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Reducing costs and maintaining values

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Introduction

Imprisonment and values

The title of this year's lectures 'Imprisonment and its values: the cost of cuts' is not one that I myself would have chosen. My immediate reaction was to respond (rather pedantically) by asserting that imprisonment itself cannot have values — and that the debate should therefore be about the values which we seek to uphold when imprisoning our fellow citizens and whether they are at risk from the public spending cuts which are impacting on the Prison Service. This is the approach I intend to take and as this is a 'practitioner' rather than an 'academic' perspective I will spend rather less time on the values themselves and rather more on the potential impact of the spending cuts — focusing on what we can do to maintain and improve the experience of prison in England and Wales notwithstanding the financial challenges we face. However, I should begin, at least for the record, by setting out the values which are core to delivery of offender management — including imprisonment — within the National Offender Management Service (NOMS). The Agency Framework Agreement sets these out as follows:

- Be objective and take full account of public protection when assessing risk;
- Be open, honest and transparent;
- Incorporate equality and diversity in all we do;
- Value, empower and support staff, and work collaboratively with others;
- Treat offenders with decency and respect;
- Embrace change, innovation and local empowerment;
- Use our resources in the most effective way, focusing on outcomes and delivering value for money for the taxpayer.

Values such as integrity, honesty and transparency are generic to all reputable organisations — but within our particular sector there are key values which define how we deal with individual offenders and the nature of imprisonment. In his speech to the NOMS Agency Conference in 2009 my predecessor, Phil Wheatley, provided a clear and compelling exposition of the relevance and importance of these values to our work.

I do not intend to rehearse the arguments again today, other than to summarise what they mean for prisons and for prisoners. For prisons, our values mean running secure, safe, decent (legitimate and fair) establishments, managing risk, maintaining public protection and providing opportunity for rehabilitation. For individuals, our values mean a commitment to treating prisoners in the way we would expect our own son or daughter to be treated were they in custody.

These values are now generally well understood and accepted across the Prison Service and have underpinned the real and sustained improvements which have been achieved over the last decade.

Prisons Today

Before moving on to consider the impact of public spending cuts, it is important to briefly set out where we are today in order to be clear about what we must preserve and where we need to do more.

Despite the well documented, sustained, year on year growth in the prison population, prisons today are more ordered, secure and decent than they have ever been. Riots and escapes can and do occur — that goes with the territory, but since the mid 1990s these have become relatively rare events — in stark contrast to the previous two decades. There were only 2 escapes last year (the lowest total ever recorded) and the level of absconds from open prisons has reduced from 1310 in 2003/04 to 240 last year. These are incredibly good outcomes.

The population has become more challenging, characterised by longer sentenced, more violent offenders, with a substantial increase in indeterminate sentences but offences of prison violence (measured by 'offences of violence punished per 100 prisoners) have remained fairly constant and (despite a worrying rise in recent weeks) the rate of self inflicted deaths at 68/100,000¹ remains at its lowest level since the mid 1980s.

Overall levels of purposeful activity have been maintained and the level and range of education provision, offending behaviour programmes, interventions and resettlement activity provided in prisons has been substantially increased. Outside agencies and community groups now operate routinely in all establishments, with multi-agency partnership working the accepted 'norm'. Transfer of responsibility to the NHS has resulted in sustained improvement in health care provision, and whilst availability of drugs in

1. 3 year average rolling rate.

prison is unacceptable and a major current issue, the rate of drug use has been reduced from 18.3 per cent in 1998/99 to 7.8 per cent last year. And whilst I do accept that MDT figures probably understate usage — this has always been the case — and the improvements achieved should not be undersold.

