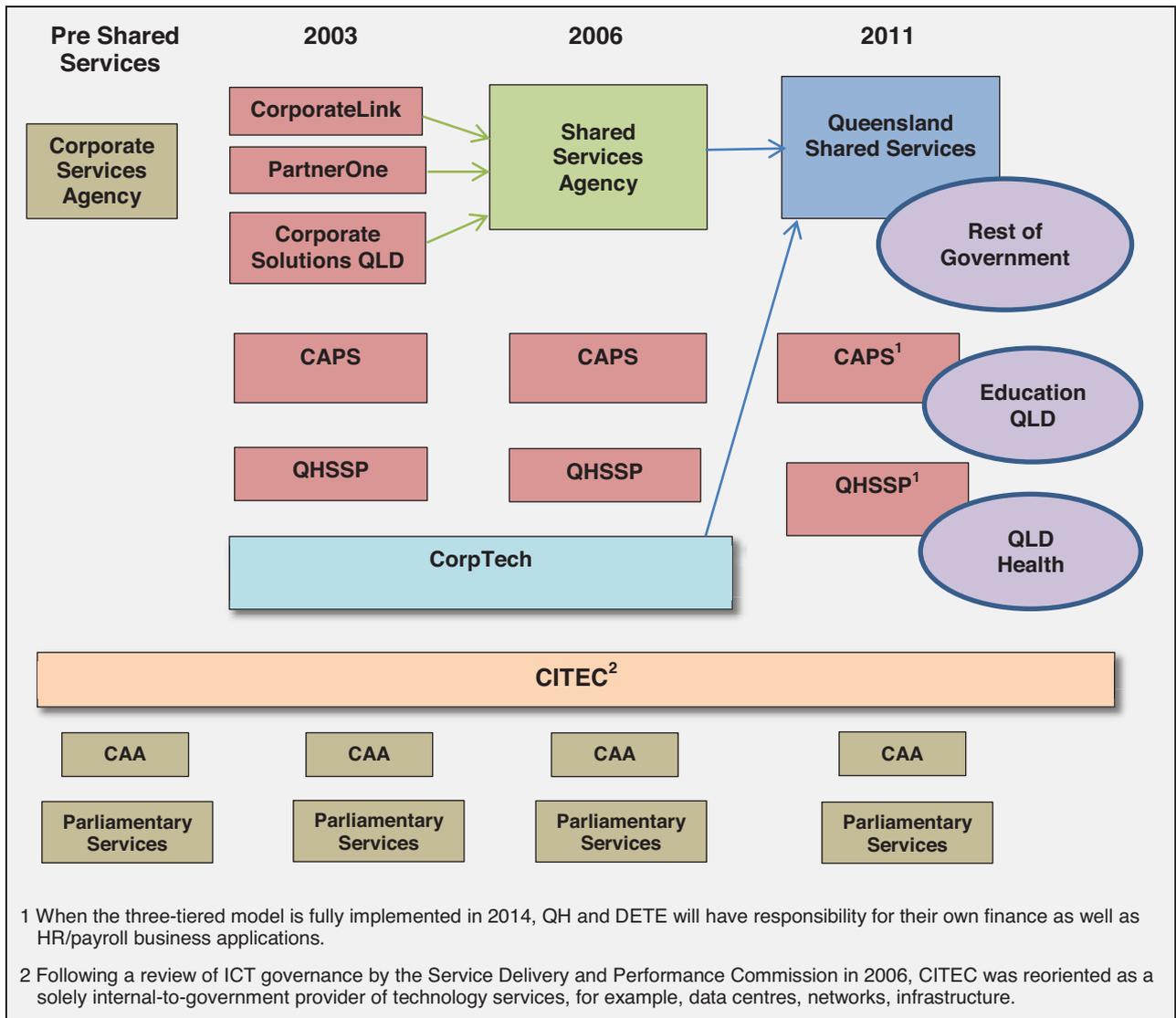
Source: Commission of Audit

While Figure E6.1 highlights changes at specific points in time, the history of shared services is one of fairly continuous change. As the projected benefits have proved difficult to achieve, there have been ongoing adjustments to the delivery model.

The changes in 2006 to a larger cluster arrangement were designed to facilitate greater business synergies for service delivery and thereby achieve the economies of scale on which projected savings were based. Standardisation of business processes on a whole-of-government basis is central to the realisation of the benefits of the shared services model.

However, the scale, diversity and complexity of processes, systems and applications across client agencies have been a major obstacle to the implementation of standardised, 'one size fits all' business solutions. This is illustrated by the problems encountered with the implementation of the QH payroll system. There were 10 awards and multiple industrial agreements providing for over 200 different allowances and in excess of 24,000 different pay combinations.[4]

E6.3   PERFORMANCE

Reflecting the difficulties encountered in implementation, there has been a succession of reviews of the shared services model in Queensland. External reviews of its performance have been undertaken by the Service Delivery and Performance Commission (SDPC) in 2007, the Queensland Audit Office (QAO) and PricewaterhouseCoopers (PwC) in 2010, and BDO Australia in 2011 and 2012.[5] The SDPC and PwC undertook comprehensive reviews of shared services, while the QAO and BDO reviews focussed on particular issues.

These reviews have identified some strengths of shared services, including:

- SSPs maintain discipline-specific expertise and capability able to be used by clients

- the environment of shared services provides the opportunity for clients to focus on their core service delivery

- a degree of standardisation across corporate services had been achieved, notably in the finance systems area

- the scale on which SSPs operated was appropriate to achieve savings through economies of scale

- some real savings had been achieved in procurement.

Notwithstanding these perceived strengths, the shared services experience in Queensland has encountered major difficulties. Compared with the initial projections outlined in the original business case, the costs have been higher, the savings lower and the time required for implementation longer. The deadlines for full implementation of shared services and realisation of cost savings have been regularly extended, and have not yet been achieved, some 10 years after the original milestones.

Queensland also has not performed well when benchmarked against comparable shared services. As part of its 2007 review, SDPC found that Queensland's shared services performance was "*generally well below best practice benchmarks elsewhere in Australia*".[6] Three years later, PwC's analysis of key business processes provided by SSA and CorpTech found that their performance was "*below median*".[7]

PwC's review also found that, after seven years of operation, the state of shared services was at a relatively low level of maturity, particularly in some key performance areas such as internal service efficiency, service delivery outcomes and the overall strength of the provider–client relationships. Anecdotal evidence also highlights ongoing concerns by agencies about the lack of information on service costs and charges and issues of service quality.

E6.3.1   Financial performance

Financial performance data on shared services overall is limited. Evaluations of performance also are complicated by the successive changes to the structural arrangements and types of services delivered through shared services. However, some indicative partial financial information is available.

The 2007 review of shared services by SDPC examined the operating benefits and costs between 2003 and 2007.[8] SDPC noted that some whole-of-government operating benefits were achieved by 2006-07, when the shared services model was to be fully implemented. SDPC identified benefits (including performance returns and procurement savings) of about $39 million for 2006-07, well under the projected $100 million annual savings.

Chart E6.2 shows a comparison of original budget and actual recurrent expenditure for the shared service providers. The original budget expenditure on shared services for the period to 2007-08 is from the original business case, and takes into account expected savings. Budgeted expenditure for later years was not available, but a flat line projection from the 2007-08 budget estimates is included for illustrative purposes, as an extrapolation of budgeted expenditure for 2006-07 and 2007-08. The chart also shows actual expenses of the SSPs from 2003-04 to 2011-12.

It is noted that subsequent revisions were made to budgets for the shared services function, as changes were made to the scope of functions and institutional arrangements for the shared services model. These budget revisions highlighted the difficulties in achieving the benefits and cost savings projected in the original business case.

By 2007-08, actual expenditure had exceeded original budget estimates by a cumulative $393 million. Over this period, actual SSP expenses (excluding performance returns) increased by 38%, from $246 million to $339 million. Since 2007-08, recurrent expenses have moderated somewhat, reflecting in part further changes in functions and structure, including the return of some shared services functions to QHSSP and CAPS.

Chart E6.2
Comparison of original budget and actual recurrent expenses for shared service providers
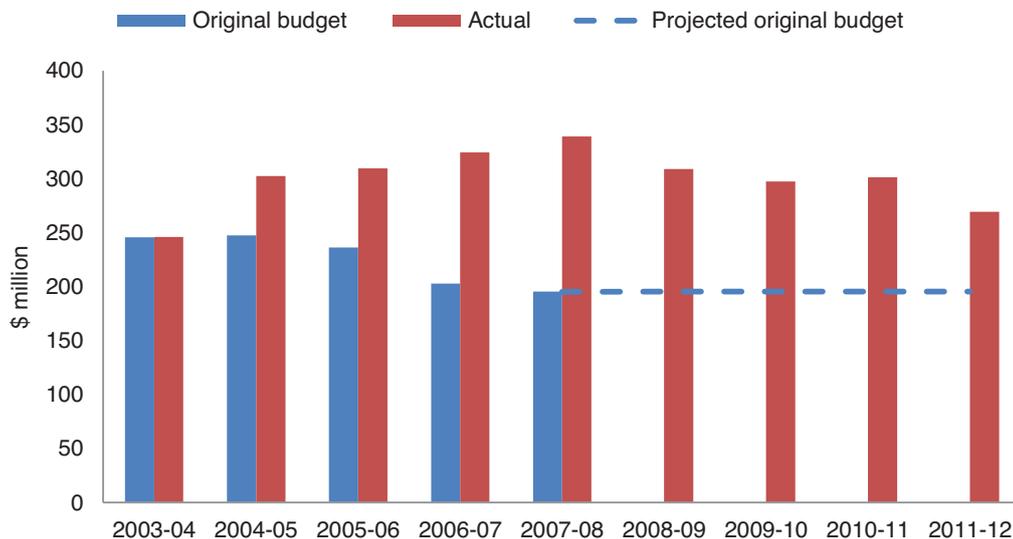
Source: Queensland Treasury and Trade

The capital expenditure costs of shared services also were significantly underestimated. The capital budget to build the whole-of-government finance and HR solution was initially $125 million, which was revised upwards to $190 million in 2006 and then to $249 million a year later. This was double the original budget.

The Commission notes that there has not been any benefits realisation assessment of the shared services model, despite the magnitude and complexity of the reforms involved. It has been difficult to undertake a comprehensive analysis of the model, due to the absence of reliable ongoing financial and operational data to assess performance. While the available evidence is limited, it is sufficient to conclude that the implementation of the shared services model has experienced considerable financial difficulties, and has not achieved the benefits and cost savings originally anticipated.

E6.4   OTHER SHARED SERVICES EXPERIENCES

Shared service arrangements for the provision of 'back-office' support functions have been adopted in various other Australian jurisdictions. All are based on the proposition that this would lower costs, improve service delivery and facilitate the focus on core business by client agencies.

As in Queensland, other states have encountered difficulties in realising expected benefits and cost savings.[9] Typically, projected benefits have been overestimated, costs have been underestimated, service quality has been variable, and the timeframes and other aspects necessary for implementation have been unrealistic.

Contributing factors have included numerous implementation difficulties, such as resistance to change, lack of necessary expertise, lengthy transition periods, and technological problems. The public sector experience is also made more difficult by the greater complexity of stakeholder relationships, public ownership, scrutiny of government activity and a lower appetite for risk.[10]

Box E6.1 presents a summary of shared service arrangements in other states.

**Box E6.1
Shared services – selected Australian states[11]**

New South Wales

As in Queensland, the experience of shared services in New South Wales is one of continuing change and regular review. Shared service arrangements began in 1996 with the creation of the Central Corporate Services Unit, which merged corporate service staff and assets in 11 agencies. In 2002, the NSW Government approved a whole-of-government Shared Corporate Services Strategy. By 2003, only 5% of the projected $297 million savings forecast for 2006 had been achieved. A major reform program to consolidate and improve corporate and shared services commenced in 2006. This was followed by further change three years later, when the government amalgamated agencies into 13 clusters (each including a principal department and other similar agencies, tribunals and statutory bodies).

The 2009 reform was designed, in part, to provide a more streamlined and standardised corporate and shared services framework and service delivery. In 2010, the Department of the Premier and Cabinet's *Blueprint for Corporate and Shared Services in the NSW Government* outlined a whole-of-government implementation framework to enable principal departments to achieve the benefits from the consolidation of corporate and shared services. Corporate functions are being consolidated to the cluster level through a principal department and shared services are provided either through an in-house or multi-tenanted provider, depending on the cluster's scale.

The shared services model was examined by the NSW Commission of Audit in 2011. Its report identified a number of concerns, including doubts that projected savings would be achieved and the (still) fragmented systems and processes. The report made detailed recommendations for improving shared services.

Victoria

Shared services began operating on a small scale in Victoria in the 1990s, with a small number of departments collaborating on some back-office services, such as ICT. With the structure of mega-departments in the Victorian Government, there was not the same attraction of economies of scale to be derived from shared service arrangements. However, a Shared Services Provider agency (within the Department of Treasury and Finance) provides facility, accommodation, carpooling and library services across 11 government departments and four agencies.

In 2008, the Victorian Government established an ICT shared services agency (CenITex) to centralise ICT services across some 12 departments and agencies, with projected savings of about $40 million a year from its $1.7 billion ICT expenditure. CenITex had responsibility for amalgamating network systems, internet providers, data centres and help-desk services that served about 37,000 Victorian public servants. Despite significant investment, there were concerns about poor service quality and cost over-runs. In 2011, a review of CenITex, including its governance arrangements, financial performance and shared services operating model, was undertaken by the State Services Authority. Its report was presented to the Victorian Government in February 2012, but has not been made public.

Western Australia

Western Australia's shared services initiative commenced in 2003, with the aim of providing annual savings of $57 million and reducing the annual $315 million corporate services bill. The initiative entailed consolidating financial, procurement and human resource functions from agencies to three shared service centres providing services to the health and education portfolios and a number of other agencies. Nominated agencies were scheduled to be rolled in by early 2007. In 2004, the government decided against the three clusters and approved a single entity, the Office of Shared Services (OSS), to provide shared services to general government agencies. In early 2007, the Department of Treasury and Finance assumed responsibility for OSS, renamed the Department of Treasury and Finance Shared Service Centre (DTFSSC).

By 2011, only 58 of the expected 80 agencies had been rolled in to DTFSSC. As most of these were small to medium size, DTFSSC was servicing only 37% of the projected full-time equivalent staff (based on completed roll-out across 80 agencies). Less than half of the 80 agencies (37) were using the full HR and finance services provided. Since commencement, four reviews of shared services have been undertaken. The latest review conducted in 2011 by the Economic Regulation Authority (ERA) documented significant cost over-runs, significant delays in completion time and dissatisfaction from government agencies with the quality and level of services provided. The ERA report found the cost of the project was $444 million, over five times the original estimate of $82 million. In all, shared services delivered a net present value of negative $345 million to the WA Government between 2005-06 and 2010-11. On the recommendation of the ERA's review, DTFSSC is being decommissioned.

South Australia

A shared services initiative was approved by the South Australian Government in late 2006. The principal agency, Shared Services SA (SSSA) was established within the Department of Treasury and Finance (DTF) to provide services in finance, HR, ICT and procurement. The original business case estimated that implementation of shared services would save about $130 million over four years to 2009-10, offset by implementation costs of about $60 million. However, reviews in 2008, 2009 and 2010 by the state's Auditor-General found that the costs of shared services were greater than expected, the savings were less than expected and deadlines were not being met.

In light of further cost increases and loss of projected savings from shared services identified in the Mid-Year Budget Review in December 2011, the government deferred further implementation of shared services and transferred the SSSA from DTF to the Department of the Premier and Cabinet. This was designed to align SSSA with the government's focus on providing quality services. In June 2012, SSSA was merged with the agency, Services SA.

E6.5   FUTURE ARRANGEMENTS

Corporate service functions are essential to the ability of agencies to deliver front-line services to the community. The evolution of shared service arrangements for the provision of corporate services in Queensland demonstrates the considerable challenges in implementing such a large and complex reform. The Queensland experience, like those of other states, demonstrates that while the benefits of adopting shared services may appear attractive in a business case, they have typically not been achieved in practice.

