The Committee of Public Accounts

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Summary

In its haste to rush through its reforms at breakneck speed the Ministry of Justice not only failed to deliver its ‘rehabilitation revolution’ but left probation services underfunded, fragile, and lacking the confidence of the courts. Inexcusably, probation services have been left in a worse position than they were in before the Ministry embarked on its reforms. The Ministry accepts that many aspects of its reforms have not worked, and that services have suffered as a result. Its design of the reforms left Community Rehabilitation Companies (CRCs) too dependent on volumes of work which did not materialise and their exposure to payment by results worsened the subsequent financial pressure. CRCs had insufficient income to cover the cost of basic, good quality probation services, leaving them unable to deliver the innovation promised and vulnerable to outright failure. The Ministry’s attempt to stabilise the contracts, and its decision to terminate them in December 2020—14 months early—will cost the taxpayer an additional £467 million. Mismanagement, risk taking and the lack of properly considered planning has badly let down offenders and there has been no noticeable improvement in the support offered to offenders since these reforms were first implemented, and they have failed to reduce reoffending by as much as expected, with the average number of reoffences committed by each reoffender actually increasing. Through the Gate (TTG) services fail to address needs like stable and suitable accommodation and, in some cases, offenders have been provided with tents and left with no fixed address on release from prison. This will ultimately cost the taxpayer more as costs are shunted elsewhere in the system. The Ministry says it has learned lessons, but it now needs to show that it is putting them into practice and urgently making desperately needed improvements to probation services.
Introduction

Probation services are designed to protect the public and reduce reoffending by supervising offenders in the community, overseeing their rehabilitation and ensuring that they understand the impact of their crimes on victims. The Ministry of Justice (the Ministry), through HM Prison & Probation Service (HMPPS), is responsible for probation services in England and Wales. As at September 2018, 257,000 offenders were supervised by probation services. In 2013, the Ministry embarked on a major reform of probation services to deliver a ‘rehabilitation revolution’. It created 21 privately owned Community Rehabilitation Companies (CRCs) to manage low- and medium-risk offenders and the public sector National Probation Service (NPS) to manage those posing higher risks. CRC owners took over in 2015, but as early as 2017 the Ministry had to amend its contracts with CRCs to increase their income and stabilise failing services. In July 2018 the Ministry announced it would terminate its contracts with CRCs 14 months early, in December 2020. In February 2019, Working Links, the owner of three CRCs, went into administration followed by Interserve, the owner of five CRCs, which went into administration in March 2019. The Ministry has consulted on its future model for probation, but it has not yet made decisions about what will replace the current failing system. This project has been beset by major difficulties from its outset and whilst we appreciate the Ministry’s acknowledgement that it was wrong to set its original timescale, it remains to be seen how it will manage to minimise additional costs while at the same time delivering a radically redesigned reform programme. We are also very concerned about the impact of the failures of the Through the Gate (TTG) services on both offenders and victims. TTG services were intended to provide support and minimise the risk of reoffending by helping offenders to find employment and stable accommodation as well as helping with financial and emotional support. However, TTG services have consistently failed to deliver or meet required quality standards. Offenders have been let down by a lack of understanding in how to offer tailored support, poor staff training, a focus on meeting targets rather than specific needs and an unacceptable failure in providing stable and suitable accommodation.
Conclusions and recommendations

1. **The breakneck speed with which the Ministry introduced the Transforming Rehabilitation reforms created an unacceptable level of risk that was not sufficiently challenged by the safeguards intended to protect the taxpayer.** Transforming Rehabilitation was an ambitious programme that contained inherent risks, including combining a ‘black box approach’, using payment by results to incentivise innovation, with extending statutory supervision to offenders sentenced to less than 12 months. The Ministry failed to conduct adequate pilots or to learn sufficiently from similar programmes elsewhere and tied the reforms to a timescale that was undeliverable from the outset. It suffered from optimism bias and gambled on the promises of innovation and it is unacceptable that so many unnecessary risks were taken with taxpayers’ money. The Ministry acknowledges that it implemented its reforms at breakneck speed in order to procure contracts before the 2015 general election. In its haste, it failed to get enough commercial input into its plans. Responding to the problems with these contracts will cost the taxpayer an additional £467 million. Despite the risks involved, the checks and balances for major projects designed to protect the taxpayer, including HM Treasury and the Major Projects Review Group, gave the programme the green light and failed to provide effective challenge.