Analysis from HM Chief Inspector of Prisons (HMCIP) reports confirms that overall quality of delivery against the 'healthy prison tests' has been consistently improved. Specifically, the proportion of prisons/Units inspected which achieve outcomes which are 'good' or 'reasonably good' for each of the four healthy prison tests has improved over the last five years ^{Note 1:-}

HP Test	Prisons/Units Achieving Good or Reasonably Good	
	2006/7	2010/11
Safety	61%	78%
Respect	61%	73%
Purposeful Activity	49%	70%
Resettlement	64%	77%

The full data for each of the years is set out below:-

	HMCIP Safety				
	2006/07	2007/08	2008/09	2009/10	2010/11
4	16%	18%	19%	22%	25%
3	45%	49%	48%	53%	53%
2	34%	31%	30%	23%	20%
1	4%	2%	3%	2%	2%

	HMCIP Respect				
	2006/07	2007/08	2008/09	2009/10	2010/11
4	10%	9%	9%	12%	14%
3	51%	56%	58%	61%	59%
2	35%	32%	30%	26%	26%
1	3%	3%	3%	1%	1%

	HMCIP Purposeful Activity				
	2006/07	2007/08	2008/09	2009/10	2010/11
4	4%	9%	14%	18%	18%
3	45%	45%	49%	50%	52%
2	41%	36%	30%	28%	26%
1	10%	9%	7%	5%	4%

	HMCIP Resettlement				
	2006/07	2007/08	2008/09	2009/10	2010/11
4	4%	6%	10%	12%	18%
3	60%	63%	62%	61%	59%
2	33%	29%	26%	26%	23%
1	3%	1%	2%	2%	1%

This level of progress would not have been possible without targeted investment in key areas such as education, health, drug treatment, offender management and interventions, combined with really effective management of resources and budgets, which has enabled not only improved outputs, but genuine efficiency improvements including an overall reduction in unit costs per prisoner (from £41,000 in 2008/09 to £40,000 in 2009/10).

These changes have contributed to significant improvements in the rate of re-offending. The figures published in March record that the 12 month actual reconviction rate for all offenders in 2009 was 39.3 per cent compared to 43 per cent in 2000, an improvement of 8.5 per cent. When controlled for offender characteristics the improvement is 10.4 per cent, and in terms of the frequency rate (number of offences actually committed) the improvement is 24 per cent. For custody cases the improvements are 10.7 per cent (actual reconviction rate) and 16.6 per cent (frequency rate) ^{Note 2.}

	Re-conviction Rate	Frequency Rate
Court Orders/Probation Supervision	-9.4%	-24.3%
Custody	-10.7%	-16.6%
Less than 12 months	-6.5%	-5.1%
12 months to less than 2 years	-12.4%	-26.0%
2 years to less than 4 years	-23.0%	-33.6%
4 years and over	-25.6%	-32.5%
TOTAL	-10.4%	-24.0%

These are really encouraging figures — much better than we might have anticipated — making a real difference to peoples' lives, contributing significantly to the overall reduction in crime and translating into many fewer victims.

Today there are no 'hell hole' prisons — and I would argue, with a strong evidence base, that the prisons, in a real sense, have been transformed. But that doesn't mean they are where we would want them to be. I am conscious of the former Chief Inspector's comment some time ago that Governors can run a 'virtual prison', believing that things are much more rosy than the reality on the ground. This is not a good state and one where no Governor wants to be. Equally I don't want to live in a virtual Prison Service world and I certainly would not want to pretend that our prisons

Note 1: The proportion of Prisons/Units given each 1-4 rating for HMIP Safety, Respect, Purposeful Activity and Resettlement since 2005/06.

- 4: outcomes for prisoners are good against this healthy prison test
- 3: outcomes for prisoners are reasonably good against this healthy prison test
- 2: outcomes for prisoners are not sufficiently good against this healthy prison test
- 1: outcomes for prisoners are poor against this healthy prison test

Note 2: Extract from National Statistics Audit reconvictions: results from the 2009 cohort, England and Wales. MoJ Published 2011.

are where, ideally we would want them to be. As our Minister and our new Chief Inspector point out — whilst the improvements I have recorded are real, there still remain significant issues to tackle:-

- ❑ prisons are insufficiently purposeful — with too many prisoners still having too little to do
- ❑ drugs and mobile phones are too freely available
- ❑ reoffending rates in general and for short sentenced prisoners in particular remain unacceptably high
- ❑ conditions in some of the older/ageing parts of the estate are unsuitable for a modern Prison Service.

These would be substantial challenges to overcome at any time — but they are made even more daunting by the real cuts in funding — which we now face — amounting to 23 per cent of the Ministry of Justice (MoJ) budget over the spending review period.