E6.5.1   Contestability

The shared services model is predicated on the assumption that significant savings can be achieved from economies of scale. However, there comes a point where economies of scale may diminish, and diseconomies of scale may appear. It can be difficult to determine where such a turning point may occur. Research by the United Kingdom (UK) Cabinet Office suggested that the minimum threshold for potential economies of scale is 20,000 end users, and ideally 50,000 end users.[12]

The identification of diseconomies of large scale is more problematic. However, the difficulties encountered in the 'one size fits all' strategy of shared services models suggests that there may be complexities and diseconomies in seeking to integrate large numbers of end users into single systems, as illustrated by the problems in implementing a new payroll system for Queensland Health.

Greater standardisation of systems in government is desirable, as discussed in more detail in Section E7 of this Report. However, this needs to be moderated by a degree of flexibility, especially to accommodate the business models of large agencies such as QH and the Department of Education, Training and Employment (DETE), which each meets the UK Cabinet Office minimum threshold for economies of scale in their own right.

This has been recognised in the most recent restructuring of shared services, which involves a 'cluster approach', with two in-house providers for the largest agencies (QHSSP for QH and CAPS for DETE) and a single whole-of-government provider (QSS) for the rest-of-government agencies. The transition to this structure is expected to be fully completed by 2014.

The cluster approach will enable the large-scale corporate service requirements of QH and DETE to be addressed on a stand-alone basis, separately from other government agencies. However, each of the three shared service providers still will remain as mandated monopoly public sector providers.

While shared service providers they are intended to operate on a commercial basis, in reality they are shielded from any competitive pressures to drive the efficiency of their operations. In the absence of such competitive pressures, there is limited, if any, effective scrutiny of costs and hence prices charged to internal clients. Moreover, there is no scope for agencies to choose another provider, if they are dissatisfied with the price and/or quality of service.

There is an active and competitive market of private sector providers for a range of corporate service functions. It is not clear why public sector providers should continue to provide these services if they can be delivered more efficiently by the private sector. The introduction of a contestable market for the provision of corporate service functions would

enable agencies to choose between potential providers, whether public or private, on the basis of value for money.

This should not preclude whole-of-government policies to achieve greater standardisation of systems, such as for finance, HR and payroll. For example, there should be guidelines for agencies on acceptable systems that can be accessed from public or private providers.

The introduction of contestability and choice for agencies does not necessarily mean that all corporate service functions should be delivered by private providers. The 'threat of competition' may provide a sufficient incentive for public providers to improve their efficiency and performance, and offer a value proposition for agencies. A range of potential solutions is possible, as illustrated in Figure E6.2.

Figure E6.2
Continuum of service delivery models
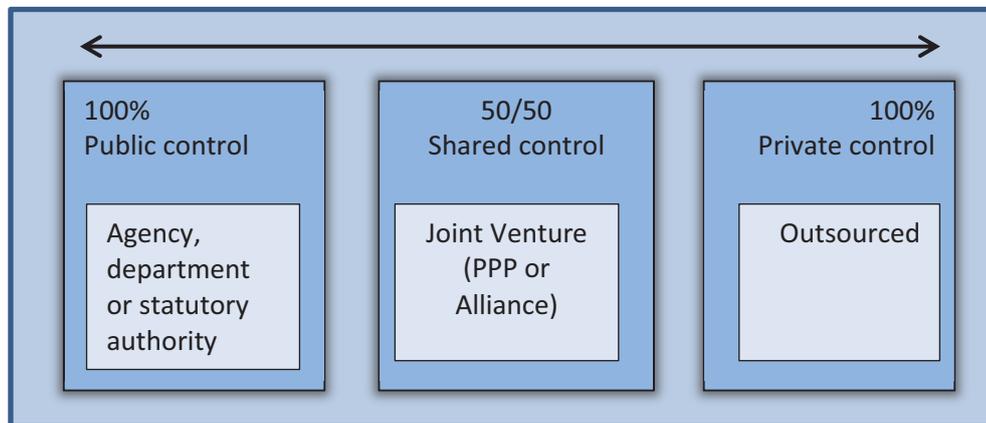
Source: PricewaterhouseCoopers, Shared Services Review: Review of the Model for Queensland Government, 2010

Overall, a contestable market should ensure greater value for money in the provision of corporate service functions. There are a number of benefits of an open market with multiple providers competing on service price and quality to meet client agencies' demand for services, as follows:

- lower costs and more efficient pricing of services
- improved service quality
- higher client satisfaction.

At a whole-of-government level, a reduction in the costs and resources involved in corporate service functions would produce savings that could be re-directed into higher priority areas of front-line service delivery.

Figure E6.3 illustrates an indicative range of options for the provision of corporate service functions in a contestable market. If public providers such as QSS, QHSSP, CAPS and CAA are efficient, they should be able to compete effectively to provide services to their public sector clients. However, they should not be protected by a captive market of mandated users.

Figure E6.3
Indicative future service delivery arrangements for 'back office' corporate services
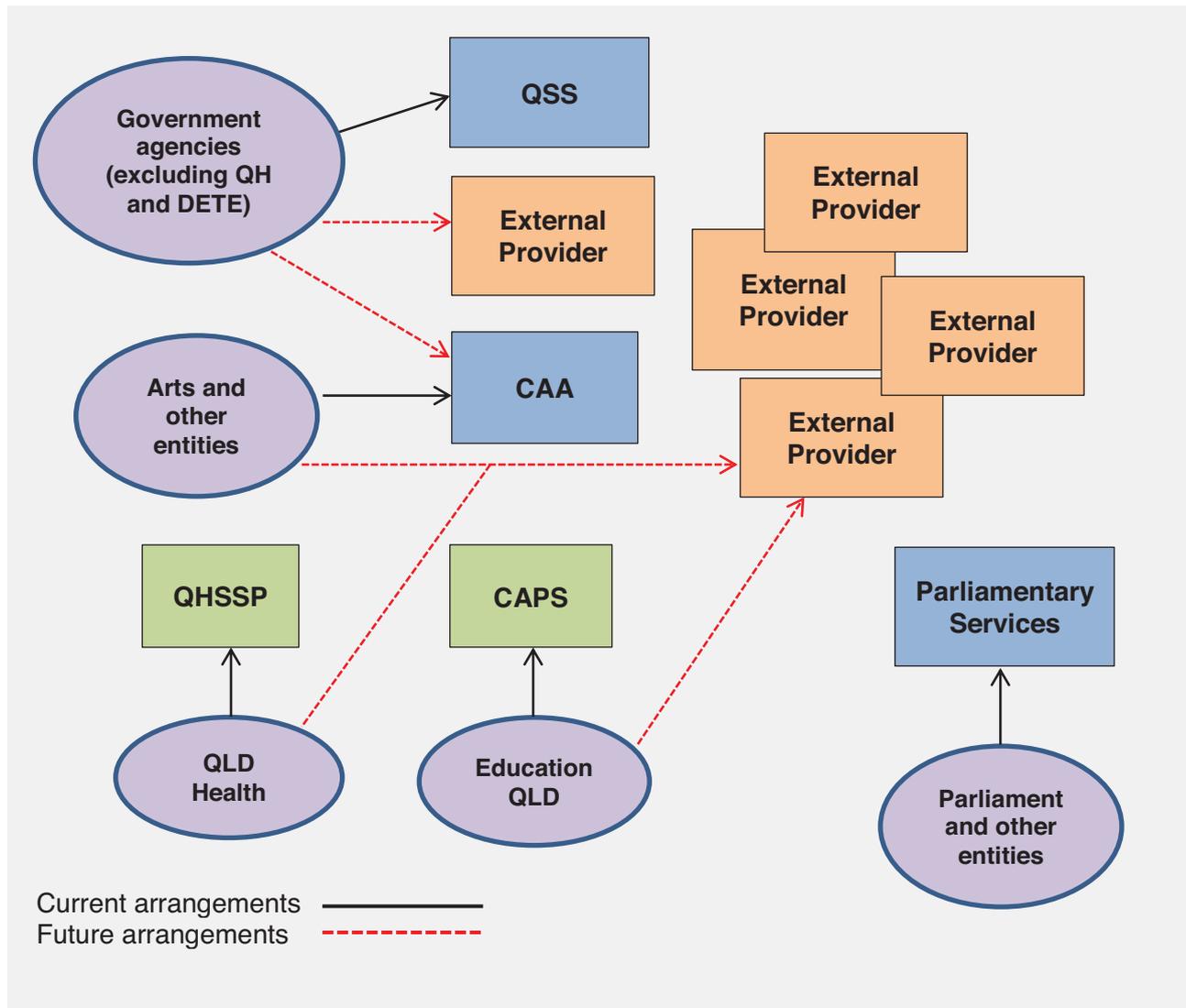
Source: Commission of Audit.

Recommendations

142   In the short term, the Government continue the transfer of corporate service functions for Queensland Health and the Department of Education, Training and Employment (DETE) back to the Queensland Health Shared Service Provider and DETE Corporate and Professional Services respectively, while at the same time investigating opportunities for immediate savings from contestability of all departmental corporate service functions.

143   The Government discontinue the mandated use of centralised corporate service functions through Queensland Shared Services.

144   The Government introduce an open, contestable market for the delivery of all corporate services by public or private providers, based on value for money considerations.

E6.5.2   Future role for QSS

QSS currently has a central role as the mandated provider of shared service functions to core government agencies, apart from functions which are being transitioned back to in-house providers for QH and DETE. QSS was established in 2006 as the SSA, before being merged with CorpTech in 2011 to form the current entity.

The prices charged to public service clients are based on cost recovery. Apart from limited benchmarking comparisons, it has been difficult for clients to determine whether the costs and prices of QSS services are efficient. As a result of client dissatisfaction with these arrangements, a review by PwC recommended the introduction of revised pricing arrangements, based on an annual capacity charge. This is being implemented from 1 January 2013.

The purpose of an annual capacity charge is to refocus the QSS–client relationship on strategic issues, value for money, service quality and costs, and reduce the micro-management that accompanies transaction-based pricing. The capacity charge also is designed to encourage agencies to undertake a more robust assessment of service requirements, thereby providing QSS with greater certainty about the demand for its services, and hence its revenue streams.

In principle, a user charging regime should provide price incentives for agencies to more efficiently manage demand. However, practical experience suggests that demand for many services is price inelastic and agencies have not demonstrated any strong propensity to manage their demand.[13] An annual capacity charge may not provide the incentive for agencies to modify their behaviour by managing demand to reduce costs and will result in a significant shift in demand risk from client agencies to QSS.

It is questionable whether an annual capacity charge represents the most efficient value for money solution. BDO's analysis of implementation of the new funding model suggested that the benefits identified by PwC were largely illusory.[14] BDO concluded that costs are unlikely to be lower, and may even be higher. In a competitive market environment, QSS should adopt a pricing model most suited to ensuring the sustainability of its business.

The introduction of contestability for corporate services should take into consideration QSS's current commitments for business critical services. The transition of payroll and finance applications to QHSSP and CAPS is in progress, but is not expected to be fully completed until 2014. QSS is also managing critical upgrades to the State's existing Aurion and SAP human resource/payroll systems, which are to be completed by July 2015.

The Commission considers that there is a future potential role for QSS to offer services to agencies on a contestable basis, provided that it is able to do so on a viable basis. Suitable arrangements would need to be put in place to enable a smooth transition for QSS and agencies to a contestable market environment.

Recommendation

145   *Queensland Shared Services be empowered to offer services to agencies on a contestable basis in a competitive market environment while it remains viable to do so.*

E6.5.3   Capability

Implementation of the recommended open, contestable market for the provision of departmental corporate services will necessitate changes in the capabilities and skill sets of both providers and consumers of these services.

Service level agreements between QSS and client agencies have tended to focus on micro-management of the level of services consumed and associated costs, rather than more strategic issues such as service quality and demand. The absence of robust performance information, on service quality for example, has limited the ability of agencies to be 'informed consumers' of services. In addition, there has been poor decision making, due to insufficient commercial expertise, particularly the absence of commercial board arrangements for shared service providers.[15]

The commissioning of corporate services from providers operating in a contestable market also will require agencies to develop stronger skills in procurement and contract management, for example, to ensure that their service requirements and performance standards are clearly articulated and achieved. As in other functions covered in this Report, there will be a role for the Public Service Commission in supporting agencies to develop these enhanced capabilities.

Recommendation

146   The Public Service Commission work with agencies to strengthen their focus on strategic issues which ensure:

- **senior corporate service staff have the skills and capacity to effectively manage corporate functions (by becoming 'corporate services strategists') in support of agency business and service delivery needs**

- **corporate service staff have the skills and capacity to commission, manage and realise the benefits of contestable transactional corporate services.**

ENDNOTES

1   Information on the Minimum Obligatory Human Resource Information codes provided by the Public Service Commission

2   Hackett Group, *Shared Services Performance Study,* 2009, accessed from www.thehackettgroup.com; and A.T. Kearney, *Shared Services in Government*, 2005, accessed from www.improvementsservice.org.uk

3   *Shared Service Initiative Business Plan 2002,* quoted in Service Delivery and Performance Commission (SDPC), *Report on Review of the Shared Service Initiative*, 2007, accessed from www.parliament.qld.gov.au

4   Information provided by Queensland Health

5   SDPC, *Report on Review of the Shared Service Initiative*, 2007; Auditor-General *Report to Parliament No 8. Shared Services 2010,* accessed from www.qao.qld.gov.au; PricewaterhouseCoopers (PwC), *Shared Services Review: Review of the Model for Queensland Government*, 2010, accessed from www.premiers.qld.gov.au; BDO, *Queensland Shared Services: Review of Funding Model*, 2011, unpublished; and BDO, *Review of QSS Funding Model: Phase 2 – Supplementary Report*, 2012, unpublished

6   SDPC, *Report on Review of the Shared Service Initiative*, p. 81

7   PwC, *Shared Services Review: Review of the Model for Queensland Government*, p. 8

8   SDPC, *Report on Review of the Shared Service Initiative*, pp. 82-83

9   A.T. Kearney, *Shared Services in Government*, 2005; Victorian Government, *Background Paper on Shared Services*, 2007; New South Wales Government, Department of the Premier and Cabinet, *Blueprint for Corporate and Shared Services in the NSW Government*, 2010, accessed from www.dpc.nsw.au; Auditor-General for Western Australia, Report 5, *Shared Services Reform: A work in progress*, 2007, accessed from www.audit.wa.gov.au; UK National Audit Office report, *Efficiency and reform in government corporate functions through shared service centres*, 2012, accessed from www.nao.org.uk; and UK House of Commons Committee of Public Accounts, *Efficiency and reform in government corporate functions through shared service centres*, 2012, accessed from www.parliament.uk

10 PwC, *Shared Services Review: Review of the Model for Queensland Government*, p. viii

11 New South Wales Government, Department of the Premier and Cabinet, *Blueprint for Corporate and Shared Services in the NSW Government*, 2010; New South Wales Government, *NSW Commission of Audit Final Report* 2012; Shared Services SA, accessed from www.sharedservices.sa.gov.au; Government of South Australia, *Report of the Auditor-General: Annual Report for the year ended 30 June 2012*; Firecone Ventures, *Background paper on shared services models* for the Victorian State Services Authority, 2007, accessed from www.egov.vic.gov.au; Victorian Ombudsman, *Investigation into allegations of improper conduct by CenITex officers*, 2012, accessed from www.ombudsman.vic.gov.au; Western Australia Economic Regulation Authority, *Inquiry into the benefits and costs associated with the provision of shared corporate services in the public sector: Final Report*, 2011, accessed from www.erawa.com.au; Auditor General for Western Australia, *Auditor General's Report 5, Shared services reform: A work in progress*, 2007; Australian Institute of Management, *Shared services in the public sector: A triumph of hope over experience?*, 2012, accessed from www.aim-nsw-act.com.au

12 UK Cabinet Office, *Shared Services Transformation Programme*, 2006 accessed from www.cabinetoffice.gov.uk

13 BDO, *Queensland Shared Services: Review of Funding Model*, p. 18

14 BDO, *Queensland Shared Services: Review of QSS Funding Model: Phase 2 – Supplementary Report*, p. 2

15 SDPC, *Report on Review of the Shared Service Initiative*, p. 28

E7 INFORMATION AND COMMUNICATION TECHNOLOGY

KEY ISSUES

- The value of the Queensland Government's ICT applications and technology assets is estimated to be about $4.5 billion, comprising $3 billion in applications and $1.5 billion in technology assets.

- It is estimated that the Government spends about $1.6 billion per annum on ICT – on the acquisition, implementation, maintenance and management of ICT assets and services.

