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EXECUTIVE SUMMARY

The Coalition government has initiated what it describes as a ‘rehabilitation revolution’, aimed at ‘breaking the cycle’ of offenders leaving prison, only to go back into the community and reoffend. ‘Justice reinvestment’ is one important way of achieving this goal of more effectively rehabilitating offenders. It is a process through which resources currently spent on incarcerating offenders in prison can be redirected into community-based alternatives that tackle the causes of crime at source.

This report demonstrates how a process of justice reinvestment could be made to work in the context of England and Wales.

The report comes in three parts:

1. The costs of prison
Using the London Borough of Lewisham as a case study, chapter 1 examines who goes to prison, how effective it is and how much it costs the taxpayer, focusing on convicted adult offenders. We demonstrate both the cost of prison and, by implication, the sort of budgets that could be made available to local areas through justice reinvestment.

We find that a total of 518 adult offenders were released into Lewisham over the course of 2009/10 having served less than 12 months. Using the figure of £45,000 a year, we calculate that their combined prison sentences cost the state £2.8 million in 2009/10, or an average of £5,386 per sentence.¹ At odds, perhaps, with public perception, the majority of the crimes committed by these offenders were non-violent offences. It cost the taxpayer £2.5 million in 2009/10 to send non-violent and non-sexual offenders from Lewisham to prison for periods of less than a year. The funds that could be made available to local agencies to prevent reoffending through a process of justice reinvestment are therefore considerable.

2. Local alternatives to prison
Chapter 2 explores how some of these offenders could be diverted from prison and managed locally in Lewisham. We describe reparative options in the borough and draw on wider evidence to explore effective alternatives to custody. We argue that the government should change the sentencing guidelines to enshrine a presumption against the use of short-term prison sentences, with community-based punishments used instead.

We map existing rehabilitative services in Lewisham and examine their capacity to absorb more offenders. We find that local services are confident about their ability to manage offenders locally, but that widespread cuts to local agencies risk weakening the supportive infrastructure that effective rehabilitation requires. We argue that local alternatives are cheaper and more effective than custody, but that they must be properly resourced and better coordinated to deal effectively with offenders.

3. Making justice reinvestment work
Chapter 3 outlines a commissioning structure to bring justice reinvestment into practice. Good local policymaking requires strong, democratically accountable local institutions to coordinate policy and practice on the ground. We argue that local authorities should be given a key role in the criminal justice system because they are best-placed to coordinate and manage correctional services in the community.

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¹ The cost is calculated based on the number of prison places these offenders take up in a given year. To work out the average cost per offender by sentence length, we have divided the cost of the total number of short-stay prisoners at any given time by the number of these offenders ‘flowing’ through the prison system in a year. The costs are based on Ministry of Justice prison population and sentencing data from 2010.
We outline a funding mechanism that allows the savings in prison costs to be targeted to reduce reoffending in the areas offenders come from, together with an incentive for local authorities to invest in effective local justice and offender management.

We recommend that:

- Exit routes should ideally be built into all stages of the criminal justice system to divert low-risk offenders into more effective rehabilitative programmes, particularly where homelessness or drug and alcohol problems are driving low-level crime.
- There should be a stipulation against the use of short-term prison sentences of less than six months, with community-based penalties used instead.
- Local authorities should be made responsible for reducing reoffending in their local areas.
- Local custody budgets for short-term adult offenders (of less than 12 months) should be devolved to councils so that they can put in place measures to deal with the causes of offending behaviour. Councils will be charged back by the prison service every time someone from their local area is sent to prison for less than 12 months.
- The probation service should be decentralised and fully integrated into crime-reduction work locally, by placing it under local authority control.

The goal, if it can be reached, is a great one: a criminal justice system that both punishes offenders and rehabilitates them, that costs less and is more effective at tackling crime and protecting the public.
‘Justice reinvestment’ is now at the heart of debates about criminal justice policy. It describes the process through which resources currently spent on incarcerating offenders in prison can be redirected into community-based alternatives that tackle the causes of crime at source. It is a form of preventative financing, through which policymakers shift funds away from dealing with problems ‘downstream’ (policing, prisons) and towards tackling them ‘upstream’ (family breakdown, poverty, mental illness, drug and alcohol dependency).

