

NOTE ON PETERBOROUGH SOCIAL IMPACT BOND PILOT AND TRANSFORMING REHABILITATION PROGRAMME

A) INTRODUCTION

Peterborough Social Impact Bond Pilot

The Peterborough SIB was set up by Jack Straw MP as Home Secretary in 2010 and is an outcomes based model. Social investors provided £5m to fund interventions to reduce reoffending among three cohorts of 1000 short-sentenced male prisoners leaving Peterborough prison. Investors will receive a return if reoffending is reduced by 10% per cohort compared to a national control group. The service was due to last until 2017 – a 7 year period.

The “Phase 2 Report from the Payment by Results Social Impact Bond Pilot at HMP Peterborough” by Emma Disley and Jennifer Rubin RAND Europe May 2014 shows a generous funding model:

(p12) “Social Finance raised £5mn from 17 investors (Social Finance, 2011). The majority of investors were charities or foundations, including the Barrow Cadbury Charitable Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, The Henry Smith Charity, Johansson Family Foundation, Lankelly Chase Foundation, The Monument Trust, Panahpur Charitable Trust, Paul Hamlyn Foundation and the Tudor Trust (Social Finance, 2010)”.

The Phase 2 Report shows that the Peterborough Pilot is generously staffed:

(p10) “The SIB is used to fund the One Service. This is a voluntary scheme which offers offenders support to address a range of needs and challenges to reduce reoffending. The Service is delivered by a mix of paid caseworkers and volunteers (from St Giles Trust), paid staff and volunteers (from Sova), paid specialist practitioners (from Ormiston Children and Families Trust), specialist trainers (from John Laing Training), recovery workers (from Mind) and gym volunteers (from YMCA). Staff contact offenders in prison to help them prepare for release and offer support for up to 12 months in the community following release”

Staffing includes 6 full time caseworkers and 6 volunteers provided by St Giles Trust, 50 volunteers recruited, trained and managed by Sova and other specialist practitioner from other organisations.

The Big Lottery Fund and the Ministry of Justice are providing the outcomes payments. Though the amount of Lottery “topping up” support for these payments is not known, under Big Lottery’s £40mn “Commissioning Better Outcomes” programme – supported by the Cabinet Office £20mn Social Outcomes Fund - this can be up to 20%. This means that Big Lottery is providing some underwriting for payments under the programme – which may also be the case at Peterborough.

The Peterborough Social Impact Bond will now continue in its current form until June 2015 when the delivery of support for the second cohort is due to end. Results and related outcomes payments are expected in the summer of 2014 (first cohort) and in 2016 (second cohort).

Transforming Rehabilitation Programme

Under the Government’s plans 35 Probation Trusts will be replaced by 21 ‘Community Rehabilitation Companies’ (CRCs). CRCs will be responsible for the supervision of most individuals on community sentences and on release from prison.

The contracts to run the CRCs are currently being put out to tender by the Ministry of Justice. The successful bidders are expected to be large private companies mostly, awarded relatively long contracts of between seven and ten years in duration.

Alongside the CRC structure, a new National Probation Service (NPS), responsible for the supervision of so-called 'high risk' individuals, as well as some technical functions such as risk assessment and pre-sentence reports, will be established. This means that in place of a single probation service, operating locally, there will be two probation services (the new National Probation Service and the contracted provider) in every locality delivering similar services side by side and sometimes via one another.

The National Association of Probation Officers, UNISON and the GMB Unions all oppose the £800mn Transforming Rehabilitation programme to reduce Regional Probation Trusts from 35 to 21 and to invite tenders for supervision of more than 200,000 offenders each year. ACEVO and NCVO have received £150,000 as part of £500,000 Voluntary Sector support funding to assist "Voluntary Community Sector groups successfully bid as possible mutuals for rehabilitation contracts to manage and reform offenders". It is very difficult not to interpret this as ACEVO and NCVO encouraging Voluntary and Community groups' bidding to take union members' jobs and ultimately reduce their terms and conditions

The 21 Ministry of Justice Contract Package Areas have "Indicative Values" ranging from up to £13mn in Norfolk and Suffolk to £72mn for London. Alongside this, the Ministry of Justice published "30 Potential Bidding Entities" that have now passed the PreQualification Questionnaire stage. Many are also Work Programme Prime Contractors.

B) HOUSE OF COMMONS JUSTICE COMMITTEE

The Committee's Twelfth Report "Crime Reduction Policies: a Co-ordinated Approach? Interim Report on the Government's Transforming Rehabilitation Programme" of January 14 2014 was highly sceptical about the programme:

"an unavoidable consequence of the way this programme is designed is that one element of the competition will be about how cheaply providers can deliver the residual service to enable the maximum resource to be unlocked to "reinvest" in rehabilitative provision for short-sentenced prisoners and others in prison and after their release."

"Ian Lawrence, General Secretary of Napo, a trade union representing probation staff, characterised the reforms as "...a recipe for disaster. They pose a massive risk to public safety, and are untried, untested and in our view ideologically flawed" and "destroying what works to put in place an experiment." The Probation Chiefs Association similarly argued that "[the] high performing Probation Trust structure would be replaced by a system that is untested and where there is no evidence that it will perform better or deliver efficiencies as intended. Richard Monkhouse of the Magistrates' Association observed "We have no evidence that anything [that is proposed] will work". Other witnesses highlighted in particular the shortage of evidence on the application of payment by results to the criminal justice arena and on what drives reoffending rates.'