- ICT resources are directed primarily to operational areas, such as supporting networks and operating systems, rather than to strategic, value-add areas.

- Value for money is not being achieved from the Government's investment in ICT. Significant ICT projects have exceeded costs, and failed to achieve expected benefits, due to a variety of factors, including ongoing problems in governance, management and accountability. Fragmented responsibility for ICT across government, in particular, has resulted in unnecessary duplication and waste, bespoke systems, and a high proportion of legacy systems that require urgent upgrades or replacement.

- The Queensland Government Chief Information Office (QGCIO) has estimated that about 90% of the Government's ICT portfolio requires replacement within five years. On the assumption of a 'like for like' replacement strategy, the total cost of replacing ageing ICT assets is estimated to be about $7.4 billion.

- The role of ICT is to support the business and administrative processes of agencies, to enable them to provide more effective services to the community. There is a need to adopt a revised approach to ICT in the Queensland Government to enable this role to be fulfilled more effectively.

E7.1 ICT PROFILE

Information and Communication Technology (ICT) is essential to the business of government. ICT is a significant 'enabler', providing support to business models and service delivery.

Over the past decade or more, ICT innovation has enabled governments to reshape how they operate internally, transforming business and administrative processes to improve productivity and operational efficiency. ICT is also an essential enabler of government service delivery – it has transformed how governments connect with clients and communities for service delivery. Service delivery today is significantly more client focussed – personalised services are easily provided to clients through one-stop shops which are open 24 hours a day, seven days a week.

Ongoing advances in ICT present enormous opportunities to continue to improve the quality of government services, develop more flexible and innovative services, provide existing services more cost effectively, and increase productivity. To realise these benefits, governments across Australia are implementing major reforms to the ways in which they acquire, manage and use ICT.

The Government undertook an audit of ICT functions during 2012, with the objective of ensuring better value for money from its investment in ICT. The outcomes of that audit have not yet been released.

E7.1.1   ICT stack

The broad range of ICT elements, such as networks and software applications that support the business activities of agencies, can be depicted by way of an 'ICT stack', which has been developed by the Queensland Government Chief Information Office (QGCIO). The stack is shown in Figure E7.1, and provides a visual representation of the way in which a group of ICT elements work together; in this instance, each layer builds on the layers below.

Figure E7.1
ICT stack
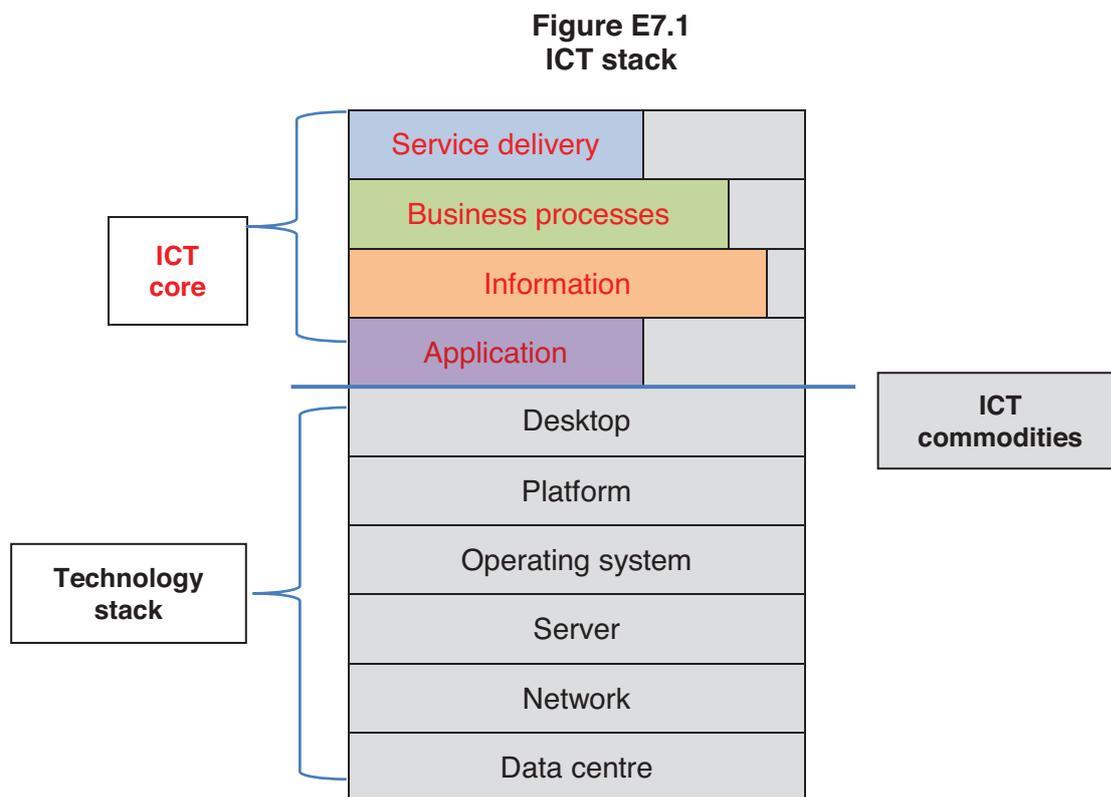
Source: Queensland Government Chief Information Office

The 10 elements in the stack can be grouped or categorised in a number of ways, but the focus here is on distinguishing between those that have the broadest applicability (and therefore are generally common across agencies) and those that are more specialised to support the particular business and service delivery needs of agencies.

The six bottom layers of the stack, those below the line, constitute ICT commodities as they are readily available from the ICT industry. Collectively, these layers are referred to as the 'technology stack'. The top four layers, those above the line, constitute ICT core elements. These are closely aligned with the business activities of agencies. However, the segmentation and shading within these four layers is indicative of increasing provision by industry of some of these ICT services as commodities.

E7.1.2   Assets

The value of the Queensland Government's ICT applications and technology assets is estimated at about $4.5 billion. The value of applications alone is about $3 billion while the technology assets collectively total about $1.5 billion, as illustrated in Chart E7.1.

Chart E7.1
Asset value by ICT layer ($ million)
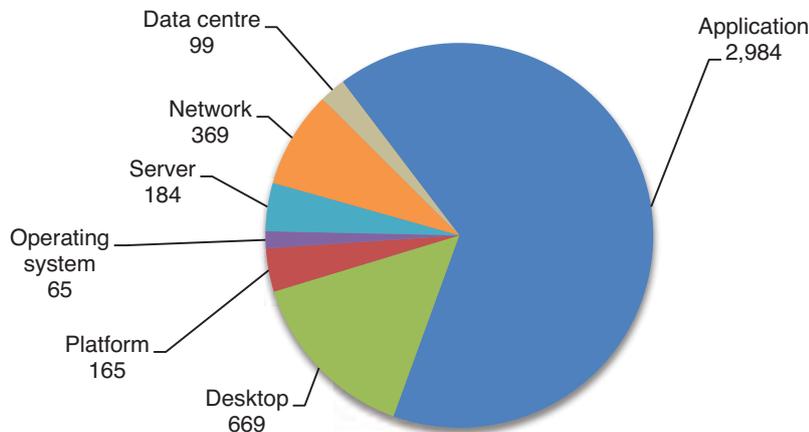
Source: Queensland Government Chief Information Office

E7.1.3   Staffing

As at 30 September 2012, the Queensland Government employed approximately 5,670 full-time equivalent (FTE) core ICT-related staff and contractors.[1] The estimated salaries, on-costs and contract costs of ICT staff represent about 38% ($616 million) of the annual $1.6 billion ICT spend.

From April 2012, the ICT workforce was reduced by about 18%, from 6,893 to 5,670 employees. This ICT workforce represents 2.8% of the total Queensland Government core agency workforce, down from 3.4% in April 2012. These figures are within typical industry benchmarks of 4%.[2]

There are also changes occurring in the basis of employment of ICT staff. Between 30 April and 30 September 2012, the proportion of ICT contractors decreased by 42% and the proportion of temporary ICT staff decreased by 33%. As at 30 September 2012, the proportion of temporary ICT staff was 20.9% (1,186) and the proportion of contractors was 9.2% (524, and down from 13.0% in April). The proportion of outsourced to insourced ICT staff is well below the benchmark in government of 12%.[3] These ICT workforce changes are illustrated in Chart E7.2.

**Chart E7.2
ICT workforce**

■ Permanent   ■ Temporary   ■ Contractors
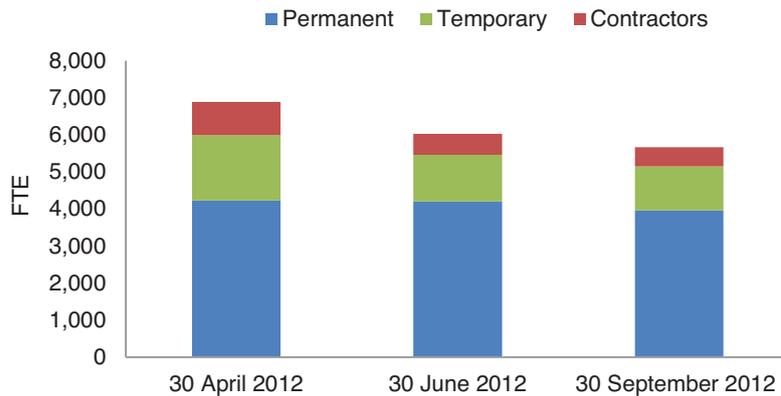
The single largest number of ICT staff, 2,543 (42%), provides day-to-day operational support to systems and technology infrastructure, as illustrated in Chart E7.3. An additional 30% is focussed on service transition, management and design. Thus, 72% of the ICT workforce is focussed on maintaining systems, in part reflecting the extent of highly customised ICT systems.

The remaining 28% of the ICT workforce is spread thinly across other key functions, with relatively small proportions of staff focussed on critical areas such as portfolio management, governance and strategy management. There appears to be insufficient resources directed to strategic aspects of the ICT function, such as redesigning business processes or sourcing business and ICT systems to support frontline service delivery.

**Chart E7.3
ICT staff (FTE basis) by function**
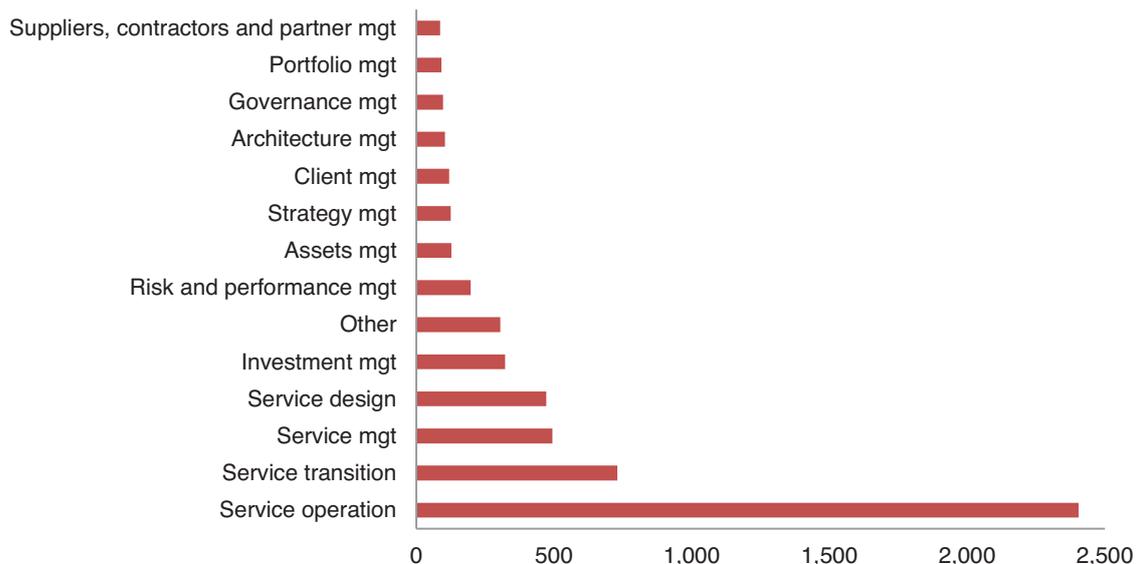
E7.1.4   Expenditure

It is estimated that the Queensland Government spends about $1.6 billion a year on ICT – on the acquisition, implementation, maintenance and management of ICT assets and services.[4] The ICT investment represents about 3.7% of the total government budget.

This annual total ICT expenditure includes costs for applications, technologies and initiatives, as shown in Chart E7.4.

Chart E7.4
Annual ICT expenditure ($ millions)
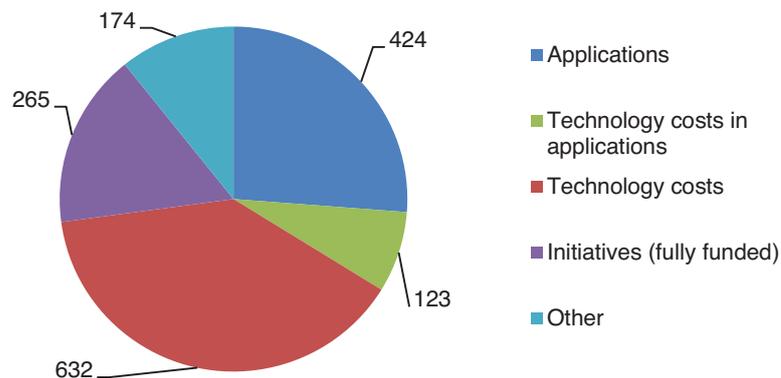
Source: Queensland Government Chief Information Office

Procurement from industry accounts for approximately $1.1billion, or 65% of total ICT expenditure. ICT procurement spans all components of ICT expenditure, including applications, technologies and initiatives.

In addition, 75% of the Government's annual ICT expenditure occurs in five agencies – Health; Education, Training and Employment; Transport and Main Roads; Communities, Child Safety, and Disability Services; and Police – which provide frontline services to the community.

The 10 ICT domains with the highest annual running costs (including hardware, software, licensing, and staff) for the last three financial years are shown in Chart E7.5. In 2011-12, approximately $420 million (of the annual $1.6 billion) was spent on ICT for back-office functions. The ICT costs for the human capital management domain (for example, recruitment, payroll, rostering) are more than double the next highest, the financial management domain.

Chart E7.5
Annual estimated total cost of operation across selected ICT domains
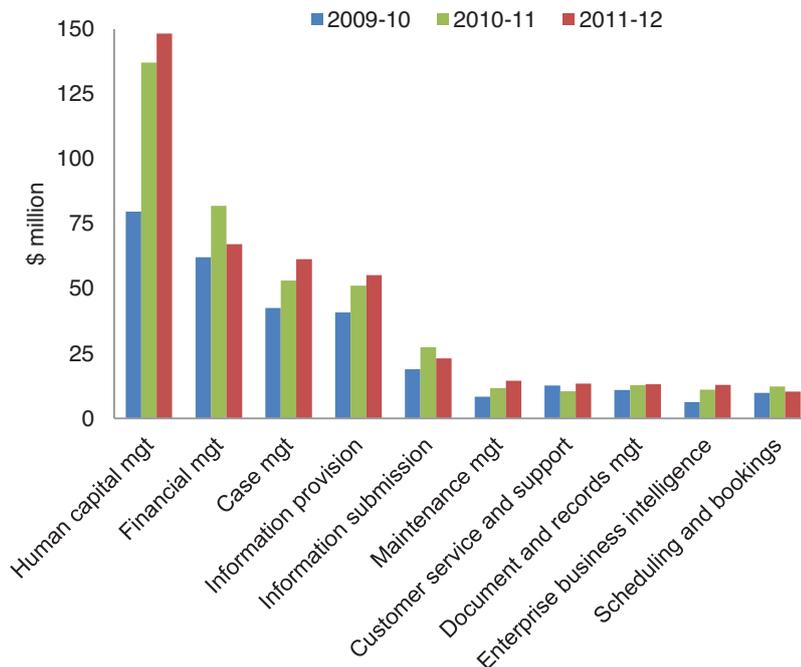
Source: Queensland Government Chief Information Office

E7.1.5   ICT governance

Responsibility for ICT at a whole-of-government level has changed over time as the Government has attempted to maximise the benefits from its ICT investment. While agencies have considerable responsibility for managing their own ICT functions, there are several entities which have lead roles for the Government's ICT services: QGCIO, CITEC, Smart Service Queensland (SSQ) and Queensland Shared Services (QSS).

