

Queensland Government Policy on the Contracting-out of Services

1. Application:

The Queensland Government recognises that government agencies are the key instruments for delivering or implementing the policies of the government.

In striving to achieve "best value" delivery of services to the community, the government's focus will be on pursuing performance improvement strategies for its workforce, not on simply replacing government employees with non-government service providers.

In this regard, the government has restored the following policy on contracting-out of services as part of its commitment to restoring fairness for the government workforce. This policy¹ applies to all Queensland Government agencies (including departments, public service offices, statutory authorities, and other government entities as defined under the Public Service Act 2008) and all tenured employees of these agencies. The government recognises that, in the case of Queensland Health (comprising the Department of Health and the Hospital and Health Services), public health services are provided through a mix of in-house delivered services and partnerships with non-government, community and private sector health providers.

For the purposes of this policy, contracting-out refers to a contractual arrangement to deliver a service to government or the provision of a government service by a non-government service provider. Capital works programs are not considered government services for the purpose of this policy. This means that current arrangements for delivery of the capital works program through competitive tendering will continue. Further, the purchase of services by government agencies from an internal government provider is not regarded as contracting-out.

Similarly, services contracted to community service providers through grant programs or as recurrently funded programs are not regarded as being contracted-out for the purposes of this policy.

This policy does not apply to the normal purchase of inputs to government agencies such as office supplies and consultancies. It does however apply to contractual arrangements such as cleaning and other 'hotel' type services.

Where there are major joint ventures or co-locations with the private sector (e.g. hospital co-locations) decisions on the delivery of support services will be made on a case by case basis.

2. Authority:

This policy was released on 16 January 2016.

¹ This policy should be read in conjunction with applicable industrial instruments.

3. Policy:

3.1 Services currently provided in-house (i.e. by a government agency)

It is the policy of the government that in order to maintain existing government jobs, there will be no contracting-out of services currently provided in-house other than in circumstances where:

- actual shortages exist in appropriately skilled in-house staff;
- there is a lack of available infrastructure capital or funds to meet the cost of providing new technology; or
- it can clearly be demonstrated that it is in the public interest that services should be contracted-out.

Cabinet approval will be required only for contracting-out proposals that meet the criteria outlined above where they would have a significant impact on the government's workforce in terms of job losses. Cabinet submissions proposing contracting-out initiatives should detail:

- why the service cannot continue to be delivered by government agencies;
- the impact on the government workforce;
- how the proposed initiative will improve government service delivery;
- any social and/or economic impact on the Queensland community;
- the impact on regional and rural communities, where relevant, particularly in regard to maintenance of public employment in regional and rural Queensland;
- the impact on future competitive tendering in a market where the government will have no capacity to bid;
- communication and consultation strategies, including managing the impact on the tenured government workforce, and workforce transition plans for deployment, redeployment and retraining; and
- the cost implications for government.

Where the government agrees to contract-out services, employees and the relevant unions will be consulted as early as possible. Discussions will take place prior to any steps being taken to call tenders or to enter into any alternative bidding arrangement for the provision of services by an external provider.

If, after full consultation with employees and relevant unions, employees are to be affected by the necessity to contract-out services, the government agency should:

- ensure that effort is directed towards assisting employees to take up employment with the contractor; and/or
- ensure that employees are given the maximum opportunity to accept deployment and redeployment.

3.2 Services currently contracted-out

It is the policy of the government that when existing contracts with non-government providers are due for renewal, the services generally will be once again offered to contract.

If the conditions of the existing contract allow for the contract to be renewed without a tendering process, and the external provider has met all the conditions of the contract, a new contract may be offered to the current provider subject to continuing commercial viability and the mutual agreement of both parties.

Where a contract is due to expire and a tendering process is proposed, government agencies may bid for the work, subject to any legislative requirements and government agencies competing on a fair basis – that is, with any advantages or disadvantages that stem solely from their public ownership being removed or accounted for in an appropriate manner. Operational guidelines will be developed to assist agencies in assessing the relative merits of in-house and external bids.

In-sourcing will be undertaken only where it can be demonstrated that work is competitive on an overall "best value" basis, including quality and cost of purchase and maintenance of any capital equipment required to perform the work.

3.3 New services

A decision on whether it is appropriate to contract-out new government services with significant workforce impacts will be made on a case by case basis by Cabinet. Opportunity will be provided for the new government service to be delivered by in-house staff where it can be demonstrated that work is competitive on an overall "best value" basis, including quality and cost of purchase and maintenance of any capital equipment required to perform the work.

Cabinet submissions proposing contracting-out of new services should detail:

- any social and/or economic impact on the Queensland community;
- the impact on regional and rural communities;
- the impact on future competitive tendering in a market where the government will have no capacity to bid;
- why the service needs to be delivered by a non-government service provider; and
- the cost implications for government.

3.4 Services in replacement facilities

Existing outsourcing arrangements may not always be extended to replacement facilities (e.g. replacement hospitals and schools). A decision by Cabinet on whether it is appropriate to continue to contract-out services in replacement facilities will be made on a case by case basis.

Where a decision is made to transfer the existing contract to a replacement service, this may be offered to the current provider subject to commercial viability and the mutual agreement of both parties.

Opportunity should be given for in-house staff to undertake the work where it can be demonstrated that work is competitive on an overall "best value" basis, including quality and cost of purchase and maintenance of any capital equipment required to perform the work.

Cabinet submissions proposing contracting-out of replacement services should detail:

- the impact on the government workforce;

- how the proposed initiative will result in improvements to government service delivery;
- any social and/or economic impact on the Queensland community;
- the impact on regional and rural communities, where relevant, particularly in regard to maintenance of public employment in regional and rural Queensland;
- the impact on future competitive tendering in a market where the government will have no capacity to bid, if relevant; and
- the cost implications for government.

3.5 Implementing the Policy on the Contracting-Out of Services

In applying this policy, the following principles should be adhered to:

- i. The primary focus should be on improving the productivity of the existing government workforce through performance improvement strategies (such as training, innovation, and benchmarking);
- ii. Where services currently contracted-out come up for tender, or the delivery of new services and services in replacement facilities are being considered, in-house staff should be given the opportunity to undertake the work where it can be demonstrated that it is competitive on an overall "best value" basis, including quality and cost of purchase and cost of maintenance of any necessary capital equipment;
- iii. Where competitive tenders involve in-house bids, those bids must be fairly based – that is, with any advantages or disadvantages that stem solely from their public ownership being removed or accounted for in an appropriate manner;
- iv. Except in exceptional circumstances, in-house work units should be afforded sufficient opportunity and support, over a reasonable time, to achieve an acceptable level of performance, efficiency and effectiveness, before alternative service provision options are considered; and
- v. Options for the management of employees affected by organisational change are to include deployment, retraining, redeployment and voluntary early retirement.