**Recommendation:** *The Ministry, Cabinet Office and HM Treasury, should write to us by the end of June 2019 to set out what has been done to strengthen the approval and challenge processes both within the Ministry and at the centre of government in response to failed programmes such as this.*

2. **The Ministry has created an underfunded and fragile probation market and we are not confident in its ability to cope with further provider failure.** In September 2016 we warned about CRCs’ increasing dependence on payment by results and the risks to the financial sustainability of CRCs. The Ministry failed to realise that a payment by results model was not appropriate for probation or that reoffending was not a good measure of performance for CRCs. Its system relied on volumes of work which did not materialise, meaning that CRCs were unable to cover the cost of basic probation services let alone invest in innovation. At the outset, the Ministry modelled a 2% reduction in volumes of work but, two years into the programme, volumes were between 16% and 48% lower than anticipated. In February 2019, Working Links and the three CRCs it owned went into administration, requiring the Ministry to transfer these services to Kent, Surrey and Sussex CRC. The Ministry was confident that it or another provider would be able to step in if other suppliers fail, but it is constrained by a cap which means that no provider can own 25% of the market, and the NPS is already dealing with intolerable workloads. Interserve, the owner of five CRCs, went into administration on 15 March and it is unclear what impact this will have on the future of these contracts.

**Recommendation:** *The Ministry should write to the Committee, by the end of June 2019, providing details of its contingency arrangements in the event of further provider failure, and explaining what it is doing to manage this risk as its contracts*
proceed to termination in December 2020. The Ministry should also provide the Committee with an outline of how it managed the impact of both Working Links and Interserve collapsing into administration.

3. The Ministry will not make sustained progress with reducing reoffending until it can provide the support offenders desperately need on leaving prison, including securing stable accommodation. The reforms failed to reduce reoffending by as much as expected and, from 2011 to March 2017, the average number of reoffences committed by each reoffender actually increased by 22%. The number of offenders recalled to prison increased by 47% from January 2015 to September 2018 and the Ministry acknowledges that it is a long way from getting post-sentence supervision right. The Ministry’s Through the Gate (TTG) model has not provided the services it promised and an estimated 2,961 prisoners did not receive TTG services in 2018. Prisons have been releasing prisoners without settled accommodation, with some prisoners having been provided with tents instead. The Ministry does not know how many prisoners have settled accommodation after they leave prison. The cross government Reducing Reoffending Board has met two or three times in its first year but there is little concrete evidence of what it has achieved so far.

Recommendation: The Ministry, working with the Reducing Reoffending Board should report back to this Committee, by the end of June 2019, setting out a cross-government strategy to reduce reoffending, and how it will measure whether this is working.

4. The Ministry failed to involve voluntary sector organisations in delivering probation services on the scale it promised. We warned in both September 2016 and March 2018 that the Ministry was not doing enough to involve the voluntary sector in efforts to improve rehabilitation services. As at October 2018, just 11% of voluntary sector organisations (VSOs) working in the sector provide services to CRCs, and probation trusts spent less than 3% of their budgets on voluntary and third sector provision. VSOs were frozen out of bidding because they were unable to provide the onerous Parent Company Guarantees required to tender for the contracts. The voluntary sector has also become less involved in providing TTG services, resulting in the loss of better-quality specialist services, that had been provided at no cost to the taxpayer. Currently provision of specialist services on mental health, employment and substance abuse is poor and not tailored to offenders’ needs. The Ministry acknowledges that VSO involvement is patchy and it intends to design its new system to have greater input from VSOs.