A Services Subcommittee of the Chief Executive Leadership Team previously had responsibility for oversight of ICT strategy. However, this group has been disbanded. In April 2012, responsibility for public sector ICT (and industry development of ICT) was allocated to a single ministerial portfolio. QGCIO, CITEC, SSQ and QSS were brought together as part of the Department of Science, Information Technology, Innovation and the Arts (DSITIA).

Queensland Government Chief Information Office

QGCIO, which emerged from the (then) Government Office of ICT in 2006, has responsibility for whole-of-government ICT leadership, management and advice to ensure that the outcomes of the Government's ICT initiatives are optimised. QGCIO undertakes whole-of-government portfolio analysis, develops information management and ICT strategies and directions, the Queensland Government Enterprise Architecture (the framework for ICT policy in Government) and industry liaison.

In 2011, the Queensland Government Chief Information Officer role was repositioned at chief executive level, reporting directly to a Minister, in order to strengthen whole-of-government ICT direction and accountability for strategic ICT investments on behalf of the Queensland Government.

Also part of QGCIO is the Queensland Government Chief Technology Office (QGCTO). Established in 2007 to provide leadership and management on whole-of-government ICT technology issues, QGCTO provides technological expertise to ensure that ICT services match the Government's and agencies' business needs. In late 2011, QGCTO was relocated from CITEC to the QGCIO to focus primarily on technology policy and strategy. In addition to technology policy development in coordination with the QGCIO, QGCTO's role includes analysis and design of the adoption of cloud infrastructure for the Queensland Government.

CITEC

CITEC, established in 1965, is the primary technology services provider to the Queensland Government for both whole-of-government and agency specific ICT.

In 1992, CITEC was commercialised to provide ICT services, including data centres, networks and infrastructure, to Queensland Government and subsequently private sector clients throughout Australia. However, in 2006, the Government restructured CITEC to become a technology services provider solely to Government, including whole-of-government infrastructure, networks and data centres. CITEC was required to cease the provision of services to private sector clients, which it had been undertaking in competition with commercial private providers. Since 2006, CITEC has been gradually withdrawing from services to non-government clients as contracts expire. Phasing out this part of the CITEC business has taken considerable time as there are long-term contracts of up to 10 years with private sector clients.

Currently, there is not a clear logic or rationale to the range of services provided by CITEC. It primarily provides commodity ICT services, those 'below the line' in the technology stack; however, it also provides some core ICT services, such as applications.

Shared Services Queensland

Shared Services Queensland (SSQ) has primary responsibility for online service delivery for Government. SSQ was established in 2003 to be the whole-of-government 'front door', a single, one-stop shop through which the Queensland community could easily connect – 24/7, 365 days a year – with the variety of services provided by Government agencies.

Key service delivery channels include the www.qld.gov.au website, the 13 QGOV telephone number as well as 79 Queensland Government Agent Program (QGAP) offices and three Queensland Government Service Centres that provide over-the-counter service.

Queensland Shared Services

Queensland Shared Services (QSS) was established in 2011 by the merger of the Shared Services Agency and Corp Tech. As discussed in Section E6 of this Report, QSS is the shared services provider of back-office corporate services for Queensland Government agencies. It delivers ICT solutions for finance and human resource management, including payroll.

E7.2 PERFORMANCE

The QGCIO has identified 1,730 substantial ICT applications – those which provide essential support for the business of government. These 1,730 applications represent a small fraction of the estimated 20,000 to 30,000 software applications across agencies, but represent the substantial application software underpinning the business of government. The annual cost to operate these is estimated at $547 million. The QGCIO also has identified 4,849 technology assets with a combined annual total cost of $755 million.

E7.2.1   Complexity and customisation

The Government's ICT portfolio is a complex array of applications and technologies. There is limited use of generic, off-the-shelf ICT systems. Of the 1,730 applications identified by the QGCIO, 57% were custom built. A further 36% were off-the-shelf products but most of these were then customised. Less than one in 10 applications (7%) was sourced as a service.

Even for transaction-based 'back office' functions, custom built applications are common. Some 53% of applications for routine back office functions, such as human resources and finance, were custom built.

The preference by agencies for purpose built systems would appear to be due in part to legislative/regulatory requirements and/or a reluctance to adjust (and simplify) their business processes to fit generic, off-the-shelf products. As a consequence, ICT systems are configured to match existing business processes.

Highly customised or bespoke systems, however, have a number of significant disadvantages. They are complex and costly to maintain. They often depend on expensive, specialised knowledge that may be in short supply or not available at all over time. They make product upgrades more difficult and costly. Each vendor product change requires a similar round of customisation.

Highly customised systems tend to lock agencies into vendors' products, restricting opportunities to adopt new products and technologies as they emerge. The complexity of applications limits the ability of agencies to respond quickly to changes in business requirements and policy or legislative direction. Overall, complexity and customisation of the ICT portfolio is a significant barrier to changing the approach to ICT to ensure better value for money outcomes.

E7.2.2   Duplication and waste

The QGCIO has identified multiple ICT systems across government which are supporting the same or similar business services or processes. The scale of this duplication is considerable, and also costly. There are 1,167 systems across 12 broad domains at a projected annual estimated total cost of operation (AETCO) of $393 million, as illustrated in Table E7.1.

Table E7.1 Application system duplication, 2012		
Application domain	**Number of systems**	**Projected AETCO ($ million)**
Information provision	296	62
Human capital management	133	101
Financial management	122	56
Case management	108	63
Customer service and support (CSS)	97	18
Documents and records management (DRM)	91	18
Information submission	80	16
Enterprise business intelligence	68	16
Research	58	11
Authorities, licences, permits and awards	54	10
Scheduling and bookings	38	8
Maintenance management	22	14
TOTAL	**1,167**	**393**

Source: Queensland Government Chief Information Office

The information provision domain has the highest number of systems (296). This is understandable as they support the particular service delivery needs of agencies (as illustrated by the ICT Stack in Figure E7.1). In contrast, there should be a relatively small number of systems for back-office (transactional) functions, given they have high potential to operate standardised processes.

However, the QGCIO has documented over 100 instances of applications in each of the back-office functions of human capital (133), finance (122) and case management (108) and over 90 in CSS (97) and DRM (91). Excluding the information provision domain, this data reveals an average of 73 separate systems for each of the remaining 11 domains at a projected AETCO of $331 million.

There is also considerable diversity in the technology products used across government. The QGCIO has identified 1,928 different products across six major technology categories, such as desktops and networks, with an annual cost of over $600 million, as shown in Table E7.2.

<table>
<tr><td colspan="3">**Table E7.2**
Technology product diversity, 2012</td></tr>
<tr><td>**Category**</td><td>**Number of products**</td><td>**Apportioned AETCO ($ million)**</td></tr>
<tr><td>Desktop</td><td>497</td><td>161</td></tr>
<tr><td>Platform</td><td>441</td><td>103</td></tr>
<tr><td>Network</td><td>379</td><td>137</td></tr>
<tr><td>Data Centre</td><td>288</td><td>51</td></tr>
<tr><td>Server</td><td>204</td><td>85</td></tr>
<tr><td>Operating system</td><td>119</td><td>82</td></tr>
<tr><td>**Total**</td><td>**1,928**</td><td>**619**</td></tr>
</table>

Source: Queensland Government Chief Information Office

The performance of the shared services model (see Section E6 of this Report) demonstrates that 'one-size fits all' ICT solutions can have significant shortcomings. However, a diversity of ICT technologies and multiplicity of ICT applications supporting similar functions is not desirable. The level of customisation and duplication across government creates unnecessary complexity, as well as significant additional costs, and limits the ability of government to adopt more effective and efficient technologies as they emerge.

E7.2.3   Significant systems

Within the 1,730 substantial systems identified by the QGCIO, there are 388 (22%) systems which are 'significant' due to their level of importance both to agencies and to government as a whole. Significant systems are those considered most important for the delivery of core services and where the majority of effort and resourcing is directed. They include systems that:

- are disaster or business critical (318)
- have a high total cost of ownership (79)
- were identified by agency CIOs as significant (152)
- have been identified in the press (11).[5]

Significant systems account for 65% (or $355 million) of the systems' expenditure as they are larger and more complex, and thus more expensive and difficult to replace.

In addition to annual running costs, 160 or about 40% of the 388 significant systems are past due for replacement or due for replacement within the next two years. The QGCIO reports that less than half (75) of these 160 systems appear to have plans in place for either upgrade or replacement, posing a serious risk to service delivery given the long lead times generally required for such upgrades or replacement.

Fifteen of the 388 significant ICT sytems have been identified by the QGCIO as of 'highest risk' – those for which failure is highly likely and/or the consequences of failure are high. The estimated cost of replacement, based on 'like for like' and excluding costs of implementation, is $788 million. These 15 pose a serious risk to government service delivery. Five of these 15 systems have been assessed by the QGCIO as being in poor technical condition. These are shown in Table E7.3.

Table E7.3 High risk applications in poor technical condition			
System	**Agency**	**End of life date**	**Estimated replacement cost ($ million)**
Human Capital Management System	Community Safety	June 2008	150
Disaster Management Portal	Community Safety	April 2011	0.04
Carepay System	Communities, Child Safety and Disability Services	January 2010	1
Housing Property and Tenancy Management System	Housing and Public Works	January 2016	75
IAParks System	National Parks, Recreation, Sport and Racing	June 2012	0.8

Note: As defined by QGCIO, 'technical condition' is a measure of the health of an asset in terms of its performance, maintainability and alignment with the corporate architecture and best practice.

Source: Queensland Government Chief Information Office

E7.2.4   Legacy assets

The QGCIO also has identified significant legacy assets or systems in the ICT portfolio which pose a serious risk to service delivery. Legacy systems are those that have one of three attributes: an age greater than the average age of all government systems, past their end of useful life date, or in poor technical condition.

Some core ICT applications and infrastructure are being used beyond expected lifespans. Of the 1,730 substantial ICT applications across government, 904 (52%) are 'legacy' systems, that is, they were not upgraded or replaced when required. Overall, the QGCIO considers they are in poor technical condition, lack vendor support and cannot easily accommodate changed business requirements. As such, they carry additional risk associated with their continued use.

The number of ageing technologies is also of concern. Assets such as databases, operating systems and servers have a defined life due to hardware ageing, changes in usage or demand, vendor upgrades and the withdrawal of vendor support for older versions. About one in five (19%) widely used technology products are either on extended vendor support (for example, Microsoft Windows XP) or are unsupported (for example, Lotus Notes).

E7.2.5   Replacement costs

All ICT systems deteriorate as they age and reach an 'end-of-life' position which may be caused by the vendor withdrawing support for the product, support skills becoming scarce and expensive due to the age of the product, or by the underlying technology of the product becoming obsolete.

The QGCIO has made an estimate of the funding that would be required to maintain the ICT portfolio at an acceptable level to meet agencies' business needs. As with other assets, ongoing replacement of ICT assets is necessary due to the normal process of the ageing of ICT applications or technologies. However, unless sufficient financial allowance is made for replacement of ageing assets, system maintenance and replacement can suffer, which in turn can affect service delivery.

The QGCIO has estimated that about 90% of the Government's ICT portfolio will be at or past its end of useful life within five years. On the assumption of a 'like for like' replacement strategy, the total cost of replacing ageing ICT assets is estimated to be about $7.4 billion. A disaggregation of these estimated costs is shown in Chart E7.6. In addition to applications and technology costs, the cost of implementation is estimated to be $2.9 billion. About 20% of the estimated costs relate to the technology portfolio.

Chart E7.6
Indicative replacement costs for ICT ($ billion)
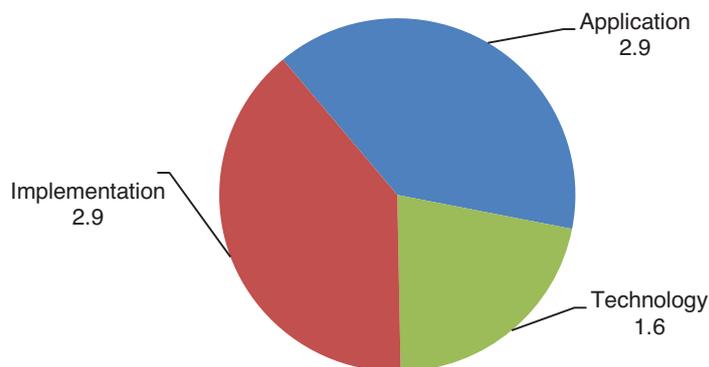
Source: Queensland Government Chief Information Office

These estimates need to be interpreted with some caution. In practice, agencies would be likely to source systems on an actual requirement basis, rather than a 'like for like' basis. Also, replacement strategies most likely would be implemented over a number of years.

The replacement of ICT assets also needs to be evaluated in the context of a revised strategy for ICT (as discussed in more detail in Section E7.4) and revised service delivery models for agencies that would arise from recommendations made by the Commission in other sections of this Report. Changes in service models could significantly alter the future ICT needs of agencies, and changes in ICT strategy would significantly alter the way in which those needs are met.

E7.2.6   Value for money

Some large or whole-of-government ICT projects have not delivered the expected benefits and outcomes and have not been implemented on schedule or on budget. A notable example is the new payroll system for Queensland Health.

In the mid-2000s, three large, whole-of-government ICT programs were initiated by Government with the expectation of significant financial savings and other benefits:

- the ICT Consolidation (ICTC) program[6] and the Identity, Directory and Email Services (IDES) program, both managed by CITEC, with an estimated combined cost of some $77 million

- the Corporate Solutions Program (CSP), managed by CorpTech.

CITEC commenced the ICTC Program in 2007 to provide consolidated data network, security and storage service across government. However, some five years later, the program has not delivered the projected cost savings, due primarily to the delays and/or failure of some agencies to migrate to the whole-of-government data centre. As a consequence, about 45% of the data centre remains underutilised at an annual cost of about $3.3 million.

Box E7.1 provides further details on the IDES program.

Box E7.1
Identity, Directory and Email Services (IDES)

The Identity, Directory and Email Services (IDES) program was designed to deliver a whole-of-government email, identity management and authentication service to be managed and operated by CITEC. The program was announced in 2007, tenders were called for in 2008 and the project was expected to be implemented by December 2009. Along the way, the deadline for completion was extended by 18 months to June 2011 and later by a further 18 months to December 2012.

The initial IDES business case estimated that $123 million in savings could be achieved over 10 years compared with the cost of separate systems operating across agencies. Some 80,000 email accounts and up to 250,000 identities were to be migrated to the new system by June 2010.

The detailed design phase was delayed by 12 months, affecting the timetables of subsequent phases, and contract negotiations took longer than expected. The development of the ICT solution itself took longer than expected due to the complexity of integration between the identify management and email solutions. A pilot involving 5,000 staff was not undertaken due to delays in selecting project components. Agencies' migration to the centralised email system did not occur as expected; many agencies were reluctant to participate, concerned that prices were too high.

The funding model for IDES also proved to be a significant barrier to agency adoption. The project was funded by a Treasury loan, which was then to be serviced by CITEC through user charges levied on agencies. These charges reflected full cost recovery, including the costs of research and development, design, prototyping, testing, hardware and software, in addition to the operational costs. Agencies also were required to fund their transition costs.

A 2010 review by the Queensland Audit Office (QAO) estimated that IDES would need to deliver services to about 81,000 users to break-even. By June 2012, there were only 3,100 email users of IDES, less than 4% of the 81,000 break even figure. In the meantime, emerging technologies also were affecting the viability of IDES. By 2012, the program architecture had become dated and less costly services were readily available from the market.

A departmental review of IDES in 2011 concluded that, in addition to the $250 million that was expected to be spent on the program, a further investment of $25 million over the following three years would be required to attract sufficient users for the program to be viable.

Faced with escalating costs and out-dated technology, IDES was terminated by the Government in June 2012. The closure resulted in CITEC writing off some $18 million on disposal of ICT infrastructure assets.