There is an understandable fear that over the next few years — not only will we be unable to tackle the deficiencies identified — but that the Service will suffer real decline — impacting adversely on the experience of imprisonment for individuals, undermining our values and reversing the progress we have made in reducing re-offending and in maintaining safe, secure and decent prisons.

I do not under-estimate the challenge — life is going to be tough — but I am not fatalistic and believe we can navigate our way through the next few years maintaining the key gains we have made, whilst driving forward the Government's agenda to create more purposeful prisons focusing on rehabilitation.

Reducing costs and maintaining values

There are three reasons why I would argue that the 'cost of cuts' will not undermine our core values and our ability to run secure, safe and decent prisons, providing opportunities for prisoners to reform.

First, savings requirements are being properly targeted with acknowledgement that the costs of imprisonment will only reduce substantially if the population stabilises and reduces. The Secretary of State has been clear about the Government's ambition to improve rehabilitation outcomes so that the prison population stops growing — and then reduces by around 3000 over the next four years. This is not a huge reduction in the prison population — it would mean in

effect a prison population of 82,000 (the level in 2008) — but it would be a significant change of approach which, if successful, will allow savings to be made by closing capacity we no longer require. This is a key planning assumption on which savings identified for NOMS have been made. If this is deliverable — if we can cut crime by more effective sentencing and better rehabilitation outcomes — which is the objective behind the *Breaking the Cycle* Green Paper — then this is surely good news which all of us would welcome.

There are also real financial benefits. We have not yet completed the new prison capacity programme. Additional places come on stream over the next 12 months at Moorland, Featherstone II and Belmarsh

West. But over the last year the prison population has been relatively stable. Between December 2009 and December 2010 the population increased by only 0.38 per cent. This means that we can now look to close high cost, poor, unsuitable accommodation and make savings, improving the overall standard of the estate at the same time. We have already been able to close two high cost prisons (Lancaster Castle and Ashwell) and convert a third (Morton Hall) for use as an Immigration Removal Centre. In addition on this occasion we have been able to reduce overcrowding across the estate by terminating the option to purchase additional crowded

places in private sector prisons. If we can deliver on the ambition set out in *Breaking the Cycle* we will have the opportunity to close more capacity that is costly or no longer fit for purpose — achieving cost reduction and value for money for the tax payer at the same time.

The Government has made clear its commitment to provide the places required to accommodate all those sent to custody by the courts. So if the population does not stabilise or reduce there is an acknowledgement that funding will have to be found to provide the necessary places. This is a realistic approach and one which incentivises us to improve rehabilitation outcomes to make it work. That for me is very welcome.

Second, efficiency savings of 10 per cent from prison operating budgets over the four year spending review period are challenging but deliverable. The real test for individual prisons will be delivering around 10 per cent cost reduction over the next four years. Achieving this without damaging the improvements we

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have made, whilst driving forward a new and ambitious reform agenda will be difficult — but I am increasingly confident that, with a determined focus where we target resources effectively and where we rigorously benchmark processes and costs to maximise efficiency — this can be done. This would be an example of delivering cost reduction without impact on the overall quality of service.

Whilst the recent competition announcements were uncomfortable for many in the public sector — the outcome does reinforce the argument that 10 per cent cost reduction without adverse impact on performance, is achievable over the spending review period. It is important to be clear that this is not about simply taking the lowest cost option. A quality threshold was set for each of the competitions. Not all bidders met the threshold and only those who did progressed to the final stage. At that final stage all bidders — including the public sector — committed to delivering better outcomes with significantly reduced costs. This was true for Buckley Hall. Already an efficient low cost establishment, as well as for Birmingham, where the size of the establishment and the potential for efficiencies meant that the scope for savings was greater. Of course I recognise that at this stage — we simply have bid commitments — and we will need to monitor delivery, performance and outcomes both against contract requirements and for individual prisoners very closely to ensure that the quality requirements are met and maintained. But the fact is that experienced professional prison operators are confident that they can deliver a positive, decent regime — in line with our values, at considerably less cost — with a significant level of innovation, for example in terms of developing substantially more purposeful activity at Buckley Hall, or better resettlement opportunities through partnership work at Birmingham. The viability of the bids has been properly and carefully evaluated by competent, experienced, operational staff and this provides a good level of assurance and delivery confidence.

