

PARTIAL REGULATORY IMPACT ASSESSMENT

RESTRUCTURING PROBATION TO REDUCE RE-OFFENDING

1 NOVEMBER 2005

TITLE OF PROPOSAL

1. Restructuring probation to reduce re-offending.

PURPOSE AND INTENDED EFFECT

2. The objectives are:

- to enable the introduction of contestability for the provision of probation services;
- thereby, to improve performance and develop new and better ways of working and improve efficiency;
- thereby, to help the National Offender Management Service achieve its aim of reducing reoffending.

Background

3. The background to the proposals is Patrick Carter's review of the correctional services in England and Wales, "Managing Offenders, Reducing Crime", which was published in December 2003. The review concluded that a new approach was needed with:

- prison and probation focused on the management of offenders throughout the whole of their sentence; and

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- effectiveness and value for money improved through greater use of competition from private and voluntary providers and through establishing a purchaser/provider split.

4. In particular, he proposed that:

- greater competition from both private and voluntary sector providers would bring benefits to both the Prison and Probation Services;
- Regional Offender Managers should contract for the provision of prison places community punishment and interventions, whether from the public, private or voluntary sectors;
- there should be a clear distinction between commissioning of services by Regional Offender Managers, and line-management of public sector providers; and
- there should be a programme of market testing, with the aim of improving contestability and attracting new players into the market.

5. In January 2004, the Government published its response, 'Reducing Crime, Changing Lives', which broadly accepted these conclusions. The National Offender Management Service (NOMS) was then established in June 2004 with the aim of reducing reoffending through more consistent and effective offender management. A considerable amount has since been achieved:

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- an offender management model has been developed, and a pathfinder involving 3,359 offenders is now in progress in the North West;
 - we are on course to apply the model to all offenders dealt with by NOMS by the end of March 2009;
 - the National Offender Manager (NOM) and 10 Regional Offender Managers (ROMs) have been appointed;
 - the structures and systems are being put in place to enable them to commission services from the prison and probation services from April 2006;
 - probation services have almost completed the process of reorganising themselves to establish a clear division in the organisation and resourcing of offender management and interventions;
 - over 650,000 assessments have been completed using a unified Offender Assessment System (OASys);
 - performance improvement testing is underway for prisons in the Isle of Sheppey;
 - investment in front-line prison and probation services is continuing; and

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- there have been real and sustained improvements in delivery against current targets.

6. NOMS has a target to reduce the rate of reconviction of offenders by 5% by 2008 and by 10% by 2010. This is an ambitious target. If it is to be met, the programme of reform must continue. The current legislation allows for competition in the provision of prison services. It also allows the introduction of a commissioning regime across prison and probation services whereby the specification of the services to be delivered is separated out from the running of those services. But under the current legislation the statutory duty to make arrangements for the provision of probation services rests exclusively with the local probation board. The ROMs cannot currently commission probation services from any organisation other than local probation boards.

7. The Government therefore proposes:

- to give to the Secretary of State the statutory duty to make arrangements with others to provide probation services; and
- to create new bodies, replacing local probation boards, with whom he may contract.

8. The Government intends to introduce legislation to this effect when parliamentary time allows.

CONSULTATION

Within government

9. HM Treasury, Cabinet Office and the Prime Minister's Delivery Unit were involved in the production of the initial Carter report. The development of the Carter proposals has been carried out consultation with these and other Whitehall stakeholders, including DfES and DoH.

Public consultation

10. There have been two previous consultations on NOMS:

- on '[Reducing Crime - Changing Lives](#)' (the Government's response to Carter) in January 2004; and
- on the proposed organisational design of NOMS in May 2004.

11. On 20th October, the Government issued a further consultation paper, "Restructuring Probation to Reduce Re-offending" which sets out the current proposals in more detail and in conjunction with which this RIA should be seen.