Source: QAO, Auditor-General Report to Parliament No. 7 for 2010: Information systems governance and security, 2010, accessed from www.qao.qld.gov.au; Queensland Government Chief Information Office; Commission of Audit

The 2010 QAO review found significant shortcomings in program management and governance across the three programs (ICTC, IDES and CSP), including:

- no clearly identified business owner for each program

- lack of overall commitment in the implementation of the technology being produced

- no sponsoring group to oversee the programs and ensure commitment to the transformational change required across agencies

- no clear accountability for the delivery of outcomes and benefits following the implementation of technology solutions.[7]

Overall, the QAO audit found no evidence as to:

> "… *whether the Government would realise the full benefits, including savings that were expected from the large scale investment of an estimated $545 million across all three programs.*"[8]

E7.2.7   Performance summary

This high-level review of ICT performance indicates the following features of ICT in the Queensland Government:

- resources focussed on operational aspects of ICT
- complexity of ICT systems, including high levels of purpose built systems, duplication and waste
- a number of significant ICT systems at serious risk
- a high proportion of legacy systems
- significant replacement costs for existing systems
- poor governance and management of major, whole-of-government ICT projects.

In summary, the Government's ICT portfolio is becoming unsustainable. It is a fragmented and complex collection of a wide variety of software and technology. A large proportion of the portfolio is in need of replacement or upgrade.

E7.3 EXPERIENCES IN OTHER JURISDICTIONS

Historically, ICT developed in governments on a decentralised basis, with agencies operating independently in designing, procuring and running their ICT systems consistent with their service delivery priorities.[9] This approach, however, has several drawbacks. Experience shows that decentralisation can result in unnecessary fragmentation and duplication of ICT across government, poor ICT decision making and a complicated ICT environment, the inability to realise benefits of some level of economies of scale, and confusion in terms of the overall responsibility for whole-of-government ICT direction.

The importance of institutional arrangements for ICT was highlighted in 2008 by a comprehensive review of ICT in the Australian Government undertaken by Sir Peter Gershon. The review examined the efficiency and effectiveness of ICT, whether the government was realising the greatest return from its ICT investments, and whether the right institutional frameworks were in place to maximise the return. The report concluded that:

> "*The current model of weak governance of ICT at a whole-of-government level and very high levels of agency autonomy, characterised by an ability to self-approve opt-ins to existing whole-of-government ICT arrangements, leads to sub-optimal outcomes in the context of prevailing external trends, financial returns, and the aims and objectives of this Government.*"[10]

Similar concerns about ICT governance and cost-effectiveness of ICT expenditure have arisen in other jurisdictions. In response, governments have been shifting towards a centre-led, whole-of-government approach to ICT in order to achieve better value from their ICT investment and to drive better service delivery outcomes through ICT. This approach is typically manifest in a comprehensive ICT strategy, with strong governance arrangements.

The Australian Government and the state governments of New South Wales and Victoria have recently released new whole-of-government ICT strategies, while the South Australian Government is in the process of developing a new ICT strategy to replace an existing one.

Whole-of-government CIOs in New South Wales, South Australia and the Commonwealth are leading the development and implementation of these ICT strategies. In Victoria, a CIO Council of inner budget agency CIOs provides whole-of-government ICT leadership. This is supported by the recently established Victorian Information and Communications Technology Advisory Committee (VICTAC). VICTAC brings together representatives from the Victorian Government, the ICT industry and corporate CIOs.

Box E7.2 summarises ICT strategies across selected jurisdictions.

Box E7.2
ICT strategies across selected jurisdictions[11]

Australian Government

ICT in the Australian Public Service (APS) has been undergoing major reform since the release of the Gershon Report in 2008. The Government adopted the recommendations of the Gershon Review and that same year commenced the ICT Reform Program to improve the efficiency of ICT operations and build ICT capability across government. A review of the program in 2010 reported that it had delivered improved agency capability to manage large ICT-enabled programs, $1 billion in efficiencies from agency ICT 'business as usual' operations, and avoided $1 billion in costs through a coordinated approach to data centres.

Continuing the reform agenda, in 2012 the government launched a new ICT Strategic Vision to set the direction for the use of ICT into the future. The issue sets out a strategic and coordinated approach to developing and using ICT across government to achieve the following benefits: better service delivery, greater efficiency and productivity in government operations, and more open and enhanced engagement with people, the community and business. The APS Secretaries' ICT Governance Board, chaired by the Secretary of the Department of Finance and Deregulation, oversees implementation of the strategy. Whole-of-government ICT governance will focus on greater transparency in areas such as the management of ICT costs and investment, capability, reducing duplication of services and whole-of-government procurement.

New South Wales

In May 2012, the New South Wales Government released its new whole-of-government ICT Strategy to drive better service delivery, greater transparency and better value from ICT investment. The strategy, which outlines a more coordinated approach to ICT, also advocates greater use of cloud computing to achieve better value.

The NSW Government also is planning to reduce the costs of ICT as per its Commission of Audit, which recommended that the government adopt a commercial model for ICT governance and management in response to deficiencies across agencies in these areas that have contributed to poor ICT decision making.

A new ICT Board is responsible for implementing the ICT Strategy. The board, which reports to the Minister for Finance and Services, is chaired by the Director-General of Finance and Services and includes Directors-General of key departments and the Chair of an ICT Industry Advisory Panel. The board will be responsible for setting NSW ICT priorities, monitoring major ICT projects and providing high level visibility of agency compliance with government ICT objectives.

Victoria

Victoria currently is progressing a new direction for ICT following a review in 2011 by the Victorian Ombudsman (in consultation with the state's Auditor-General) of 10 ICT-enabled projects. The review found that all of the 10 projects, costing about $1.4 billion, failed to meet expectations, delivery timelines and budgets. There was heavy criticism of governance and management of ICT, which contributed to the problems with these projects.

In June 2012, the Victorian Government announced the development of a whole-of-government ICT strategy to help align processes across departments and set clear lines of governance, accountability and direction. A draft ICT strategy, Digital by design, was released in October 2012 for public consultation. The strategy provides high-level direction on the management and use of ICT to deliver better government services. The key objectives of the strategy are: to use ICT to create easier and more personalised services at lower cost; improve how government invests and works with the ICT industry; and improve ICT governance and planning, building internal capability and encouraging innovation. The adoption of cloud computing is also proposed as part of the proposed strategy.

South Australia

South Australia launched *its Just Ask Once ICT* strategy in 2007 which outlined how ICT would be used to transform the delivery of government services so that citizens and businesses only have to 'ask once' to obtain required government services. A key element of the strategy is restructuring service delivery around the needs of the client through the implementation of a single entry point to government services by way of the internet, telephone and service desk channels.

Implementation of the Just Ask Once strategy is overseen by an ICT Board. The Office of the Chief Information Officer serves as the executive arm of the board. The SA Government CIO has responsibility for leading the development and implementation of across-government ICT strategy and vision, and all policies, frameworks and standards. The Office of the CIO is located within the Department of the Premier and Cabinet, and reports, through the department's Chief Executive, to the Minister for the Public Sector. The SA Government is currently developing a new strategy for ICT to be launched in 2013.

United Kingdom

The UK Government released its ICT strategy in March 2011, with the objective of changing the way the government approaches the acquisition and management of ICT. Objectives of the strategy include: making government more open to people and organisations; reducing the size and complexity of projects and better management of the risks; improving the implementation of large ICT projects and supporting the ICT profession in government; enabling reuse of existing ICT systems and off-the-shelf components, reducing duplication, over capacity and saving money; moving towards a common infrastructure, increasing interoperability and efficiency; and making it easier for small and medium enterprises to compete for government business.

The government's approach to implementing this strategy involves a strong centre in the form of a CIO Delivery Board, which brings together key department representatives and teams within the Cabinet Office. The new governance structure is designed to provide greater accountability and transparency and achieve better buy-in and agreement from agencies.

E7.4 FUTURE STRATEGY

The role of ICT is to support the business and administrative processes of agencies, to enable them to provide more effective services to the community. The Commission's analysis indicates that value for money is not being achieved from the Government's investment in ICT.

Significant ICT projects have exceeded costs, and failed to achieve expected benefits, due to a variety of factors, including ongoing problems in governance, management and accountability. Fragmented responsibility for ICT across government, in particular, has resulted in unnecessary duplication and waste, bespoke systems, and a high proportion of legacy systems that require urgent upgrades or replacement.

In these circumstances, there is a need to adopt a revised approach to ICT in the Queensland Government.

E7.4.1 Ownership and management of ICT assets

Governments historically have owned and managed their ICT assets. Systems have been built by governments or procured externally. ICT systems sourced externally, particularly software applications, typically have been customised to meet the particular business process needs of government agencies.

This ownership or in-house model for the delivery of ICT has resulted in heavy reliance on vendors' systems and associated upgrades. As purchasers of technology, governments, rather than the suppliers, carry the risk of owning the upgrades and replacement costs. This is a high-cost model, locking governments into technological solutions that are becoming obsolete in an environment of continuous and rapid advances in technology.

The ICT technology stack, depicted in Figure E7.1, informs the choice of service delivery models for ICT. Different ICT components lend themselves to different delivery models. The achievement of an optimal balance between off-the-shelf ICT and agency specific ICT is critical to ensuring value for money.

Core ICT elements, those 'above the line' in the ICT stack, are less easily purchased off-the-shelf because of their fit to the unique business needs of an agency. As a result, some ICT applications, information and business processes tend to require a level of customisation. It is sensible for governments to provide part, or all, of these services where it is cost effective.

ICT commodity elements, those 'below the line' in the ICT stack, can be readily purchased 'off the shelf'. Desktops, networks and data centres support business functions that are common to most, if not all, agencies across government. There is a mature, contestable market for commoditised ICT and so it is sensible for governments to source these externally. In doing so, governments can direct their ICT resources 'above the line', to those elements closest to service delivery.

Off-the-shelf services offer better value for money than customised services. However, in order to take advantage of off-the-shelf ICT, agencies often need to streamline and/or otherwise adjust their business processes to meet the functionality of generic, off-the-shelf solutions, such as an HR or finance application. The more business processes are streamlined across agencies, the more likely that 'off-the-shelf' services can be readily sourced, and therefore, the greater value for money achieved.

With the ready availability of commoditised ICT, the need for government to own ICT assets is diminished. As with other assets, governments do not need to own ICT assets in order to use ICT to support service delivery. Greater value is likely to be achieved by adopting a strategy of 'ICT as a service'. Sourcing software, hardware or infrastructure as a service has a number of significant advantages. This model:

- avoids locking governments into lengthy and expensive ICT contracts and the ongoing cycle of vendors' product upgrades
- improves efficiency where standard solutions are adopted
- provides governments with greater flexibility to adopt 'fit for purpose' ICT systems
- supports ease of service provisioning and 'right sizing' of services
- enables regular alignment of changing business systems and processes with ICT.

Governments are moving away from in-house, customised delivery of ICT systems to purchasing ICT services. The ICT strategies of the Australian, UK and NSW governments all involve strategic sourcing of ICT services, especially commoditised services such as off-the-shelf offerings available in the marketplace.

As government agencies hold significant ICT hardware and software assets, the move to 'ICT as a service' provides an opportunity to divest the assets associated with particular ICT services, thereby providing a return of capital to the Government.

Overall, Queensland's 'ownership' model for ICT service delivery has not provided value for money. An 'ICT as a service' strategy, where services are sourced from private providers, will ensure competitive pricing and service quality, and overall better value for money. Sourcing ICT as a service allows government to take best advantage of the innovation in ICT available in the market, and to obtain timely access to newly emerging technologies.

Recommendation

147 The Government adopt an 'ICT as a service' strategy and source ICT services, especially commoditised services, from private providers in a contestable market where this is feasible and represents value for money.

E7.4.2   Adoption of new technologies

ICT is subject to rapid change. New technologies, such as cloud computing, have been emerging at a high rate and are fundamentally reshaping the way in which organisations do business, including the ways in which they acquire and use ICT. New technologies are emerging amid converging forces – social, mobile, cloud and information – which are disrupting old business models.[12] The pace of change is expected to continue, if not accelerate. The Government should be positioned to take advantage of new business models and new technologies as they emerge.

The 'ownership of ICT assets' model that characterises ICT in government is a significant constraint on the ability to adopt new technology rapidly. A shift to the recommended 'ICT as a service' strategy will enable significantly greater flexibility and capacity for rapid uptake of new technology without significant upfront capital costs.

A significant example of new and emerging ICT technologies is cloud computing.[13] The 'cloud' provides on-demand computing, and offers significant opportunities for reshaping how governments operate, engage the public and deliver services. It uses the internet to access software, hardware and storage solutions conveniently and as required. Cloud-based services can range from email to infrastructure.

Key benefits of the 'cloud' include:

* lower costs
* paying only for services used, in effect a utility model
* scalability on demand
* no capital investment
* less in-house ICT capability in building and operating ICT systems (so that ICT can focus on the strategic aspects of ICT as an enabler of business and service delivery).

The adoption of cloud computing by governments is spreading.[14] The US Government launched its Cloud First policy in late 2010, which requires agencies to choose a cloud based option whenever a secure, reliable and cost-effective cloud option exists. In 2011, the UK Government released its G-Cloud Programme, which also incorporates a 'cloud solution first' policy. The UK strategy also sets a benchmark of 50% of new ICT spending to be moved to cloud services by 2015. To make it easier for agencies to purchase off-the-shelf ICT services, the UK Government launched its own 'app' store – CloudStore – in February 2012. CloudStore's catalogue includes over 1,700 services and 280 ICT suppliers.

Australian governments are also adopting cloud-based ICT services. Drawing on its 2011 directions paper on cloud computing, the Australian Government's new ICT strategy involves the use of virtualisation and cloud computing. The NSW Government plans to establish a pilot program for a private cloud, while the Victorian Government is exploring cloud computing as part of its proposed ICT strategy.

In Queensland, QGCTO is developing a cloud computing strategy for Government to deliver more innovative and cost-effective use of ICT. QGCTO has recently finalised the business case to migrate the Government's email systems from in-house provision to cloud-based delivery, with estimated annual savings of up to $20 million.

Recommendation

148   *The Government utilise as appropriate cloud-based computing and other emerging technologies as enablers to complement its 'ICT as a service' strategy.*

E7.4.3   Role of CITEC

As the Government's provider of ICT infrastructure, networks and data centres, CITEC has experienced a difficult financial position for some years, notwithstanding changes to its business model designed to improve its position. In 2011, the Government commissioned a review of CITEC's business model following the deterioration in its financial position.[15] Over this period, CITEC had incurred operating losses, and further losses were projected.

The review found that the cost of services provided by CITEC to government agencies was generally above what agencies were prepared to pay for these services, and that agencies considered they were not receiving value for money from CITEC services.

The 2011 review concluded that:

- As a result of the limited take up of the ICTC and IDES programs by government agencies, CITEC was not recouping either its ongoing operating costs or its capital costs in relation to these programs.

- Following the 2006 decision to refocus CITEC, the transition to the new business model had not been managed well and its operating cost structures had not been adjusted to reflect the realignment.

In regard to the latter point, much of CITEC's business with private sector clients was high margin in nature, and income from this sector had tended to offset the high cost services provided within Government. With the progressive withdrawal of CITEC from private sector business, profitability of the residual business was adversely affected.

Due to CITEC's poor financial position and its lack of ability to service its borrowing costs, in October 2011 the IDES program Loan Facility of $45.3 million was transferred from CITEC to the Consolidated Fund. As a result, the debt became an obligation of the General Government sector, rather than CITEC. The IDES program was discontinued in in June 2012, with CITEC writing off some $18 million on disposal of ICT infrastructure assets.

In its 2012-13 Budget, the Government confirmed CITEC would:

- review its ICT consolidation program and other services to identify opportunities to improve efficiencies, reduce waste and ensure better value for money

- continue developing managed services in partnership with the ICT industry to deliver cost-effective products to support frontline services

- focus on 'low cost solutions' through consolidation, standardisation and economies of scale.[16]

There is merit in the establishment of partnerships with the ICT industry in relation to managed services. Historically, relationships with the IT sector in Queensland have been affected by the view that CITEC limits private sector access to government contracts. In addition, CITEC has competed for private sector contracts.

In the context of the recommended 'ICT as a service' strategy, the centralised provision of ICT services by an entity such as CITEC has diminished relevance. Given the widespread availability of ICT services through private providers, the Commission considers that there is no need for the continued government provision of ICT services, except where any market failure is identified. It is questionable as to whether CITEC has the capacity to compete effectively in a contestable market.

In the circumstances, the Commission considers that the role of CITEC should be discontinued within two years, with its assets and systems to be divested to the private sector.