The Coalition government has initiated what it describes as a ‘rehabilitation revolution’, aimed at ‘breaking the cycle’ of offenders leaving prison, only to go back into the community and reoffend. For the first time in over 20 years, a British Secretary of State, Ken Clarke, has openly declared that prison isn’t working. The government’s recent green paper set out a number of ways through which it intended to try to reduce the numbers being cycled through prison and, in doing so, better rehabilitate offenders and reduce crime (Ministry of Justice 2010a).

‘Justice reinvestment’ is one of the mechanisms for doing this. The concept originated in the United States, where it is now accepted practice. Exasperated by extremely high recidivism among offenders released from jail, campaigners identified ‘million dollar blocks’ in US cities, where more than a million dollars was spent locking up offenders from just one zip code. In contrast, local services, vital for addressing the entrenched social problems associated with high crime, were typically poorly resourced and badly coordinated (Cadora 2007). In cities across the United States, prison budgets have been diverted to fund initiatives in the community that target those most at risk of offending, resulting in large reductions in crime. The key to the approach is to cut penal budgets and at the same time increase public safety (Clement et al 2011).

In the UK, place-based approaches to tackling social problems have gained prominence. In recent years, a series of ‘Total Place’ pilots demonstrated how pooling budgets locally could streamline and better coordinate public service provision. The Coalition government has stressed the importance of local solutions to local problems. Eric Pickles, the Secretary of State for Communities and Local Government, has devolved greater powers to local government, and across public services the government wants community groups to play a greater role in provision.

Justice reinvestment has attracted a lot of interest, and shares with the agenda for greater ‘localism’ a rejection of the notion that all public services should be run from Whitehall. The approach was first taken forward in the UK by the International Centre for Prison Studies which, in collaboration with Gateshead Council, mapped offenders in the north-east and made a series of recommendations for moving towards a devolved approach to working with offenders (Allen and Stern 2007). However, there remains a concern, even among those who are persuaded in principle by its merits, about how (or if) it can be made to work in the UK context. In the United States, experiments have taken place at state level, where state governments are able to reallocate funds within their own budgets. In England, a number of local justice reinvestment pilots have now been established (we describe these in appendix B). However, no one has yet set out a practical way in which this could take place at scale in England and Wales. Here, prison and probation are controlled centrally, while the services that are supposed to tackle reoffending in the community are run by a plethora of different local agencies.
This report contributes to these debates by asking how justice reinvestment could work in practice in England and Wales. What level of resources could be made available to spend in local areas to provide non-custodial alternatives? At which level should justice reinvestment operate and what would it mean for local areas? Can the information required be gathered and put to effective use? Who would commission offender management services in a system that allows resources to flow from prison into reducing reoffending in the community?

This paper examines how a radically redesigned offender management system, led and coordinated locally, could pool resources and focus energies, cutting reoffending rates and saving significant sums for the taxpayer.

**Report structure**

Using the London Borough of Lewisham as a case study, chapter 1 examines who goes to prison, how effective it is and how much it costs the taxpayer, focusing on convicted adult offenders. We demonstrate both the cost of prison and, by implication, the sort of budgets that could be made available to local areas through justice reinvestment.

Chapter 2 explores how some of these offenders could be diverted from prison and managed locally in Lewisham. We describe reparative options in the borough and draw on wider evidence to explore effective alternatives to custody. We map existing rehabilitative services in Lewisham and examine their capacity to absorb more offenders. We find that local services are confident about their ability to manage offenders locally, but that widespread cuts to local agencies risk weakening the supportive infrastructure that effective rehabilitation requires. We argue that local alternatives are cheaper and more effective than custody, but that they must be supported to deal effectively with offenders.

Chapter 3 outlines a commissioning structure to bring justice reinvestment into practice. Good local policymaking requires strong, democratically accountable local institutions to coordinate policy and practice on the ground. We argue that local authorities should be given a key role in the criminal justice system because they are best-placed to coordinate and manage correctional services in the community. We outline a funding mechanism that allows the savings in prison costs to be targeted to reduce reoffending in the areas offenders come from, together with an incentive for local authorities to invest in effective local justice and offender management.
1. THE COSTS OF PRISON

The prison population grew rapidly over the past few decades, in a trend that has been driven by harsher sentencing, with more people going to prison for first offences and for longer. The upshot is that people are being sent to prison for increasingly petty crimes, and the custody bill is spiralling. IPPR’s Tomorrow’s Prisons project found that the prison estate is overcrowded, rapidly ageing, costly to run and failing to reduce reoffending. It argued that prison can be an effective correctional tool, but that reform can only take place with fewer people locked up (Muir and Loader 2010).