Recommendation: When it announces its new approach, the Ministry should write to the Committee to clearly explain what role it expects VSOs to play in the probation system, and what it will do to ensure this role is being fulfilled successfully. The Ministry should also outline how it intends to improve its provision of specialist services and how it will tailor these services to the specific requirements of those in need of support.

5. The Ministry’s decision to split the probation service has let down offenders and those working in the justice system. The split of probation services between the NPS and CRCs introduced many new points of contact between different parts of the probation system and with the wider justice system, which create friction
and require effort and resource to manage. The reforms split the role of probation services in court, so the NPS provides all advice to courts in a pre-sentence report, while CRCs do not attend court. These arrangements undermine sentencers’ confidence in CRCs which, in turn, is partly responsible for the declining use of community sentences – even though community sentences generally lead to better outcomes for offenders. The Ministry failed to anticipate that changes in sentencing practice would increase caseloads for the NPS. As at September 2018 the caseload split between CRCs and the NPS was 59:41 against an original assumption of 64:36. Combined with severe staffing shortages, this has resulted in intolerable workloads for the NPS. Delays to the Ministry’s ICT gateway to provide a link between CRCs and HMPPS have cost the taxpayer £23 million in compensation to CRCs and only two CRCs are currently using the gateway.

Recommendation: If it persists with this flawed structure, the Ministry should urgently spell out how such a separation of probation service can work effectively and what it will do to address the failings with the current system.

6. If the Ministry does not put into practice the lessons from its failed reform programme it is in danger of repeating the same mistakes again. In July 2018, the Ministry announced that it will terminate its CRC contracts, 14 months early, in December 2020. It has consulted on the future of probation services and plans to procure second-generation contracts in April 2019. It does not yet have a blueprint for its new system. The Ministry has stated that the NAO’s report has provided it with a clear framework of things it must do differently in its new system, and that there was not a single lesson in the report it would not take on board. Despite this, the Ministry has not allowed any more time for its procurement of new contracts than it did last time, although it is working on contingencies that may give it some more time. The Ministry is unable to say whether it will conduct pilots of the new system, conceding that it ‘might’ for some areas.

Recommendation: When it announces its new plans, the Ministry should write to this Committee spelling out exactly how its plans to address the failings set out by this Committee and the NAO, and how it will avoid the same mistakes happening again.
The Ministry’s design and implementation of the reforms

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Ministry of Justice (the Ministry) and HM Prison and Probation Service (HMPPS) on progress with the Ministry’s Transforming Rehabilitation reforms.\(^1\) Probation services are designed to protect the public by supervising offenders in the community, overseeing their rehabilitation with a view to reducing reoffending, carrying out proper punishment of offenders, and ensuring that they understand the impact of their crimes on victims.\(^2\)

2. In June 2014 the Ministry introduced its Transforming Rehabilitation reforms. Its aims were to: open the market to a range of rehabilitation suppliers from the private and voluntary sectors, encourage innovation, paying suppliers by results for reducing reoffending; and extend statutory rehabilitation to those offenders serving sentences of less than 12 months. It dissolved 35 self-governing probation trusts and created 21 Community Rehabilitation Companies (CRCs) to manage offenders who pose a low or medium risk of harm. It created a public sector National Probation Service (NPS) to manage offenders who pose higher risks. In February 2015, the CRCs were transferred to eight, mainly private sector, suppliers working under contracts, managed by HMPPS, that were to run to 2021–22. The Ministry considered that its reforms would deliver reductions in reoffending corresponding to £10.4 billion net economic benefits to society over the seven-year period of the contracts.\(^3\)

3. When we previously reported on the Ministry’s rehabilitations reforms in September 2016, we concluded that the Ministry was yet to bring about the ‘rehabilitation revolution’ it promised.\(^4\) In March 2017 the Ministry was forced to adjust its contracts with CRCs because they were forecasting combined losses of £443 million across the remaining life of the contracts. We reported on the CRC contracts in March 2018 and found that the Ministry urgently needed to ensure CRCs improved the quality of the services they provide and deliver on their promises of innovation.\(^5\) In July 2018 the Justice Secretary acknowledged that the quality of probation services being delivered was falling short of expectations and announced that the Ministry would terminate the CRC contracts 14 months early, in December 2020.\(^6\) In February 2019, Working Links, the owner of three CRCs, went into administration, followed by Interserve in March 2019, the owner of five.\(^7\) The Ministry has consulted on its future model for probation, but it has not yet made decisions about what will replace the current failing system.\(^8\)

4. The Ministry expected CRCs to achieve a modest reduction of 3.7 percentage points in the proportion of proven reoffenders, over the contract period from 2014–15 to 2021–22.