In addition, at Doncaster we have commitment to deliver not only to the current operating standards but to put at risk a proportion of the contract price — with payment only being made if re-offending is reduced. This is an exciting development and the fact is that the prison will now have to work ‘through the gate’ with

partner organisations to achieve a minimum 5 per cent reduction in reoffending (actual 12 month reconviction rate). If this is not achieved, 10 per cent of the contract price will not be payable. If it is achieved, the contract will have significantly reduced crime for a cost at least £1m below what we currently pay. Payment by results is a developing concept and requires careful piloting — but the model does have real potential to incentivise a genuinely different, integrated ‘through the gate’ approach which could have a marked impact on reoffending, particularly for those serving short term prison sentences.

We can debate these issues in more detail later on — but my point here is that the actual savings challenge for prisons over the next four years is achievable — without detriment to the control, care and work we do with prisoners. It will require us to re-think and re-configure what we do to achieve the most cost effective model of delivery in every establishment. It will require us to think differently. But there is evidence that the 10 per cent level of savings required in prisons is achievable through efficiency and effective prioritisation of resources — rather than from simply cutting services. This must be our aim.

Third, the focus on rehabilitation set out in the *Breaking the Cycle* Green Paper combined with a commitment to devolved decision making and

local flexibility in delivery provides a positive policy framework to develop prison regimes — despite the cuts. The challenge to develop more purposeful regimes incorporating initiatives such as ‘Drug Recovery Wings’ and the ‘Working Prison’ concept provides a necessary and appropriate balance to the requirement to cut costs. As previously stated, the focus on rehabilitation is right and welcome.

Over recent years a positive performance culture has been embedded within prisons — which is a key reason why in the last 12 months we were able to meet or exceed all key performance measures, whilst also exceeding our cost reduction targets. This is a strong foundation on which to go forward. The nature of imprisonment and the level of risk being managed means that prisons will always have to operate within a clearly prescribed framework — but there is scope for much greater local initiative and flexibility to respond to the policy agenda and this is something which I believe governors will welcome and respond to. Indeed

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I know from my own visits to establishments and from feedback from my Board colleagues that many prisons are already stepping up to the challenge.

A stable or reducing prison population, which does not require constant managerial attention, and removes the need to constantly increase capacity creates a very different operating environment. It will provide opportunity to develop more stable senior management teams with the scope to increase the tenure of Governing Governors and to develop more effective long term planning at establishment level, creating greater local ownership and accountability for decision making. This must be welcome and provides a much better opportunity for local development and innovation.

We will continue to monitor and to measure performance — prisons cannot be allowed to 'fail'. But there will be an increasing level of local flexibility to determine 'how' things should be done, with much more emphasis on outcome measures, including the development of reliable re-offending data for each individual prison which will incentivise establishments to maintain a focus on rehabilitation including effective work with partners. This policy is an important counter to the potential for simplistic 'cuts' philosophy which focuses only on the short term without regard to future consequences and impact. A prison which is committed to developing a purposeful regime and working to support effective rehabilitation is much more likely to remain decent and true to our values.

This is the policy challenge we face. It is not just about cuts — it is about developing even more effective regimes and, whilst that is a significant challenge, it is one that I believe the Prison Service can rise to.

Conclusion

In conclusion, I do not want to understate the risks and difficulties we are likely to face over the next few years. I am very conscious that the pace of change, the financial pressures and the operating context are immensely challenging, but in times such as these, having values, sticking to them and living by them, becomes even more important. We will have to take some very difficult decisions but the choices we make must be consistent with our purpose, our vision and our values.

I am proud that we have made the prisons more decent, more humane and more effective than they have ever previously been. I am determined that we will not lose the gains we have made and convinced that, despite the difficulties, we can do more. I'm sure that my determination to maintain our values and to keep improving is shared by Governors, managers and staff across the Service. That gives me confidence that the Service will rise to the challenge and the 'cost of cuts' will be painful but not fatal.