C) RESULTS FROM PETERBOROUGH SIB AND DONCASTER PBR PILOT

Data on the results from the Peterborough SIB is incomplete and represents only a rough comparison. The “Phase 2 Report from the Payment by Results Social Impact Bond Pilot at HMP Peterborough” Emma Disley and Jennifer Rubin RAND Europe. May 2014:

(p2) “These data show that the frequency of reconviction events among offenders released from Peterborough has declined by 11% over the period of the pilot while the equivalent national figures have risen by 10%. The bulletin presents the Ministry of Justice’s best assessment of change at this point in time. The statistical bulletin notes that care should be taken when interpreting the figures because they are not based on the methodology which will be used to assess the success of the Peterborough pilot. For the Peterborough pilot, success will be determined based on 2 comparison with a control group of comparable offenders from across the country, which is not available for these interim results”.

Alongside this, a “Process Evaluation of the HMP Doncaster Payment by Results Pilot: Phase 2 Findings” by Evelyn Hichens and Simon Pearce, GVA April 2014 is less encouraging about a scheme which is more similar to that proposed under Transforming Rehabilitation. The Doncaster Payment by Results pilot is being delivered by “The Alliance” – a partnership of Serco and Catch 22. This operation of this pilot is similar to those to be funded under Transforming Rehabilitation.

(p2) “The 12 month reconviction rate for cohort 1 offenders released from Doncaster Prison between October 2011 and June 2012 is 52.6%, based on 1,014 releases. This is a reduction of 6.95% compared to those released between October 2008 and June 2009, and a reduction of 4.4% compared to those released between October 2009 and June 2010.”

“The 6 month reconviction rate for cohort 2 offenders released from Doncaster Prison between October 2012 and March 2013 is 43.1%, based on 580 releases. This is a reduction of 2.5% compared to those released between October 2008 and March 2009, and a rise of 1.9% compared to those released between October 2009 and March 2010”.

D) SECURITY OF FUNDING

The “Phase 2 Report from the Payment by Results Social Impact Bond Pilot at HMP Peterborough” Emma Disley and Jennifer Rubin RAND Europe. May 2014 is comprehensive about the relative security and consistency of funding provided to those delivering the Peterborough service:

“(p5) “SIB funding was perceived to be more flexible than traditional sources. Interviewees reported that decisions about spending SIB funds could be made quickly and with fewer restrictions than traditional funding for similar interventions. There are, for example, fewer procurement restrictions and no requirements for SIB funds to be spent within a specified time frame (such as a financial year).

(p8) “Service providers are not normally paid by results and do not bear risk in a SIB. Under a SIB, several providers can deliver services which aim to improve outcomes.”

(p40) "Up-front payment: All providers are paid up-front for service delivery. Staff costs and other overheads are fixed under the contract. Importantly, none of the providers bear financial risk dependent on outcomes. An interviewee from one provider reported that this had allowed them to invest resources into the project"

(p12) "If a 10% reduction in reconviction events is not detected for any of the three cohorts, at the end of the entire SIB period, the three cohorts will be evaluated together. If a reduction in conviction events of 7.5% or more is detected across all 3,000 offenders, when measured against a matched comparison group, investors will be paid an agreed fixed sum per reduced reconviction event"

In comparison, Transforming Rehabilitation requires those who bid for a contract to take the risk and provide their own cash up front – which may lead to cutting corners, or an incentive to “cherry pick”. The Peterborough Phase 2 Evaluation described difficulties for cherry picking under this scheme. To prevent cherry picking and parking, prisoners meeting the Cohort Criteria are included in the pilot, whether or not they engage with SIB funded services:

(p4)"No evidence was identified of 'cherry picking' and 'parking'. A risk identified in payment by results programmes is that providers are incentivised to maximise the chance of achieving an outcome payment by prioritising service users who are easiest to help (cherry picking).

Transforming Rehabilitation will operate on a similar basis to the Work Programme, with problems of cash flow, risks of ‘cherry picking’ and smaller providers’ being used as “bid candy”. As an indication of funding complexity, the consultancy Rocket Science has produced a “Transforming Rehabilitation Contract Cruncher” to enable calculations for how much they might receive:

"Rocket Science and ACEVO, with funding from Cabinet Office, have produced a free to use tool, the TR Contract Cruncher, designed to help potential Transforming Rehabilitation tier two and tier three subcontractors assess offers from Tier one bidders, and plan for the future, by assessing cashflow projections and risk, and comparing different payment and performance offers from potential Tier one providers.

"The tool will help you to work out unit costs, assess and compare different performance and payment offers, alongside provisional client volumes. This will enable you to consider annual expenditure and income, annual profit and loss and cumulative cashflow".

E) CONCLUSION

Because the Phase 2 Peterborough Evaluation is highly selective and makes no references to Transforming Rehabilitation, it may be concluded that in comparison the national programme is seriously under resourced and takes too many risks.



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