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\(^1\) C&AG’s Report, Transforming Rehabilitation: progress review, Session 2017–19, HC 1986, 1 March 2019
\(^2\) C&AG’s Report, para 1
\(^3\) C&AG’s Report paras 2, 3
\(^5\) Committee of Public Accounts, Government contracts for Community Rehabilitation Companies, Session 2017–19, HC 897, 21 March 2018, pages 3–4
\(^6\) C&AG’s Report, para 4
\(^7\) C&AG’s Report, para 3.13; Urgent Question, HC Deb, 18 March 2019, c834
\(^8\) Q 114; C&AG’s Report para 4
Overall, from 2011 to March 2017, there was a 2.5 percentage point reduction. However, over the same period, the average number of reoffences per offender increased by 22%.9

**Implementation of the reforms**

5. The Ministry acknowledged that Transforming Rehabilitation was an ambitious programme that has not delivered the outcomes that the taxpayer would have expected from it. The Ministry told us that the policy contained inherent risks and design features and that “the flaws were at inception”.10 The reforms combined the introduction of CRCs and the payment by results model, splitting the probation service between CRCs and the public sector NPS and extending statutory supervision of offenders sentenced to less than 12 months. The Ministry acknowledged that the programme carried some significant delivery risks, which it has spent the last four years “dealing with, managing and mitigating.”11 Supporting and exiting the CRC contracts early cost the taxpayer at least an additional £467 million and the NAO concluded that Transforming Rehabilitation has achieved poor value for money for the taxpayer. Despite this, the Ministry told us that it thought it had procured and implemented the programme well and that it believed the work it had done to stabilise and manage the termination of the contracts had been “first-class Government commercial work.”12

6. We previously reported that the Ministry’s failure to pilot or properly understand its fundamental changes to the probation system led to CRCs not investing in probation services, which have suffered as a result.13 The Ministry attributed the decision not to pilot the programme to the desire to “get on with it” and “keep momentum” to deliver the reforms before the 2015 election. It explained that this meant that elements of its reforms were delivered “at breakneck speed”. HMPPS told us that the rationale for the timetable was to give the market confidence that the reforms were going to take place. It admitted that it had implemented the reforms “too fast” and had wrongly believed that it had all of the evidence it needed and could manage the risks.14 HMPPS and the Ministry acknowledged that it would have been better if they had tested some aspects of the programme before the reforms went live, in particular they highlighted that they would have benefited from having a better understanding of CRCs’ costs, the CRC and NPS relationship and how the courts would make use of the various sentencing outcomes at their disposal. The Ministry said that if it had been given another year to run the NPS and CRCs in shadow form it would have spotted problems with its assumptions about CRCs’ costs.15 One of the main aims of the Ministry’s reform programme was to encourage innovation. The Ministry told us that from early signs in trials it conducted in Peterborough and Doncaster prisons, it believed it had some evidence that suppliers could reduce reoffending using innovative methods incentivised by payment by results. However, these trials were considerably different to the model it pursued under its reform programme. The Ministry acknowledged that at the time it designed its reforms it suffered from an optimism bias about how easily it could incentivise innovation.16