Recommendations

149 *The Government discontinue the role of CITEC as a centralised provider of ICT services within government, and initiate a process to divest the CITEC business within two years.*

150 *The Government:*

- *discontinue its role as an owner and manager of significant ICT assets and systems*

- *implement a program to divest ICT assets and systems, with required ICT services to be purchased under contractual arrangements with private providers.*

E7.4.4   ICT governance and capability

A decentralised and fragmented approach to the acquisition and management of ICT in Queensland has resulted in a complicated and costly ICT environment characterised by unnecessary duplication and waste, bespoke systems, and large numbers of legacy systems in need of urgent upgrade or replacement.

To ensure the Government realises the benefits of the recommended 'ICT as a service' strategy, a stronger whole-of-government (or 'centre-led') approach is required. A key component of this approach is a robust governance framework to provide greater transparency and oversight of ICT investments and expenditure, particularly the full cost implications of policy options and the possible consequences of individual agency decisions taking place across Government to adopt and use different ICT systems.

Inadequate governance and cap management frameworks have been a consistent theme of a succession of reviews of the state's ICT projects between 2005 and 2011. Nine separate reports by the Auditor-General and one by the former Service Delivery and Performance Commission have examined ICT systems, each finding that the full range of intended benefits of ICT, across all or a number of departments, have not been realised.[17] Key reasons cited for these problems include the absence of sound business cases with measurable costs and benefits, benefits realisation frameworks and accountability for project outcomes.

There is a need for strong governance arrangements based on best practice to support the implementation of the Commission's recommended 'ICT as a service' strategy, to ensure that value for money is achieved from this strategy.

Recommendation

151   *The Government implement best practice governance arrangements for the recommended new 'ICT as a service' strategy to ensure that value for money is achieved from this strategy.*

The capability of the ICT workforce should also be developed to support the recommended 'ICT as a service' strategy. The skills and expertise of the workforce are primarily directed to operational ICT, in line with the in-house delivery model. ICT units are largely focussed on managing and supporting ICT commodities, such as networks and operating systems (see Chart E7.3).

A shift to an 'ICT as a service' model will require enhanced capabilities in ICT policy, planning and strategy. For example, ICT staff will need to prioritise services to be outsourced, broker the provision of services, identify ICT strategies to support service delivery, and identify innovations in business processes that will enable the use of the latest and most cost-effective ICT services. While some agency ICT units have made progress in moving towards 'ICT as a service', overall, the capabilities of the Government's ICT workforce will need to shift towards acquiring and managing ICT services, rather than providing them.

There is a need for the QGCIO to work with agencies to refocus their ICT resources on strategic issues, with agency chief information officers (CIOs) to be positioned within agencies as strategic business partners, contributing to business decision making, so that agencies obtain maximum value from their ICT investment. This will require a stronger role for CIOs with agency executive teams.

Recommendation

152   The QGCIO work with agencies to refocus their ICT resources on strategic issues which ensure:

- *agency Chief Information Officers have the skills and capacity to effectively manage an 'ICT as a service' strategy from both whole-of-government and agency perspectives*

- *agency ICT staff have the skills and capacity to commission, manage and realise the benefits of contestable ICT services.*

ENDNOTES

1. Core ICT staff are those employed by the core ICT unit.

2. Gartner's IT Key Metrics over the last five years, 2007-2011, of IT employees to organisational employees

3. Gartner's IT Key Metrics over the last five years, 2007-2011

4. This figure includes capital and operating expenditure relating to both initiatives and business as usual, and depreciation where reported. It excludes whole-of-government service providers CITEC, SSQ, and QSS.

5. Numbers do not add to 388 as some systems fall into more than one category.

6. The ICT Consolidation Program had its origins in the Technology Transformation Program that began in mid-2008.

7. Queensland Audit Office (QAO), *Auditor-General Report to Parliament No. 7 for 2010*: *Information systems governance and security*, 2010, p. 16; accessed from www.qao.qld.gov.au

8. QAO, *Auditor-General Report to Parliament No. 7 for 2010:   Information systems governance and security*, p. 4

9. Service Delivery and Performance Commission (SDPC), *Report on review of ICT governance in the Queensland Government, 2006,* p. 3

10. Peter Gershon, *Review of the Australian Government's Use of Information and Communication Technology*, 2008, p. 2, accessed from www.finance.gov.au

11. See Peter Gershon, *Review of the Australian Government's Use of Information and Communication Technology*, 2008; I Reinecke, *Independent review of implementation of the ICT reform program,* Australian Government, 2010, accessed from www.agimo.gov.au; Australian Department of Finance and Deregulation, *Australian Public Service ICT Strategy 2012-2015*, 2012, accessed from www.finance.gov.au; New South Wales Department of Finance and Services, *NSW Government ICT strategy 2012*, 2012, accessed from www.services.nsw.gov.au; Victorian Department of Treasury and Finance, *Digital by design: delivering better government services through information and technology*, 2012, accessed from www.vic.gov.au; South Australia Government, *Just Ask Once ICT Strategy*, 2007, accessed from www.sa.gov.au; UK Cabinet Office, *Government ICT strategy*, 2011; UK Cabinet Office, *One year on: Implementing the Government ICT strategy*, 2012

12. See Gartner, *Gartner identifies the top 10 strategic technology trends for 2013,* accessed from www.gartner.com

13. Cloud computing is the use of computing resources (for example, hardware, software) that are delivered as a service over a network, typically the internet. Computing on the scale of the cloud allows users to access supercomputer-level power when they need it. See also, Accenture, *Cloud computing in Australia: An evolution, not a revolution*, 2012, accessed from www.accenture.com

14. US Government, *25 Point Implementation Plan to Reform Federal Information Technology*, 2010, accessed from www.whitehouse.gov; and UK Government, *Government Cloud Strategy*, 2011, accessed from www.cabinetoffice.gov.uk

15. BDO, *CITEC Business Model Review*, 2011, unpublished

16. Queensland Government, *State Budget Papers 2012-13: Department of Science, Information Technology, Innovation and the Arts Service Delivery Statement, accessed from www.budget.qld.gov.au*

17. SDPC, *Report on Review of ICT Governance in the Queensland Government*, 2006; QAO, *Auditor-General Report to Parliament No. 7 for 2010 Information systems governance and control, including the Queensland Health Implementation of Continuity Project*, 2010; QAO, *Auditor-General Report to Parliament No. 4 for 2011 Information systems governance and security*

E8   GOVERNMENT PROCUREMENT

KEY ISSUES

- The approach to government procurement in Queensland is 'centre-led'. The Queensland Government Chief Procurement Office (QGCPO) plays a central role in setting policy and standards, and in the establishment of mandatory common-use supply arrangements. However, accountable officers are responsible for establishing sourcing strategies for agency-specific spending.

- There is very limited public reporting on the extent and type of procurement within the Queensland Government. The QGCPO provides an annual report to Cabinet on the performance of procurement across the public sector. However, there is no subsequent public reporting of this information.

- The Queensland Government purchased an estimated $14.9 billion of goods and services in 2011-12, of which capital expenditure comprised 43%.

- There are opportunities for further savings, by leveraging the State's substantial purchasing power, and structuring common-use supply arrangements on a more commercial basis.

- The Government is currently undertaking a strategic sourcing review to identify greater cost efficiencies and savings through improved procurement performance.

E8.1   CURRENT ARRANGEMENTS

The lead agency for procurement is the Queensland Government Chief Procurement Office (QGCPO), which forms part of the Department of Housing and Public Works (DHPW). The role of QGCPO includes managing whole-of-government supply arrangements, maintaining the procurement policy framework, assisting agencies to improve their procurement capability and monitoring the performance of agencies consistent with the policy framework.[1]

The approach to government procurement in Queensland is 'centre-led'. The QGCPO plays a central role in setting policy and standards, and in the establishment of mandatory common-use supply arrangements. However, accountable officers are responsible for establishing sourcing strategies for agency-specific spending.

Most other states also adopt a centre-led approach, with only Western Australia opting for a more centralised approach. No state follows a more decentralised approach. The main differences between centre-led, centralised and decentralised approaches to procurement are summarised in Table E8.1.

Table E8.1 **Comparison of alternative approaches to procurement**		
Approach	**Benefits**	**Limitations**
Centre-led	• Can access economies of scale through centrally negotiated contracts for common use items and reduce unnecessary duplication across government • Allows for closer matching of agency requirements for more specialised procurement • Creates some consistency across government, but allows agencies to control specialised purchasing • Provides a central visible reference point for government procurement	• Difficult to achieve right balance between the extent of centrally negotiated contracts versus agency controlled purchasing
Centralised	• Reductions in prices of goods and services (economies of scale) • Increased purchasing power for the centralised agency • Non-cost benefits such as greater attention to contract management • Lower cost of staff training and higher levels of specialisation • Better recording and reporting of contracts and transitions	• May result in exclusion of small and medium enterprises (SMEs), including regional/local suppliers, from competing for government business • Limited opportunities for developing procurement expertise outside of central agency • Can create greater levels of bureaucracy
Decentralised	• Closer matching of agency requirements • Less bureaucracy and shorter timeframes • Local purchasing may result in lower prices for locally manufactured goods • Greater possibility for SMEs to compete successfully	• No uniform approach to suppliers and/or markets • Dilutes procurement expertise • Limited possibilities for building up specific market expertise on procurement and materials • Lack of economies of scale for common areas of expenditure

Source: Adapted from the Service Delivery and Performance Commission, Report on Review of Purchasing and Logistics in the Queensland Government, Table 6, 2007

Figure E8.1 provides an overview of the procurement framework for the Queensland Government. The framework is embedded in the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2009 (FPMS). The FPMS requires the establishment of an expense management system for the efficient, effective and economical management of the financial resources of the agency,[2] as well as mandating compliance with the State Procurement Policy.[3] The FPMS also requires that agencies ensure that a governance framework is established which incorporates the ethics principles under the *Public Sector Ethics Act 1994*.[4]

Figure E8.1
Queensland Government procurement framework

Legislation
Financial Accountability Act 2009	Financial & Performance Management Standard 2009	Public Sector Ethics Act 1994

Whole-of-government policy
State Procurement Policy

Policies/frameworks for specific procurement
Capital Works Management Framework	Information and Communication Technology (ICT) Purchasing Framework	Project Assurance Framework	ICT SME Participation Scheme

Source: Commission of Audit

E8.2   SERVICE DELIVERY AND PERFORMANCE COMMISSION REVIEW

In April 2007, the former Service Delivery and Performance Commission (SDPC) undertook a review of purchasing and logistics in the Queensland Government. The review highlighted that, despite increased expenditure on supplies and services, there had been little or no corresponding increase in the level of capability of the resources dedicated to the procurement function.

The SDPC report recommended, among other things:

- replacing Queensland Purchasing with the QGCPO, which would have the authority to provide business leadership for procurement to enable and discharge reform

- that agencies recognise the criticality of procurement to their ability to deliver high-quality, cost-effective services to clients

- that a well-designed procurement solution is necessary to support procurement operations, including data collection and analysis to enable better management of types of expenditure

- new procurement arrangements would offer a better focus for suppliers by offering a more coordinated approach to procurement and ensuring that the principles of the State Purchasing Policy, including the 'buy local' policy, are applied in all procurement decisions.[5]

The SDPC report estimated that improved procurement practices would deliver benefits through improved efficiencies of between 5% and 10% of total expenditure.[6] Across the annual $6 billion of expenditure at the time, potential savings were estimated to be between $314 million and $663 million.

However, it was recognised that not all the benefits would be able to be centrally harvested. Some would result in cashable savings and some would represent an avoidance of expenses the Government would otherwise have incurred. The report highlighted that these benefits required an initial investment in people, skills and systems.

DHPW has reported that all of the recommendations from the SDPC report have been implemented and that the cumulative benefits (savings and costs avoided) are in excess of $1 billion.[7] It was not possible to assess the reliability of this estimate, especially as the quantification of costs avoided is problematic.

An alternative approach has been adopted by the United Kingdom Government Procurement Service, which calculates benefits delivering cash releasing savings only. These are price savings (current price paid now against price paid in the baseline year) and demand savings (measure of consumption now compared with consumption in the baseline year using current price paid).[8] This would provide a more accurate and reliable estimate of savings achieved by government through any procurement reform process.

E8.3   PROCUREMENT INFORMATION

There is very limited public reporting on the extent and type of procurement within the Queensland Government. The QGCPO provides an annual report to Cabinet on the performance of procurement across the public sector.[9] However, there is no subsequent public reporting of this information.

Consideration should be given to either releasing the report provided to Cabinet or publishing an annual overview of procurement spending and performance. Western Australia provides an example of user-friendly public procurement reporting.[10] Greater transparency would enable closer scrutiny of the value and type of procurement activity being undertaken by government.

The Queensland Government purchased an estimated $14.9 billion of goods and services in 2011-12, which is an increase of 7% from 2010-11 (Chart E8.1). Capital expenditure represented 43% of the total procurement expenditure in 2011-12.

Chart E8.1
Total procurement expenditure
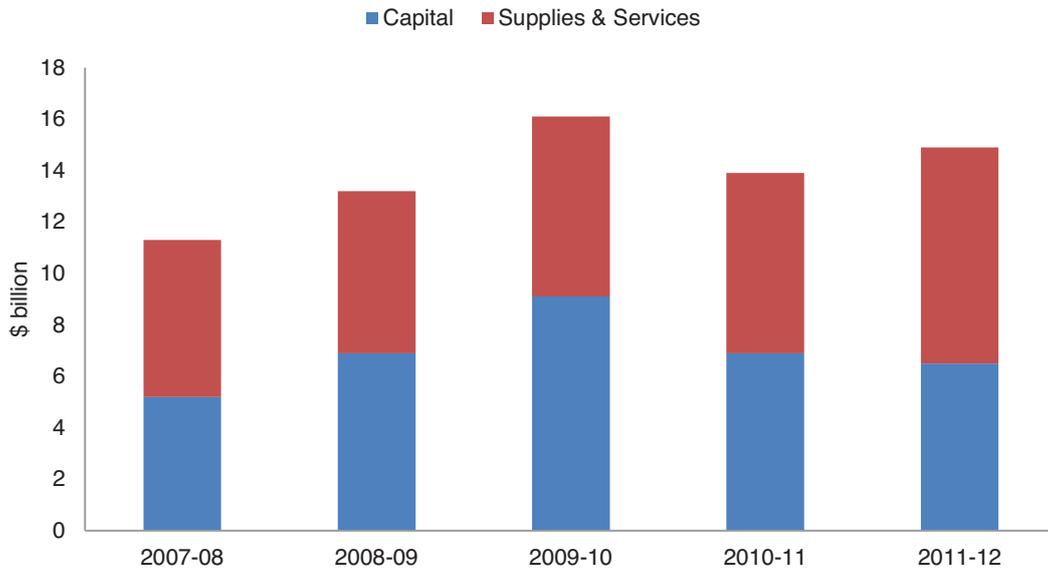
Note:
• Data is sourced from TRIdata
• Higher capital spend in 2009-10 is due to one-off initiatives including Nation Building Stimulus Package, Building Education Revolution and property acquisitions in the Mary Valley
• 2011-12 data is estimated

Source: Queensland Government Chief Procurement Office

Three departments represented more than 75% of the total procurement spend in 2011-12: the Department of Transport and Main Roads (30%), Queensland Health (24%) and the Department of Housing and Public Works (22%) (Chart E8.2). This is largely due to the extent of capital expenditure undertaken by these agencies.