OPTIONS

12. This RIA provides a best assessment of the overall benefits of the proposals as set out in the consultation paper compared with the existing organisational framework. Year-on-year performance improvements are expected of any public sector

organisation as a matter of course – these are assumed under this RIA, and are therefore stripped out of the calculations, which simply compare the additional impact of market testing. Although the impact of market testing is shown in financial terms, this is only to illustrate how our proposals compare with the option of retaining the existing framework. It is anticipated that the resources released through innovation and efficiency improvements as a result of the introduction of a competitive marketplace, will be reinvested to deliver service improvements. The overall aim of the NOMS change programme is to reduce the rate of reconvictions by 5% by 2008 and by 10% by 2010. The aim of these proposals is to contribute in a significant way towards meeting this target, by enabling offender management and interventions services to be provided more efficiently and effectively, so providing better value for money, and also by encouraging innovative approaches through opening up competition to a wide range of services and enabling services to be commissioned across organisational and geographical boundaries. It is envisaged that, by setting a performance management regime which links directly to reducing reoffending, and through tightly managed contracts, providers will have big incentives to develop new and very innovative programmes and offender management techniques which will have a real impact on the offender.

13. In summary, the two options being assessed in this RIA are:

- **Option 1: Do Nothing**, whereby new legislation is not introduced and probation boards remain the sole statutory providers of probation services and access to alternative providers is only via the existing boards;

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- **Option 2: Remove the statutory restriction on the provision of probation services**, which creates the potential to open all of the current, and planned future, business of probation boards to competition.

This RIA does not consider the proposal of giving the Secretary of State the power to direct a local probation board to contract out certain of their functions because, as the consultation paper 'Restructuring Probation to Reduce Re-offending' (published 20 October 2005) sets out in more detail, that proposal was found to have significant practical drawbacks and is not now being pursued.

COSTS AND BENEFITS

Option 1: Do Nothing

14. Access to alternative providers would be possible only at the discretion of individual probation boards which would need to take the decision to contract out services. Currently some £45m of probation business is contracted out. There is no power for the Secretary of State to compel boards to subcontract or market test core services. A relatively rapid increase in the rate of contracting out could see boards increase this, say by up to 50% over five years. Assuming efficiency savings within the range of 3% to 8.5% (discussed below under Option 2) the estimated annual savings of contracting out a further £23m of probation business would be in the range of £0.5 to £1.7m per annum.

15. The minimum cost of contracting out this level of business is estimated at £20k per board, a total of £840k. The minimum cost of managing these contracts is

estimated at 0.9% of contract value. Discounted over 25 years at 3.5% to allow for costs inflation, this option would have a positive net present value (ie net savings) of £22m at 2005-06 prices. The costs and benefits are summarised in Table 1 below.

Table 1

Option 1 discounted cash flow (DCF) analysis

Costs £M	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Tendering Costs	-	0.10	0.19	0.49	-	-	-	-	-
Contract Management Costs	-	-	0.02	0.06	0.18	0.17	0.16	0.16	0.15
Released resources @8.5%	-	-	0.21	0.61	1.66	1.60	1.54	1.49	1.44
NET DCF									
resources released	-	- 0.1	0.0	0.1	1.5	1.4	1.4	1.3	1.3

Costs £M	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Tendering Costs	-	-	-	-	-	-	-	-	-
Contract Management Costs	0.15	0.14	0.14	0.13	0.13	0.12	0.12	0.11	0.11
Released resources @8.5%	1.39	1.34	1.29	1.25	1.20	1.16	1.12	1.08	1.04
NET DCF									
resources released	1.2	1.2	1.2	1.1	1.1	1.0	1.0	1.0	0.9

Costs £M	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL
Tendering Costs	-	-	-	-	-	-	-	0.77
Contract Management Costs	0.11	0.10	0.10	0.10	0.09	0.09	0.09	2.73
Released resources @8.5%	1.01	0.97	0.94	0.91	0.87	0.84	0.81	25.79
NET DCF								
resources released	0.9	0.9	0.8	0.8	0.8	0.8	0.7	22.3

Notes

Assumes £23 million of newly contracted business, of which 12% is contracted in year 1,

- 1 24% in year 2, 64%in year 3 and the balance in year 4
- 2 Contract management costs of 0.9 % of contract value
- 3 Assumes savings occurs in the year following tendering

Option 2: Transfer the statutory responsibility for provision of probation services from boards to the Secretary of State.

16. Benefits are expected to arise as follows:

- to help NOMS achieve its aim of reducing reoffending, by getting more out of existing resources and freeing up resources to reinvest, by enabling ROMs as commissioners to insist (in service specifications) on common approaches and seamless delivery across prisons and probation institutional boundaries, and by allowing providers with new and better ways of doing things, including synergies with their existing operations, to provide services.

17. Some of these benefits can be evidenced from the example of competition for the operation of prisons over the past decade. Some benefits can be costed, others cannot.