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9 C&AG’s Report, paras 1.3–1.4
10 Q 6, 17, 28
11 C&AG’s Report, para 1.1; Q 6
12 C&AG’s Report, para 3.6; Q 17, 19
14 Qq 23, 25, 54
15 Qq 23, 54, 65
16 Qq 9, 66–67
7. The Ministry told us that all the checks, balances and assurances available to a major government project gave the Transforming Rehabilitation Programme the green light. These included the Major Projects Review Group and the Treasury. Despite difficult decisions about whether it was going too quickly and whether it should be piloted or tested, the decision was taken to go ahead with the programme.\textsuperscript{17} HMPPS told us that its programme board recognised the risk of implementing its reforms to such a tight timetable. However, the Ministry did not seek a ministerial direction in relation to its concerns about the timetable.\textsuperscript{18}

Funding CRCs through payment by results

8. CRCs are paid for the types of activity they undertake rather than the volumes of offenders they supervise, meaning their financial health depends on carrying out types of rehabilitation work which attract payment.\textsuperscript{19} The CRC contracts did not deliver the volumes, and therefore the income, that CRCs were expecting, meaning that they did not have the money to cover their costs and to invest in innovation.\textsuperscript{20} The Ministry expected to pay CRCs up to £3.7 billion over the life of the current contracts to 2021–22. However, by August 2018, it forecast that it would pay CRCs £2.3 billion through to December 2020 when the contracts will now end. In letting the contracts, the Ministry only modelled a potential 2% fall in activity volumes, but by the first quarter of 2017–18, the fall in activity ranged between 16% and 48% less than expected.\textsuperscript{21} In addition, the Ministry had a poor understanding of CRCs’ cost bases. It originally assumed that 20% of CRCs’ costs were fixed, but in June 2017 the average fixed costs reported by CRCs was 77%. This meant that CRCs were placed under significant financial strain when volumes of work were lower than expected, as they could not reduce their costs by as much as they needed to.\textsuperscript{22}

9. The financial pressures on CRCs created by the lower volumes of work were exacerbated by the payment by results mechanism.\textsuperscript{23} We have previously warned about CRCs’ increasing dependence on payment by results and the risks to the financial sustainability of CRCs.\textsuperscript{24} The Ministry’s payment by results mechanism was based on proven reductions in reoffending after two years. The first set of annual reoffending statistics, published in January 2018, meant that CRCs incurred total liabilities of £9.3 million. The Ministry’s modelling suggested that CRCs’ were likely to incur total liabilities of £146 million if the contracts continued through to 2021–22.\textsuperscript{25} The Ministry said that the ‘black box’ design where the Ministry paid for the outcomes it wished to achieve and assumed CRCs would be incentivised to do “whatever it takes” to achieve them, did not work and put core services at risk. It accepted that payment by results assumes that the system is willing to accept zero intervention, which would not be acceptable for probation services.\textsuperscript{26} As a result of its payment by results mechanism, the Ministry did not specify how CRCs should provide

\begin{thebibliography}{99}
\bibitem{17} Q 55
\bibitem{18} Qq 24, 26
\bibitem{19} Committee of Public Accounts, \textit{Government contracts for Community Rehabilitation Companies}, Session 2017–19, HC 897, 21 March 2018, p5
\bibitem{20} Q 9
\bibitem{21} C&AG’s Report, paras 2.12, 2.15
\bibitem{22} Q 19; C&AG’s report paras 2.10, 2.16
\bibitem{23} C&AG’s Report, para 2.17
\bibitem{24} Committee of Public Accounts, \textit{Government contracts for Community Rehabilitation Companies}, Session 2017–19, HC 897, 21 March 2018, p5
\bibitem{25} C&AG’s Report, paras 2.11, 2.17
\bibitem{26} Qq 33, 70
\end{thebibliography}
some services.\(^\text{27}\) By February 2019, HM Inspectorate of Probation had rated eight CRCs as ‘requires improvement’ and one as ‘inadequate’ under its new inspection framework introduced in April 2018.\(^\text{28}\) HMPPS acknowledged that CRCs are being inspected against standards that they were not required to meet under their contracts.\(^\text{29}\)