Chart E8.2
Total procurement expenditure by department, 2011-12

Source: Queensland Government Chief Procurement Office
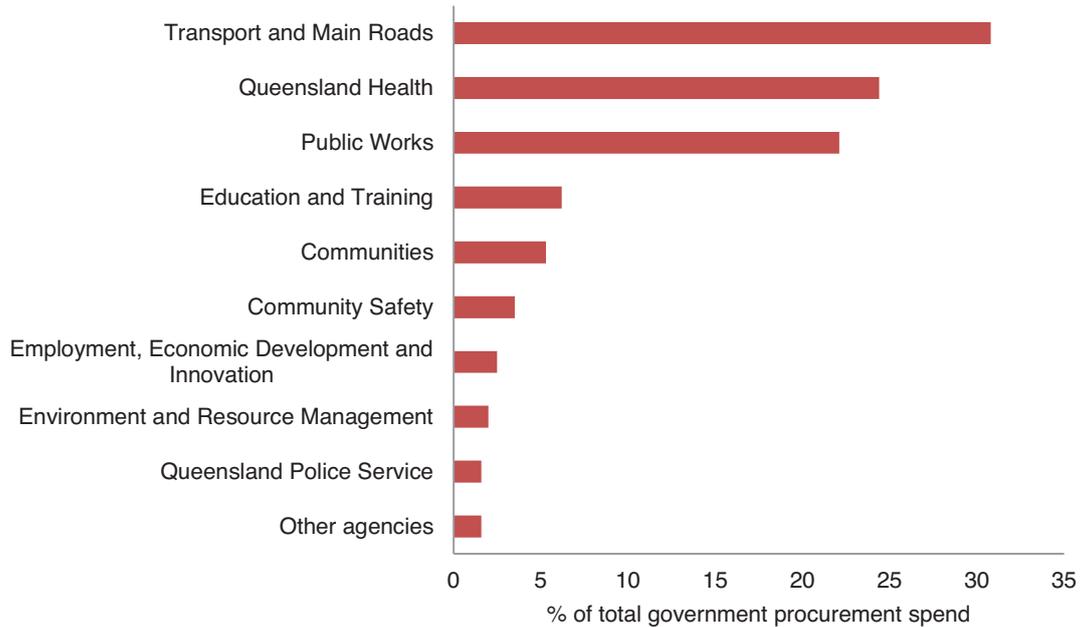
Note:
- Other agencies include Infrastructure and Planning, Justice and Attorney-General, Premier and Cabinet, Queensland Treasury.
- Analysis is based on previous departmental structure which applied for most of 2011-12.

There are 12 expenditure areas which account for 75% of the total procurement spend. The largest value of purchasing occurred in building construction and road construction (see Chart E8.3).

Chart E8.3
Major categories of procurement expenditure, 2011-12
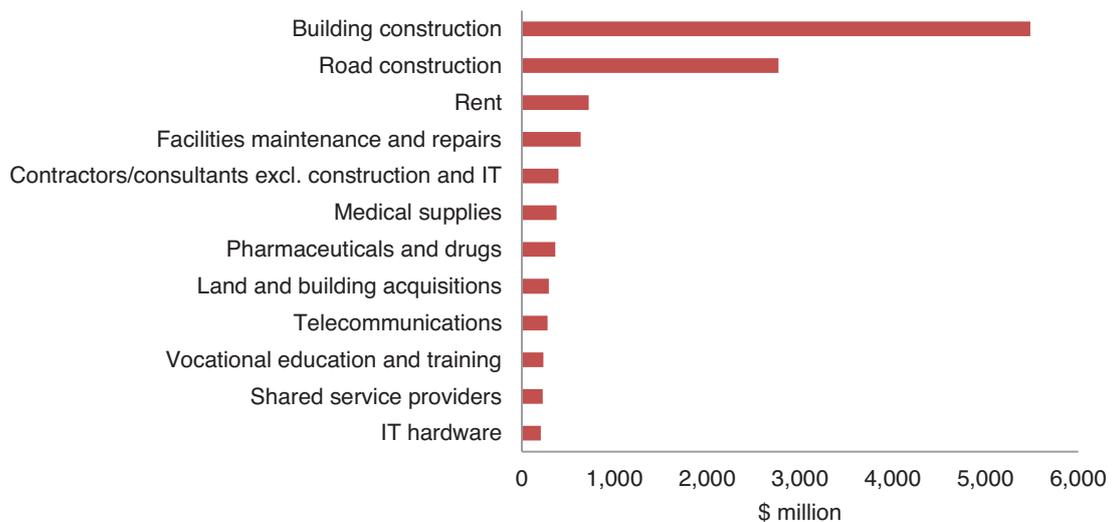
Source: Queensland Government Chief Procurement Office

E8.4   COMMON-USE SUPPLY ARRANGEMENTS

QGCPO has established common-use supply arrangements, in the form of Standing Offer Arrangements (SOA) and is responsible for the ongoing management of these arrangements. An SOA is an offer between one or more suppliers to provide goods and/or services for a specific period, in accordance with agreed terms and conditions. An SOA can be for an individual agency, group of agencies or whole-of-Government.

SOAs are mandatory for budget-funded agencies and can also be accessed by over 1,000 organisations including other Queensland Government bodies and approved non-government organisations. There are approximately 40 whole-of-government SOAs in place, for commonly purchased items, such as:

- office and school furniture
- stationery, paper, toner, office supplies
- salary packaging
- courier services
- travel services.

In 2011-12, there was approximately $345 million in expenditure through SOAs. More than 50% of this expenditure occurred in three departments: Queensland Health (28%), the Department of Transport and Main Roads (14%) and the Department of Education and Training (11%) (Chart E8.4).

Chart E8.4
Agency SOA expenditure, 2011-12

Note: Analysis is based on previous departmental structure which applied for most of 2011-12.

Source: Queensland Government Chief Procurement Office

In 2011-12, twelve SOAs accounted for more than 90% of the total SOA spend across Government (Chart E8.5). The largest volume of SOA expenditure occurred for desktop computers (17%), card fuel (17%), domestic air travel (13%) and temporary administrative staff (7%).

Chart E8.5
Largest items of SOA expenditure, 2011-12
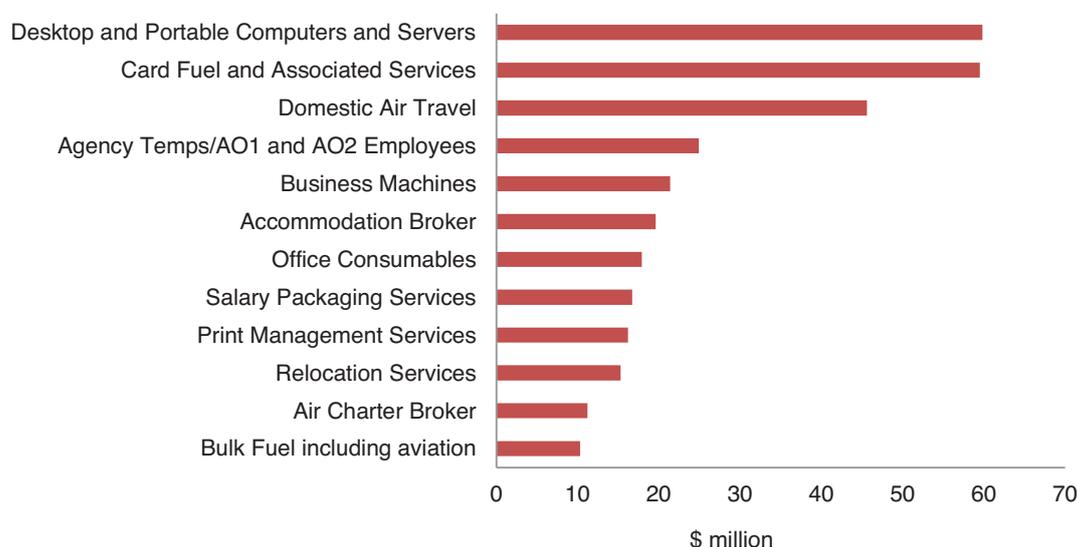
Source: Queensland Government Chief Procurement Office

SOAs have been structured to incorporate supplier rebates. Suppliers agree to remit a nominated percentage of each transaction with an agency to QGCPO. The remittance of this rebate directly to QGCPO reduces the discount provided to agencies by the amount of the rebate. Average savings of 12% are negotiated on prices across all arrangements, from which an average supplier rate of 1.77% is received by QGCPO.[11] Funds received by QGCPO from these supplier rebates are used to cover the cost associated with the establishment and ongoing management of common-use supply arrangements.

There has been concern expressed by agencies as to whether the rebate model represents value for money. Moreover, the arrangements are not transparent, and produce perverse incentives. For example, there is an incentive for QGCPO to increase the supplier rebate it receives, in order to increase its funding base.

It would be preferable for the current rebate arrangements to be discontinued, so that the full benefit of price discounts accrues to agencies. QGCPO then would need to be funded on a transparent basis, directly from Consolidated Revenue.

E8.5   OTHER JURISDICTIONS

There are various procurement arrangements in other jurisdictions.

A comprehensive review of procurement in New South Wales in 2011 identified an array of dated, complex and uncoordinated processes. New South Wales has now commenced a major reform process, in which agencies will assume greater responsibility for their own procurement of goods and services to meet their own specific requirements, subject to NSW Procurement Board accreditation and where a whole-of-government contract does not exist.[12] New South Wales has committed to savings over the next four years of $1 billion, commencing with $72 million in 2011-12.[13]

Victoria has centrally negotiated common-use contracts which are mandated for use by agencies.[14] However, for all other procurement, agencies are required only to report at the end of each financial year on contracts above $150,000. Contract approval may occur within the agency or by the Victorian Government Purchasing Board, depending on the value of the contract and the agencies accreditation level. Because of the devolved level of decision making, there is only limited whole-of-government procurement information available.

Western Australia has adopted a more centralised approach through its coordinating agency, Government Procurement (GP), which forms part of the Department of Finance, and which is responsible for the procurement function at a whole-of-government level.[15] GP develops and manages both agency-specific and common-use contract arrangements, along with whole-of-government procurement systems and standards. GP has staff physically located in 25 major government agencies, as well as central procurement teams to support agencies with no in-house GP staff.

Procurement in the Australian Government is coordinated by the Department of Finance and Deregulation. Agencies can determine their own specific procurement practices, consistent with the Australian Government Procurement Policy Framework.[16] Whole-of-government contracts for common-use goods and services are also mandatory for Australian Government agencies.

E8.6   FUTURE DIRECTION

There are some advantages of the current model of procurement within Queensland, including:

• The balance between centralised and agency-controlled purchasing. While it is important to develop and maintain SOAs for common-use items, agencies should have the flexibility to enter into purchasing arrangements directly, particularly where they have specific needs or requirements. Notwithstanding the concerns about the supplier rebate model, SOAs should maximise the Government's buying power for items that are commonly purchased across government. However, there are still a significant number of purchases that agencies need to make to meet their own specific needs.

- Standard terms and conditions for agency-initiated contracts. These standard conditions reduce the risk for agencies when entering into contracts. They also reduce the administrative and legal costs associated with negotiating contract terms. This is also a benefit for suppliers to Government, who can anticipate consistent terms and conditions when they enter into contacts with Queensland Government agencies.

- Single agency responsibility for procurement practice and leadership within government. QGCPO provides specialised procurement training, assists agencies to apply the State Procurement Policy, and supports agencies through the whole procurement cycle from initial planning to contract management.

Despite these factors, there are further opportunities to achieve cost efficiencies and savings. These include:

- greater flexibility for agencies to pursue individual procurement processes, within the existing whole-of-government framework, in order to meet specific needs in a cost-efficient way.

- better use of the State's purchasing power, especially for common-use purchases.

SOAs have delivered benefits for agencies, in the form of discounted prices for goods and services. However, it is not clear that these discounts necessarily deliver full value, compared with prices available in dynamic and highly competitive markets. For example, supplier contracts which apply over an extended period may preclude agencies from the benefits of lower prices available due to prevailing market conditions, for example, heavily discounted airfares available through online arrangements.

Common-use supply arrangements should be structured on a more commercial basis to provide greater flexibility and to ensure that agencies are able to obtain prices for goods and services which are comparable to, or better than, prices which are available through other competitive market sources.

In this Report, the Commission recommends increased contestability in the delivery of a range of government services to achieve better value for money. This will entail a shift in the role of government from direct service delivery to greater contract management.

For agencies, there will be a need for enhanced skills and capacity in procurement and contract management. For the QGCPO, there will be a need for a stronger commercial and strategic approach, especially in supporting and guiding agencies in their procurement decisions and monitoring of contract performance.

This will be enhanced by the recent establishment of a Procurement Centre of Excellence within DHPW to play a leadership role in strengthening skills and capacity in procurement across the Queensland Government.

Recommendation

153   The Government adopt a procurement framework which:

- *establishes consistent, standardised policies and practices across government*

- *derives maximum leverage from the State's substantial purchasing power, in the acquisition of commoditised and standardised supplies*

- *provides agencies with the flexibility to pursue their own procurement options within the whole-of-government procurement framework to meet their specific needs and where there is demonstrable value for money*

- *ensures annual public reporting of the procurement activity occurring within the Queensland Government.*

E8.7   SPECIALITY PROCUREMENT COMPONENTS

E8.7.1   Print Management Solution

The Print Management Unit (PMU) within the QGCPO coordinates the management and delivery of all government printing with the exception of reserved services work (parliamentary and confidential documents). The Print Management Solution is an electronic interface between agencies and accredited print suppliers and centralises print buying for the Queensland Government. The use of the Print Management Solution is mandated under the SOA for print management services.

The PMU is funded through user charges, and the cost effectiveness of continuing to offer printing services through the PMU will be impacted by the progressive transition to digital publication and reduced agency expenditure. Given that printing services are available on a competitive basis from private suppliers, the Commission considers that the functions of the PMU should be discontinued.

E8.7.2   Travel Management System

The Travel Management System (TMS) is an end-to-end travel management tool developed to assist with the booking and management of travel by Queensland Government core departments. TMS is based on a self-funding business model, with a fee charged for each travel transaction in order to fund the costs of supporting the system.

When initially implemented, there were to be a range of qualitative benefits and cash savings to agencies over time. Agency benefits were to include:

- reduced booking time and administrative processes including after-travel expense claims, reconciliation and accounts payable
- improved compliance with government travel policies
- improved procurement arrangements and better buying practices
- online travel approvals and travel expense management

- better management of travel budgets through significantly enhanced travel reporting.[17]

A review conducted by A.T. Kearney between December 2011 and January 2012 (Kearney Review) found that despite the reported cost savings,[18] there was a significant level of complaints from users, as follows:

- user friendliness of the system, particularly the Manage Expenses module
- the total time required to make a booking
- system speed
- service fees
- cost of travel and accommodation.[19]

The review concluded that some of these were perceptions issues, while action has been taken to address other issues through system improvements.

The most significant issue identified in the review was the slow take-up rate by agencies, with just over 50% of government travel bookings being made using TMS. At the time of the review, agencies that had not completed their rollout of the TMS represented approximately 35% of the expected transaction volume. Agencies expressed concerns about the benefits of the TMS, and its ability to meet their needs. As a result of the continued slow take-up by agencies, DHPW has been required to subsidise the operation of the TMS.

There have been significant advances in the provision of online travel services since the implementation of the TMS in 2009. Given the difficulties in the adoption of the TMS, and the availability of other market options, the Commission considers that the TMS should be discontinued, with these services to be provided on a contestable basis.

Recommendation

154   The Print Management Unit and Travel Management System be discontinued, with contestability to be introduced to the provision of these services.

E8.8   REVIEW OF PROCUREMENT

The Public Sector Renewal Board has initiated a comprehensive review of strategic sourcing across Government to identify greater cost efficiencies and savings through improved procurement performance. The review is examining:

- governance arrangements
- e-procurement possibilities
- potential cost avoidance
- efficiency gains across all departments
- additional opportunities for common-use supply arrangements.

There are several issues which the Commission considers should be taken into account in this strategic sourcing review:

- opportunities for greater cost savings from a more commercial approach to procurement policies, including greater use of contestability for standard supply arrangements

- administrative costs and burdens for agencies which may erode the benefit of whole-of-government procurement policies

- funding arrangements that provide appropriate incentives to the QGCPO and agencies to efficiently manage the costs and benefits of whole-of-government procurement arrangements.

Recommendation

155   The whole-of-government strategic sourcing review being undertaken by the Government specifically address the following issues:

- *opportunities for greater cost savings from a more commercial approach to procurement policies, including greater use of contestability for standard supply arrangements*

- *administrative costs and burdens for agencies which may erode the benefit of whole-of-government procurement policies*

- *funding arrangements that provide appropriate incentives to the Queensland Government Chief Procurement Office and agencies to efficiently manage the costs and benefits of whole-of-government procurement arrangements.*

ENDNOTES

1   Department of Housing and Public Works, *Annual Report 2011-12*, accessed from www.hpw.qld.gov.au

2   *Financial Management Standard 2009*, section 15 (1)(b), accessed from www.legislation.qld.gov.au

3   *Financial Management Standard 2009*, section 19 (3)(a)

4   *Financial Management Standard 2009*, section 7 (3)(c)

5   Service Delivery and Performance Commission, *Report on Review of Purchasing and Logistics in the Queensland Government*, 2007, pp.1 -3 , accessed from www.parliament.qld.gov.au

6   Based on a procurement benefit assessment for the Queensland Government conducted by A.T. Kearney as part of the Service Delivery and Performance Commission, *Review of Purchasing and Logistics in the Queensland Government*. See Appendix 9 of the SDPC Report for details of the methodology used by A.T. Kearney in setting procurement benefit target ranges.