Reduction in Reoffending

18. Together with the introduction of offender management within NOMS, the creation of a purchaser provider model and the introduction of increased competitive

forces in to the market for the provision of correctional service is a core enabling measure designed to deliver an additional reduction in crime through a further five per cent reduction in reoffending, which is estimated to deliver wider social and economic benefits amounting to £625 million over the period 2005/6 – 2008/9.

Performance enhancements

19. In addition to the tangible and costed benefits from contestability, there is widespread acceptance that introduction of competition for custodial services has had a positive impact on the decency agenda which aims to treat offenders with decency in a caring and secure environment. This helps develop positive relationships with prisoners and increase the probability that they will be more likely to go on to live useful and law-abiding lives that will benefit them as individuals and society as a whole.

20. There is also evidence that competition has helped provide the impetus for improved performance in prisons across a wide spectrum of measures. Prisons are rated on a 1 to 4 performance scale on the basis of a weighted scorecard of measures: level 4 is awarded to excellent establishments that are delivering exceptionally high performance and level 1 indicates a poor performer. Currently 18% of contracted prisons are rated at performance level 4, compared to 15% of public sector prisons.¹

¹ Source: *Prison Service Performance Ratings August 2005*

Delivering financial efficiency in a competitive market: evidence from custodial sector

21. The custodial sector provides the following examples of delivering financial efficiencies in a competitive market:

- a number of prisons have been market tested. As a consequence of this the annual cost of providing those prisons has reduced from £82m to £75m, a saving of 8.5%;
- the outsourcing of the Prisoner Escort Service has delivered savings of £3.8m per annum, equivalent to 3% of the cost of providing the service;
- a small number of prisons have been privately built and are privately managed. The estimated savings are £15.9m equivalent to about 6% on a base of about £250m;
- performance testing of prisons has generated savings of £2.8m, equivalent to 3% on those prisons where performance testing has been carried out;
- this evidence from the Prison Service suggests that further market testing of services within the National Probation Service could deliver savings within the range of 3% to 8.5%;

22. Estimates of the net present value of the benefits fall within the range of £220m-£571m over 25 years years as set out in Tables 2 and 3 below:

Table 2**Option 2 Standard Estimate (using discounted cash flows)**

Costs £M	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Central Market Testing costs	-	0.4	1.1	1.6	1.4	1.3	1.2	1.1	1.0
In House Bid costs	-	0.3	0.9	1.4	1.3	1.1	1.0	0.9	0.9
In House Contract Compliance Costs	-	-	0.0	0.2	0.4	0.6	0.8	0.9	1.1
Contract Management Costs	-	-	0.3	1.3	2.8	4.2	5.5	6.6	7.7
Released Resources	-	-	21.0	26.8	32.0	32.7	34.1	35.3	36.5
NET DCF resources released	-	- 0.7	18.6	22.4	26.1	25.5	25.7	25.8	25.8

Costs £M	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Central Market Testing costs	0.9	0.5	-	-	-	-	-	-	-
In House Bid costs	0.8	0.4	-	-	-	-	-	-	-
In House Contract Compliance Costs	1.2	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.1
Contract Management Costs	8.8	9.7	10.1	9.7	9.4	9.1	8.7	8.4	8.1
Released Resources	37.5	38.3	39.6	40.7	40.1	38.7	37.4	36.1	34.8
NET DCF resources released	25.8	26.4	28.1	29.6	29.4	28.4	27.4	26.4	25.5

Costs £M	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL
Central Market Testing costs	-	-	-	-	-	-	-	10.4
In House Bid costs	-	-	-	-	-	-	-	9.1
In House Contract Compliance Costs	1.1	1.1	1.0	1.0	1.0	0.9	0.9	22.5
Contract Management Costs	7.9	7.6	7.3	7.1	6.8	6.6	6.3	160.0
Released Resources	33.6	32.4	31.3	30.2	29.1	28.1	27.1	773.2
NET DCF resources released	24.6	23.7	22.9	22.1	21.3	20.6	19.9	571.2