10. The Ministry explained that it now believes that reoffending is not a true measure of the performance of CRCs because it is affected by so many different factors. For example, the number of reoffences per offender has gone up by 22% from 2011 to March 2017, and this is partly because those coming through the courts tend to be those who are more likely to reoffend, which is not within the control of the CRCs.\(^\text{30}\) The Ministry told us that it now considers other measures to be better for measuring CRC performance, such as the number of offenders obtaining access to housing and universal credit, and successful employment or mental health programme outcomes.\(^\text{31}\)

11. In June 2018 the Ministry commissioned work which found that CRCs faced collective losses of £294 million over the life of the contracts compared to expected profits of £269 million when the CRCs had bid. Following this, it took the decision to terminate CRC contracts 14 months early, in December 2020. On 14 February 2019, Working Links and the three CRCs it owned went into administration. The Ministry implemented its contingency plans, by transferring staff and services from the three CRCs to Kent, Surrey and Sussex CRC, owned by Seetec.\(^\text{32}\) The Ministry told us that it was confident in its contingency plans in the event of any future failure of larger suppliers, such as Interserve, which owns five CRCs. HMPPS said that it had a range of options, including stepping in itself or using other suppliers.\(^\text{33}\) The latter option is subject to a cap, which prevents any one parent company controlling more than 25% of the market.\(^\text{34}\) After our evidence session, on 15 March 2019, Interserve went into administration.\(^\text{35}\) The Ministry has not yet announced what impact, if any, this will have on the CRC contracts owned by Interserve.

Lessons for the future

12. The Ministry told us that it has learned a lot from its Transforming Rehabilitation programme.\(^\text{36}\) The Ministry and HMPPS told us that the National Audit Office’s report provided a clear framework of what it must do differently in the future and that there was “not a single lesson in the report that we will not take on board.” The Ministry has consulted on the future of probation services and plans to procure second-generation contracts in April 2019, but it has not yet set out its plans.\(^\text{37}\) It stressed that it does not yet have a blueprint. The Ministry said that it wants its new contracts to be simpler to avoid the sheer complexity of its current contracts. It also said that it was determined to fix the fact that CRCs and the NPS do not have coterminous regions if it has another generation of contracts of the same kind of model.\(^\text{38}\) The Ministry told us that it wants the probation
market to remain mixed between the private and voluntary sectors and the government. It told us that the market of probation suppliers remains ‘engaged’ and that 40 organisations had attended its market engagement events, in addition to VSOs.\textsuperscript{39}

13. The Ministry told us that one of the lessons from Transforming Rehabilitation was the danger of ‘heroic’ timetables.\textsuperscript{40} However, the Ministry has set itself a challenging 15 month timetable for the procurement process for its new contracts for probation services.\textsuperscript{41} The Ministry told us that it was aware of the hard deadline for the termination of its contracts in 2020, and that it was working on contingencies that would give it more time. It said that while it did not have time to pause in implementing its new system, it would “metaphorically pause” to think about how it proceeded. It conceded that it ‘might’ pilot some aspects of its new system.\textsuperscript{42}

\textsuperscript{39} Qq 106, 111
\textsuperscript{40} Q 2
\textsuperscript{41} C&AG’s Report, para 3.15
\textsuperscript{42} Qq, 99, 102, 105
2 The impact on offenders and staff working in probation

Support on leaving prison

14. The Ministry’s reforms introduced ‘Through the Gate’ (TTG) services from 1 May 2015 to support offenders in their transition from prison to the community by providing resettlement support for accommodation, employment, finance and mental health and substance misuse. In 2016 and 2017, HM Inspectorate of Probation reported that TTG services consistently failed to meet offenders’ resettlement needs. In 2018 the Ministry estimated that 2,961 offenders released from non-resettlement prisons, predominantly sex offenders and foreign national offenders, did not receive TTG services from CRCs at all, despite being eligible for them. HMPPS explained that while it had put in place other arrangements to support the release of these prisoners from non-resettlement prisons, they had not had the additional practical support they could have had from CRCs in resettlement prisons.\(^\text{43}\) HMPPS told us that one of the major things it had learned from its rehabilitation reforms was the need to have clarity about minimum levels of professional standards for staff. It has now specified that suppliers will provide 484 staff to deliver TTG services.\(^\text{44}\)