7   Department of Housing and Public Works, *Annual Report 2011-12*

8   Government Procurement Service, *Annual Report & Accounts 2011-12*, accessed from www.gps.cabinetoffice.gov.uk

9   Information provided by the Department of Housing and Public Works

10 See *Who Buys What and How – An overview of Western Australian Government Purchasing,* accessed from www.finance.wa.gov.au

11 Information provided by the Department of Housing and Public Works

12 NSW Procurement Board, *NSW Procurement Reform: Strategic Directions Statement,* 2012, accessed from www.procurepoint.nsw.gov.au

13 New South Wales Commission of Audit, *Final Report: Government Expenditure,* 2012, p. 299, accessed from www.treasury.nsw.gov.au

14 Victorian Government Purchasing Board, *Annual Report 2011-12,* 2012, accessed from www.procurement.vic.gov.au

15 Department of Finance, *About Government Procurement*, accessed from www.finance.wa.gov.au

16 Department of Finance and Deregulation, *Commonwealth Procurement Rules*, 2012, accessed from www.finance.gov.au

17 A T Kearney, Travel Management System (TMS) Review Final Report, 2012, unpublished

18 Queensland Government, *State Budget Papers 2012-13: Department of Housing and Public Works Service Delivery Statement,* accessed from www.budget.qld.gov.au

19 A T Kearney, Travel Management System (TMS) Review Final Report, 2012, unpublished

GLOSSARY

GLOSSARY

ABF	Activity based funding
ABS	Australian Bureau of Statistics
ACARA	Australian Curriculum Assessment and Reporting Authority
ACCC	Australian Competition and Consumer Commission
ACE	Adult Community Education
ACER	Australian Council for Educational Research
ACFI	Aged Care Funding Instrument
ACT	Australian Capital Territory
AEIG	Australian Government Intergenerational Report
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AFP	Australian Federal Police
AGA	Australian Government Actuary
AHIA	Australian Health Infrastructure Alliance
AICD	Australian Institute of Company Directors
AIHW	Australian Institute of Health and Welfare
AIRG	Australian Government's Intergenerational Report
ANA	Australian System of National Accounts
ANCOR	Australian National Child Offender Register
ANTA	Australian National Training Authority
ANZSIC	Australian and New Zealand Standard Industrial Classification
AO	Administrative Officer
APCC	Acute Primary Care Clinic
APG	Australian Property Group
APS	Australian Public Service
APSED	Australian Public Service Employment Database
ARC	At Risk Component
ARCT	Australian Rail and Track Corporation
ARG	Australian Railroad Group
ARI	Attraction and retention incentive
ARTC	Australian Rail and Track Corporation
AS&RS	Accommodation Support and Respite Services
ASCO	Australian Standard Classification of Occupations
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AUL	Audio-visual link
AusHFG	Australasian Health Facility Guidelines
AVL	Automatic vehicle location
BCC	Brisbane City Council
BCEC	Brisbane Convention and Exhibition Centre
BER	Building the Education Revolution
BHC	Brisbane Housing Company Ltd
BOOT	Build, own, operate and transfer
BRC	Border Rivers Commission
BRCI	Benchmark Retail Cost Index
BT	Brisbane Transport
CAA	Corporate Administration Agency
CAC	Community Ambulance Cover

CAD	Computer-aided dispatch
CAGR	Compound annual growth rate
CAPS	Corporate and Professional Services
CBRC	Cabinet Budget Review Committee
CBU	Commercial Business Unit
CCC	Corruption and Crime Commission
CDBS	Child Dental Benefits Schedule
CEO	Chief Executive Officer
CGC	Commonwealth Grants Commission
CGE	Computable general equilibrium
CHART	Common homelessness assessment and referral tool
CIO	Chief Information Officer
CIRA	Competition and Infrastructure Reform Agreement
CM	Construction and Management
CMA	Crime and Misconduct Act
CMC	Crime and Misconduct Commission
CO	Construct only
COAG	Council of Australian Governments
COPE	Commonwealth Own Purpose Expenses
CPOR	Child Protection Offender Registry
CRA	Commonwealth Rent Assistance
CRC	COAG Reform Council
CSA	Corporate Services Agency
CSO	Community Service Obligation
CSP	Corporate Solutions Program
CSS	Child Safety Services
CTP	Compulsory Third Party
CUA	Common use arrangements
D&C	Design and Construct
DAE	Deloitte Access Economics
DAFF	Department of Agriculture, Fisheries and Forestry
DAMPP	Development Assessment Monitoring Performance Program
DATSIMA	Department of Aboriginal and Torres Strait Islander and Multicultural Affairs
DBCT	Dalrymple Bay Coal Terminal
DC&M	Design, construct and maintain
DCCSDS	Department of Communities, Child Safety and Disability Services
DCS	Department of Community Safety
DEEDI	Department of Employment, Economic Development and Industry
DEHP	Department of Environment and Heritage Protection
DETE	Department of Education, Training and Employment
DEWS	Department of Energy and Water Supply
DHA	Defence Housing Australia
DHPW	Department of Housing and Public Works
DJAG	Department of Justice and Attorney-General
DLG	Department of Local Government
DNPRSR	Department of National Parks, Recreation, Sport and Racing
DNR	Department of Natural Resources
DNRM	Department of Natural Resources and Mines
DNSP	Distribution network service provider
DoH	Department of Health
DPC	Department of the Premier and Cabinet
DPF	Developing Performance Framework

DPT	Director of Public Transport (Victoria)
DR	Distributor–retailer
DRG	Diagnosis related group
DRM	Documents and records management
DSDIP	Department of State Development, Infrastructure and Planning
DSITIA	Department of Science, Information Technology, Innovation and the Arts
DTF	Department of Treasury and Finance (South Australia)
DTFSSC	Department of Treasury and Finance Share Service Centre (Western Australia)
DTMESBCG	Department of Tourism, Major Events, Small Business and the Commonwealth Games
DTMR	Department of Transport and Main Roads
DVA	Department of Veterans' Affairs
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECI	Early Contractor Involvement
ECP	Extended Care Paramedic
EEQ	Ergon Energy Queensland Pty Ltd
EIS	Environmental impact statement
ELS	Empowering Local Schools
EMQ	Emergency Management Queensland
ENCAP	Energy Network Capital Program
ERA	Economic Regulation Authority
ERP	Estimated Resident Population
ESC	Essential Services Commission
ESCOSA	Essential Services Commission of South Australia
ESCS	Economic, social and cultural status
FaCS	Funding and Contracting Services
FCE	Final consumption expenditure
FPMS	Financial and Performance Management Standard
FTE	Full-time equivalent
FUM	Funds under management
GAWB	Gladstone Area Water Board
GDP	Gross Domestic Product
GEA	Government Enterprise Architecture
GEC	Gas Electricity Certificate
GENCO	Government owned generation companies
GFC	Global Financial Crisis
GFCF	Gross fixed capital formation
GFS	Government Finance Statistics
GOC	Government Owned Corporation
GOC Act	Government Owned Corporations Act
GP	General Practitioner
GP	Government Procurement
GPC	Gladstone Ports Corporation
GRP	Gateway Review Process
GRP	Gross Regional Product
GSC	Grid service charges
GSI	Gross State Income
GSP	Gross State Product
GST	Goods and Services Tax
GTEM	Global Trade and Environment Model

gtks	Gross tonne kilometres
GVA	Gross value added
HACC	Home and Community Care
HARP	Hospital Admission Risk Program
HCCB	Housing Construction Convertible Bonds
HFE	Horizontal fiscal equalisation
HHS	Hospital and Health Service
HITH	Hospital in the Home
HR	Human Resources
HUF	Headworks Utilisation Factor
IBAC	Independent Broad-based Anti-corruption Commission
ICC	In-car camera
ICL	Income contingent loan
ICT	Information and Communication Technology
ICTC	Information and Communication Technology Consolidation Program
IDAS	Integrated Development Assessment System
IDES	Identity, Directory and Email Services
IGR	Intergenerational Report
IHPA	Independent Hospital Pricing Authority
ILF	Integrated Leadership Framework
IPART	Independent Pricing and Regulatory Tribunal
IPS	Independent Public School
IPTAAS	Isolated Patient Travel and Accommodation Scheme
IR	Industrial Relations
IRP	Independent Review Panel (on network costs)
ISTC	Independent Sector Treatment Centre
JEMS	Job Evaluation Management System
KPI	Key Performance Indicator
LDC	Long Day Care
LGA	Local Government Authority
LGC	Large scale generation certificate
LHS	Left hand side
LNG	Liquefied Natural Gas
LTABB	Long Term Asset Advisory Board
MAIC	Motor Accident Insurance Commission
MASS	Medical Aids Subsidy Scheme
MBS	Medical Benefits Schedule
MC	Managing Contractor
MCE	Ministerial Council on Energy
MCF	Multi Cargo Facility
MDC	Major Diagnostic Category
MDN	Mobile data network
MEDAI	Metropolitan Emergency Department Access Initiative
MFP	Multifactor productivity
MIWB	Mount Isa Water Board
MMRF	Monash Multi-Regional Forecasting model
MoG	Machinery of Government
MOHRI	Minimum Obligatory Human Resource Information
MSQ	Maritime Safety Queensland
Mtpa	Million tonnes per annum
MW	Megawatt
MWh	Megawatt hour
NAHA	National Affordable Housing Agreement

NAHASPP	National Affordable Housing Agreement Specific Purpose Payment
NAIRU	Non-accelerating inflation rate of unemployment
NAPLAN	National Assessment Program – Literacy and Numeracy
NBN	National Broadband Network
NCP	National Competition Policy
NCVER	National Centre for Vocational Education Research
NDA	National Disability Agreement
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NDRRA	National Disaster Reconstruction Recovery Assistance
NEA	National Education Agreement
NEM	National Electricity Market
NEP	National Efficient Price
NEVAC	National Vocational Education and Training Equity Advisory Council
NGOs	Non-Government Organisations
NHCA	National Health Care Agreement
NHRA	National Health Reform Agreement
NHS	National Health Service
NHTP	Nursing Home Type Patient
NIIS	National Injury Insurance Scheme
NMHC	National Mental Health Commission
NOM	Net Overseas Migration
NPA	National Partnerships Agreement
NPAH	National Partnership Agreement on Homelessness
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NPAT	Net profit after tax
NPSI	National Plan for School Improvement
NQBP	North Queensland Bulk Ports
NRAS	National Rental Affordability Scheme
NRS	National Regulatory System
NVEAC	National VET Equity Advisory Council
NWAU	National Weighted Activity Unit
NWI	National Water Initiative
NWMP	North West Minerals Province
OBPR	Office of Best Practice Regulation
OCG	Office of the Coordinator General
OECD	Organisation for Economic Co-operation and Development
OGOC	Office of Government Owned Corporations
OHFSS	Oral Health Fee for Service Scheme
OOS	Occasions of service
OPR	Operational Performance Review
OPSC	Office of the Public Service Commission
OPSR	Office of Public Sector Renewal
OSA	Operational Shift Allowance
OSHS	One Social Housing System
OSS	Office of Shared Services (Western Australia)
PAF	Project Assurance Framework
PBS	Pharmaceutical Benefits Scheme
PCMC	Parliamentary Crime and Misconduct Commission
PIA	Preliminary Impact Assessment
PISA	Program for International Student Assessment
PMRN	Police Metropolitan Radio Network
PMU	Print Management Unit

PN	Pacific National
PNFC	Public Non-financial Corporation
POTL	Port of Townsville Limited
PPP	Public Private Partnership
PSC	Public Sector Comparator
PSC	Public Service Commission
PSG	Property Services Group
PSI	Property Standard Index
PSMC	Public Sector Management Commission
PSRB	Public Sector Renewal Board
PTSS	Patient Transport Subsidy Scheme
PV	Photovoltaic
PwC	PricewaterhouseCoopers
QACIR	Queensland Ambulance Case Information Report
QAO	Queensland Audit Office
QAS	Queensland Ambulance Service
QCA	Queensland Competition Authority
QCAT	Queensland Civil Administrative Tribunal
QCS	Queensland Corrective Services
QCS on-line	Queensland Court Service on-line
QFCOI	Queensland Floods Commission of Inquiry
QFRS	Queensland Fire and Rescue Service
QGAP	Queensland Government Agent Program
QGCIO	Queensland Government Chief Information Office
QGCPO	Queensland Government Chief Procurement Office
QGCTO	Queensland Government Chief Technology Office
QGEA	Queensland Government Enterprise Architecture
QGEMF	Queensland General Equilibrium Model for Forecasting
QH	Queensland Health
QHAT	Queensland Health Authorised Transport
QHSSP	Queensland Health Shared Service Provider
QIC	Queensland Investment Corporation
QIP	Queensland Infrastructure Plan
QIRC	Queensland Industrial Relations Commission
QPC	Queensland Productivity Commission
QPRIME	Queensland Police Records and Information Management Exchange
QPS	Queensland Police Service
QR	Queensland Rail
QRAA	Queensland Rural Adjustment Authority
QSPC	Queensland Schools Planning Commission
QSS	Queensland Shared Services
QTC	Queensland Treasury Corporation
QTT	Queensland Treasury and Trade
QWC	Queensland Water Commission
RAB	Regulated asset base
RACF	Residential Aged Care Facility
RAS	Regulatory Assessment Statement
RCO	Residential Care Officers
RET	Renewable Energy Target
RHS	Right hand side
RIS	Regulatory Impact Statement
ROA	Return on assets
RoA	Rest of Australia

ROA Act	Railways (Operations and Access) Act
RoG	Rest of Government
RoGS	Report on Government Services
ROP	Resource Operations Plan
RTO	Registered Training Organisation
SBBs	Social Benefits Bonds
SBFA Act	Statutory Bodies Financial Arrangements Act
SBP	State Borrowing Program
SCER	Standing Council on Energy and Resources
SCI	Statement of Corporate Intent
SCRN	State Controlled Road Network
SDPC	Service Delivery and Performance Commission
SDS	Sales and Distribution Services
SDS	Service Delivery Statement
SEQ	South East Queensland
SEQIP	South East Queensland Infrastructure Plan
SEQIPP	South East Queensland Infrastructure Plan and Program
SES	Senior Executive Service
SES	Socio-economic status
SIP	State Infrastructure Plan
SLA	Service level agreement
SME	Small and medium enterprise
SO	Senior Officer
SOA	Standing Offer Arrangements
SOMIH	State Owned and Managed Indigenous Housing
SOSR	State of the Service Report
SPA	Sustainable Planning Act
SPP	Specific Purpose Payment
SPP	State Procurement Policy
SPPB	Strategic Project Program Board
SPV	Special purpose vehicle
SRES	Small-scale renewable energy scheme
SSA	Shared Services Agency
SSI	Shared Service Initiative
SSNP	Smarter Schools National Partnerships
SSP	Shared Service Provider
SSQ	Smart Service Queensland
SSSA	Share Services SA (South Australia)
STAR	Secondary triage and referral program
TAFE	Technical and Further Education
TAMP	Total Asset Management Plan
TICS	Transport Infrastructure Capability Scheme
TMS	Travel Management System
TSC	Transport Service Contracts
TW	Terawatt
TWh	Terawatt hour
TWPP	Time-weighted pool price
UFL	Urban Fire Levy
UGS	United Group Services
UK	United Kingdom
UPF	Uniform Presentation Framework
UTP	Uniform tariff policy
VCEC	Victorian Competition and Efficiency Commission

VCMS	Vacancy Capacity Management System
VET	Vocational Education and Training
VfM	Value for Money
VFMC	Victoria Funds Management Corporation
VICTAC	Victorian Information and Communications Technology Advisory Committee
VMO	Visiting Medical Officer
VPTAS	Victorian Patient Transport Assistance Scheme
VSP	Voluntary Separation Program
WACA	Workforce analysis and collection application
WACC	Weighted average cost of capital
WAU	Weighted activity unit
WGM	Water Grid Manager
WICET	Wiggins Island Coal Export Terminal