Table 3**Option 2 Low Estimate (using discounted cash flows)**

Costs £M	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Central Market Testing costs	-	0.5	1.3	2.0	1.8	1.6	1.5	1.3	1.2
In House Bid costs	-	0.3	0.9	1.4	1.3	1.1	1.0	0.9	0.9
In House Contract Compliance Costs	-	-	0.0	0.2	0.4	0.6	0.8	0.9	1.1
Contract Management Costs	-	-	0.4	1.7	3.7	5.5	7.3	8.9	10.3
Released Resources	-	-	21.0	20.4	20.3	20.8	21.5	22.1	22.7
NET DCF resources released	-	- 0.8	18.2	15.1	13.1	11.9	10.9	10.0	9.2

Costs £M	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Central Market Testing costs	1.1	0.6	-	-	-	-	-	-	-
In House Bid costs	0.8	0.4	-	-	-	-	-	-	-
In House Contract Compliance Costs	1.2	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.1
Contract Management Costs	11.7	12.9	13.4	13.0	12.5	12.1	11.7	11.3	10.9
Released Resources	23.2	23.6	24.0	24.1	23.6	22.8	22.0	21.2	20.5
NET DCF resources released	8.4	8.3	9.2	9.8	9.8	9.4	9.1	8.8	8.5

Costs £M	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL
Central Market Testing costs	-	-	-	-	-	-	-	13.0
In House Bid costs	-	-	-	-	-	-	-	9.1
In House Contract Compliance Costs	1.1	1.1	1.0	1.0	1.0	0.9	0.9	22.5
Contract Management Costs	10.5	10.1	9.8	9.4	9.1	8.8	8.5	213.3
Released Resources	19.7	19.1	18.4	17.7	17.1	16.5	15.9	478.2
NET DCF resources released	8.2	7.9	7.6	7.3	7.1	6.8	6.6	220.3

23. The assumptions that have been made in modelling the costs and benefits are explained in the following paragraphs.

Released Resources

24. In the standard estimate it is assumed that work that has been subject to a formal market test process will generate efficiencies equivalent to 3% of the value of the work tested within the first year after testing, rising to 6% in the second year and to a maximum of 8.5% after three years. In the low estimate the figures are 3%, 4% and 5% respectively.

25. It is further assumed that the introduction of a formal market testing programme will have a significant “ripple” effect across the full supplier base as providers seek to improve performance and become better placed to thrive in a competitive marketplace ahead of further market tests. These benefits are modelled at 3% in the first year of the programme, rising to 4% in the second year and to a maximum of 5% by the third year. In the low estimate the figure is a 3% effect.

26. A key assumption is that the process of market testing will deliver efficiencies from suppliers, irrespective of whether the process results in a change of supplier. As part of the testing process, it is envisaged that existing providers will be expected to produce bids that offer better value for money than the existing provision.

27. Although expressed as financial savings for modelling purposes, the expectation is that the benefits will be delivered through a combination of undertaking additional work with offenders within the same level of financial resources. It is further assumed that the process will create additional capacity to generate innovative solutions to address re-offending which will be at least as, and probably more, effective in addressing the rehabilitation needs of offenders and thus deliver a greater impact on reducing re-offending and hence crime.

Speed of rollout

28. The pace of the market testing programme has not been finalised but the modelling here assumes that total probation expenditure will be tested over a ten year period. There is a practical constraint in the volume of business that can be market tested at any one time. This is estimated at around 12% of the value of probation business in any one year. This has led to the illustrative pace of the market testing programme which is set out in Table 4 below:

Table 4

Year	1	2	3	4	5	6	7	8	9	10
Value of Business market tested	2%	10%	21%	33%	45%	57%	69%	81%	93%	100%

Central costs of market testing regimes

Evidence from the custodial sector

29. The evidence from the custodial sector is as follows:

- Design, Construct and Manage (DCM) Prisons: The prisons at Peterborough and Bronzefield have recently opened and are DCM Prisons, designed, constructed and managed by the private sector. The estimated cost of running the competition for these prisons is estimated at £2m, equivalent to £1m a prison. It is now estimated that further DCM Prisons might cost £1.1m to procure. These costs are made up as follows (and could be reduced in the event of there being more DCM prisons):
 - £120K – Financial advisors
 - £360K – Legal advisors
 - £40K – Insurance
 - £220K – Compliance Engineers
 - £340K – Staff
 - £20K – Expenses

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- Market Testing Prisons where an individual prison is marked tested and put out to competition with the private sector. This is estimated to cost about £700K per prison as follows:
 - £70K – Financial advisors
 - £200K – Legal advisors
 - £40K – Insurance
 - £300K – Compliance Engineers (condition surveys)
 - £100K – Staff
 - £10K – Expenses

 - Performance Testing Prisons where a prison is required considerably to improve its performance or be subject to market testing/competition. It is estimated that performance testing a prison costs £350K. This is £100K for the staff in the Competitions Unit within NOMS and £250K for the in-house bid team within the Prison Service.