15. The Ministry told us that problems with housing, employment and access to benefits are the three real drivers of re-offending. HMPPS said that releasing offenders without accommodation is a huge issue. We asked HMPPS about reports that people leaving prison in Wales, Humberside, Lincolnshire and North Yorkshire were being provided with tents in place of accommodation.\(^\text{45}\) HMPPS acknowledged that it does not know how many prisoners are living in settled accommodation after they have left prison and it accepted some prisoners had been provided with tents.\(^\text{46}\) HMPPS told us about some actions it has taken, including expanding the number of approved premises places, but stressed it was not a housing provider. The Ministry told us that it was trying to increase collaboration between the CRCs, the NPS and the statutory and non-statutory housing providers.\(^\text{47}\) The cross government Reducing Reoffending Board has met two to three times in its first year and was designed to bring Departments together at working level. The Ministry told us that it was working with the Department of Health & Social Care on an offender personality disorder pathway programme, piloting a community sentence treatment requirement with NHS England and Public Health England, working on a programme to allow offenders to sign up with universal credit from prison and on the rough sleeping strategy with the Ministry of Housing, Communities and Local Government. The Ministry acknowledged that it has made ‘early steps’ with these projects but that it had not yet gone far enough.\(^\text{48}\)

16. From January 2015 to September 2018 the number of offenders recalled to prison for breaching their licence conditions increased from 4,240 to 6,240 (47%).\(^\text{49}\) The Ministry told us that this reflected the fact that 40,000 people were now subject to supervision for

\(^{43}\) C&AG Report, paras 1.16, 1.18–1.19, Q 29
\(^{44}\) Q 37
\(^{45}\) Qq 48, 53
\(^{46}\) Qq 48,142
\(^{47}\) Qq 46, 51
\(^{48}\) Qq 125–127
\(^{49}\) C&AG Report, para 1.15
the first time, because of the extension of statutory supervision to offenders sentenced to less than 12 months. The Ministry acknowledged that it had not got post sentence supervision right.\textsuperscript{50}

### Involvement of the voluntary and third sector

17. One of the objectives of the Ministry’s reforms was to open the market to a range of suppliers from the private and voluntary sectors.\textsuperscript{51} When we reported on its probation reforms in September 2016 and March 2018 we were concerned that the full potential of the third sector was not being realised.\textsuperscript{52} However, as at October 2018, just 11% (159) of the 1,443 VSOs working in the criminal justice sector were providing services directly to CRCs.\textsuperscript{53} HMPPS told us that probation trusts had spent less than 3% of their budgets on voluntary and third-sector provision. The Ministry acknowledged that voluntary sector involvement was “patchy” and that, by and large, while large charities are involved, smaller charities are not. HMPPS told us that it had tried to “encourage and manipulate” supply chains to use smaller suppliers. However, many of the private-sector suppliers had partnered with larger VSOs and CRCs generally wanted to deliver the services themselves because it was easier to do so efficiently. HMPPS acknowledged that CRCs’ lower than anticipated volumes and different case mix had meant suppliers had ‘squeezed’ their supply chains to some extent and not provided the opportunities for smaller VSOs to get involved as the Ministry had planned.\textsuperscript{54}

18. HMPPS also told us that smaller suppliers were deterred from getting involved because of the level of risk.\textsuperscript{55} The Ministry secured parent company guarantees to provide financial protection for the taxpayer, including covering the costs of the Ministry stepping in to provide services for the remaining contract period. The National Audit Office found that many VSOs were unable to provide the financial guarantees required to tender for a contract on their own.\textsuperscript{56} The Ministry acknowledged that parent company guarantees were one of the obstacles to VSOs being prime suppliers, but it noted that the guarantees served the purpose of protecting the taxpayer from the insolvency of a subsidiary. The Ministry told us that it will design its new system to incorporate greater voluntary sector involvement. HMPPS said it has learned from the rehabilitation reforms that the more risk it transfers in its contracts in terms of volumes and costs, the harder it is for VSOs to play a part.\textsuperscript{57}