Inferences for Probation Market/Performance Testing

30. The average prison has a budget of about £12m. This figure is on a par with the average budget for individual probation areas (excluding London). It is estimated that market testing a whole probation area might cost broadly the equivalent to the cost of market testing a prison. Until the market testing approach is agreed, this is the simplest approach to estimating probation market testing costs. If that assumption is valid then the cost would be in the region of £700k. However, it is questionable whether it would be necessary to spend £300k on building condition surveys. All probation

buildings have regularly been subjected to condition surveys so this expenditure might not be required, reducing the cost to £400K. It is assumed that a learning curve effect would reduce this to £230k by the end of the testing cycle. Using this benchmark the maximum costs of market testing all 42 probation areas is therefore of the order of £12.5m. In the low estimate at Table 3 market testing costs are modelled at an initial £500k, again reducing through the learning curve effect to £290k by the end of the cycle.

In House Bid Costs

31. There are costs for the supplier in preparing bids. It is estimated that performance testing a prison costs £350K. This is £100K for the staff in the Competitions Unit within NOMS and £250K for the in-house bid team within the Prison Service. It is assumed that a learning curve effect would reduce this to £200k by the end of the testing cycle. Using this as a benchmark, the cost of in-house bid preparation for contracts to the value of expenditure currently committed to the 42 probation areas would total £9.1m.

In house contract compliance costs

32. In addition to the existing reporting requirements, it is estimated that the additional costs associated with the move to a contractual relationship are likely to be of

the order of £50k per annum per probation area. These are primarily legal costs associated with contract compliance and would be additional to existing financial and performance reporting requirements.

Contract Management Costs

33. The average annual costs of future probation contract management is estimated at 0.9% of contract value. This assumption is based on evidence of the contracted management costs of the current contracted out prisons, the electronic monitoring contracts and the PECS contracts. These contracts are larger than those anticipated for probation and consequently contract management represents a smaller percentage than assumed above for probation services contracts. The option was modelled with contract management costs of 1.2% and still returned a substantial positive net present value of £220m(Table3).

ORGANISATIONAL IMPLICATIONS

34. The removal of the statutory restriction on the provision of probation services has implications for the organisational structure within which public sector probation services are delivered. Three broad models for the organisational structure have been assessed. In all of them, the statutory duty for probation services now rests with the Secretary of State.

Model A

35. Model A is the model which was finally chosen and on which the Option 2 above is based. Under model A:

- the ROM commissions services;
- local probation provision remains (although with boards in a different form and known as “trusts”);
- both offender management and interventions are subject to contestability and are functionally separate but may be provided by the same organisation under separate contracts with the ROM.

36. The main advantage of model A is that it takes the existing structure as its starting point. Although boards change into trusts, this does not require staff to transfer (they automatically become employees of trusts on the same terms and conditions as before) or any new organisations to be created. Any such transfers occur only as a result of contestability, i.e. where a competition demonstrates that this is the best way of delivering services and that any additional costs of transfer (arising from the need to safeguard the pay, terms and conditions and pension arrangements of transferring staff) are outweighed by the benefits in the specific instance. This model also allows the maximum degree of flexibility in the commissioning process.

37. The main drawback with Model A is the risk to the viability of individual trusts as work transfers to other providers. This risk may be mitigated if the number of probation areas reduces in line with the expected changes to police boundaries – the larger the areas, the more likely they are to be able to withstand some loss of work. But there is a

risk of a trust losing sufficient business to render it unviable. This is the logic of a competitive market and the incentive to trusts to improve performance. If it does occur, it will be because there are better alternative providers.

Model B

38. Model B is similar to model A, with the important difference that interventions are taken out of boards and merged into a single national interventions agency.

39. The main advantage of this approach compared to model A is that it addresses the difficulty of interventions, which is already the smaller part of probation activity compared to offender management, being split across 42 separate trusts: a single agency is likely to be more competitive and better able to withstand loss of business. On the other hand, it leaves the residual trusts even smaller by removing about a third of their staff and resources.