19. HMPPS explained that one of the consequences of it making resettlement support statutory was that many VSOs who had previously provided this support withdrew to focus their efforts elsewhere. HMPPS acknowledged that this had led to “a deterioration in support” since the statutory provision which came in offered little and replaced better quality provision, which it noted had come at no cost to the public sector.\textsuperscript{58}

\textsuperscript{50} Qq 35–36
\textsuperscript{51} C&AG’s Report, para 2
\textsuperscript{53} C&AG’s Report, para 1.9
\textsuperscript{54} Qq 11–12
\textsuperscript{55} Q 12
\textsuperscript{56} C&AG’s Report, paras 1.8, 3.13
\textsuperscript{57} Qq 27, 79–80, 148
\textsuperscript{58} Q 29
Splitting services between CRCs and the NPS

20. The Ministry’s decision to split the probation service created new operational points of contact between the NPS, CRCs, prisons and HMPPS, which HMPPS then had to manage. The Ministry told us that the Transforming Rehabilitation programme was characterised by an extremely difficult and complicated landscape. The Ministry acknowledged that a consequence of its decision to outsource probation services, while continuing to retain more serious cases in the public sector, engineered a split and created “a two-tier probation service”. HMPPS said that it knew at the outset that fragmenting the system would cause some friction and that this was “not ideal”.

21. The Ministry committed to create an ICT gateway by June 2015 to provide a link between CRC and HMPPS systems, which it did not introduce until September 2016. As a result of the delay the Ministry paid £23.1 million in compensation to 17 CRCs. By January 2019, only two CRCs were using the gateway, seven were still working towards introducing their own systems and 12 had decided not to use it at all. The Ministry and HMPPS acknowledged that this had not gone as well as it should have done.

22. CRCs’ staff are prevented by law from providing advice in court and so the NPS provides all advice to courts in a pre-sentence report. HM Inspectorate of Probation reported that these arrangements do not support sentencers’ confidence in CRCs, which are detached from the process. There has been a decline in the use of community sentences, which has in part been influenced by sentencers’ lack of confidence in CRCs. HMPPS acknowledged that community sentences generally achieve better outcomes for offenders. It told us that it has been working to build sentencers’ confidence in CRCs, including through regular meetings with the Senior Presiding Judge and providing more information on what CRCs do.

23. As of September 2018 the caseload split between CRCs and the NPS was 59:41 against an original assumption of 64:36. The NPS’ high caseloads have been constrained by severe staff shortfalls resulting in intolerable workloads. In August 2018, its overall staff vacancy rate was 11%, and as high as 20% in London. It relied on more than 1,100 temporary staff, at the same time as also facing a shortfall of around 930 full-time equivalent staff. HMPPS told us that it was recruiting new probation officers, and its last cohort was around 600. It said that its attrition rate for probation officers in the NPS was 6%, which it did not consider an unreasonable level. But it said that it takes up to two years to fully train probation officers. It explained that it would prefer not to use agency staff and acknowledged that the NPS is “strained.”

59 C&AG’s Report, paras 13, 2.4
60 Qq 5, 56–57
61 Qq 71–72; C&AG’s Report, para 1.11
62 Qq 72, 74
63 C&AG’s Report, para 2.5
64 Qq 58, 62
65 C&AG’s Report, paras 9, 2.8
66 Qq 40–41
Formal Minutes

Wednesday 24 April 2019

Members present:

Meg Hillier, in the Chair
Nigel Mills    Anne Marie Morris
Layla Moran

Draft Report (*Transforming rehabilitation: progress review*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 23 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Ninety-fourth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 29 April at 3:30pm]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Wednesday 13 March 2019

Sir Richard Heaton, Permanent Secretary, and Michael Spurr, Chief Executive Officer, HM Prison and Probation Service, Ministry of Justice

Q1–150
List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee’s website. The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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