40. This model also has the significant drawback that it involves the risks of creating a brand new agency and transferring staff to it, before any market testing has taken place to demonstrate that this is justified. (Indeed, it is possible that some staff would be transferred again when a market test did take place.) It would entail approximately 8,000 staff becoming centrally-employed civil servants and would weaken links with local areas.

Model C

41. Model C is the most radical of the 3 models. Under this model:

- local probation boards disappear;
- the ROM commissions interventions and line-manages the offender managers who become civil servants;
- offender management is not contestable;
- interventions are brought into a single national interventions agency as in model B.

42. As with model B, this entails upfront transfers of staff and the creation of new agencies before any market-testing has taken place, but in this case the risks and costs are even higher because the entire probation service of 23,000 staff would be affected.

43. Model C also reduces the scope for contestability – and the benefits to be derived from it – by excluding the possibility of the private or voluntary and community sectors delivering the offender management service. The purchaser/provider split is also blurred by the ROMs becoming line-managers of the providers of offender management as well as commissioners of interventions.

44. The advantage lies in the economies of scale which accrue from national organisations. The abolition of boards, for example, could save around £8.4m per year. There should also be some savings on support functions such as finance and HR because these would now be unified in two organisations instead of 42. But much of the direct line-management structure would be retained to support the ROM: it is assumed that 42 delivery arms for offender management would be retained, each overseen by a chief officer equivalent.

45. This model also gives greater security to public sector provision, but offers fewer opportunities to the private and voluntary and community sectors.

SMALL FIRMS IMPACT TEST

46. The measure does not adversely impact on small businesses. Some limited additional business opportunities for the small business sector may be created through the increased contracting out of services.

COMPETITION ASSESSMENT

47. There is an existing private sector market for the provision of custodial services (£230m) and prisoner escorts (£70m). It is expected that these providers may be interested in tendering for some areas of probation services. The voluntary sector providers already working in the NOMS area have expressed interest in competing to take on further work.

48. There are large numbers of voluntary sector organisations working with the correctional services to deliver services – over 900 different organisations working in prisons delivering over 2000 projects between them, and more than 600 projects working with probation in the community.

49. Voluntary and community sector partners are already important players in delivering key services such as drug treatment and resettlement to both prisoners and

offenders in the community. Access to support in dealing with substance misuse, suitable accommodation and employment are all known to be key in reducing re-offending. In prisons much of the drug treatment and assessment provision is delivered by the voluntary sector working under contract. In the community, while drug treatment and rehabilitation services are also supplied by voluntary sector organisations, funding may be either through a contract with the probation service or joint commissioning managed by local Drug Action Teams.

ENFORCEMENT, SANCTIONS AND MONITORING

50. The success of contestability in driving up performance will be routinely monitored by the Home Office Group Executive Board and by the Prime Minister's Delivery Unit. The cashable and non-cashable savings from contestability will be included in the NOMS Value for Money strategy monitored by the Office of Government Commerce.

POST-IMPLEMENTATION REVIEW

51. An illustrative programme to contest the market for probation service is costed above. This programme will be subject to review after each annual tranche of market tests is complete, with the first review in 2007-08 of the 2006-07 round.

SUMMARY AND RECOMMENDATION

52. Some limited performance and cost benefits can be obtained by influencing Probation Boards to make greater use of external providers in delivering statutory services. But it will not be possible to meet the Government's target on reducing re-offending without significantly driving up performance in the delivery of offender management and interventions. One of the tools for doing this is to open the full spectrum of service delivery within NOMS to market forces and this requires the removal of the statutory duty limiting provision of probation services to Probation Boards. The potential performance and cost benefits of removing this barrier to competition are up to £571m (on a discounted costs basis) over the next twenty-five years and it will also serve the Government's aim of increasing the involvement of the voluntary and community sectors in the delivery of NOMS services.

SUMMARY COSTS AND BENEFITS

Table 4

OPTION	TOTAL BENEFIT PER ANNUM: ECONOMIC, ENVIRONMENTAL, SOCIAL £M	TOTAL COST PER ANNUM: - ECONOMIC, ENVIRONMENTAL, SOCIAL - POLICY AND ADMINISTRATIVE £M
1	1.7	0.2
2	64.0	17.0

(These figures are full costs at 2005-06 prices)

Declaration and publication

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

The Rt Hon. The Baroness Scotland of Asthal QC
Minister for criminal justice and offender management

1 November 2005

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