After two decades of a ‘prison works’ approach from successive administrations, the justice secretary Ken Clarke has announced a ‘rehabilitation revolution’. He has called into question the effectiveness of prison and pledged support for credible alternatives to custody. The government has announced a review of sentencing policy – it hopes that changes will stem the ever-rising flow of offenders into jail and reduce the total prison population by 3,000 places over the current parliament. The measures are also driven by concern about the cost of prison, estimated to be about £45,000 a year per prisoner, at a time of unprecedented fiscal austerity.

This proposal to divert people from prison into more effective alternatives represents a radical departure from the approach which saw the prison population rise. Crime and public safety are high priorities in local areas, and politicians of all colours feel uncomfortable with how the proposed reforms will resonate in their constituencies. Yet the significant cost of sending people to prison is poorly communicated to the public. Prison’s poor record on reoffending also means that, far from being ‘tough on crime’, it is failing to deliver effective public safety or reduce the wider costs of crime to businesses and society.

Using the London Borough of Lewisham as a case study, we examine who goes to prison, how effective it is, and how much it costs the public purse. We ask whether a custodial sentence is a proportionate or an effective response to offending behaviour for a significant group of prisoners. The data we draw on is based on offenders released from prison into Lewisham – those that provide a Lewisham address upon release – between April 2009 and April 2010.

**Data and methodology**

The fragmented nature of the data on convictions and incarceration means we know very little about where offenders entering prison are from, and we are unable to examine the total prison population from a particular area at any given time. The prison service, however, is able to provide information to local police services about offenders entering the area from prison (though not their place of origin). The data we draw on was collected by Lewisham Council as part of a Total Place pilot. It provides detailed information about the gender and ethnicity of offenders released from prison into Lewisham area in 2009/10.

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2 Hansard, House of Commons written answers, 25 March 2010 – this figure was for the year 2008/09 and includes expenditure met by NOMS national and regional structures. It excludes expenditure met by other government departments such as health and education. [http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100325/text/100325w0008.htm](http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100325/text/100325w0008.htm)

3 Thirteen local authorities across the country took part in Total Place pilots to examine how a ‘whole area’ approach can deliver better public services at a lower cost, each focusing on local priorities. Lewisham Council examined worklessness and unemployment, health and social care, assets and energy, and offender management and minimisation of harm, working with the local police service to collect data on offenders released from prison into Lewisham area in 2009/10.
into Lewisham in 2009/10, their offences, the length of their sentence, and the prison from which they were released.

Our focus is on convicted adult offenders. As such we have excluded from the data those released on remand, who made up more than one-third of all offenders released into Lewisham in 2009/10, and young offenders (those released from a Young Offender Institution), who made up about five per cent of convicted offenders. We were also unable to include the 49 cases where sentence length was not recorded in the cost analysis.

There are two important limitations to the data. First, it is possible that not all ex-offenders released into Lewisham are from the borough originally – some may be going to Lewisham because they have family or friends there. While the data may not provide a perfect match, the offender profile we found is similar to information collected on new receptions into London prisons from Lewisham (see Government Office for London 2008). As such, we assume that the population leaving prison and returning to Lewisham is broadly similar to the population entering prison from Lewisham.

Second, the data outlines the number of prison releases into Lewisham, not the number of offenders. Some of the offenders may be in the sample more than once, if they went into and were released from prison more than once during the year. This means that although the costs are accurate, we cannot say with certainty how many people from Lewisham are going in and out of prison every year. This restriction is due to data protection rules and would not pose a problem for criminal justice authorities.

Lewisham offenders: the cost of custody
Lewisham in south-east London is the 39th most deprived local authority area in England (CLG 2007) and a relatively high-crime area, ranking in the top quartile for the number of recorded offences per 1,000 people (Home Office 2010). Public safety is the number one issue in the borough. In 2007, 53 per cent of Lewisham residents highlighted crime as a concern, way ahead of any other issue and a six per cent increase on 2006 (TNS UK 2007). But how effective is prison in the panoply of public safety tools? We find a significant number of offenders from the area are locked up for short periods at great cost to the taxpayer, and are likely to go on to reoffend.

Who is sent to prison?
The growing consensus that England and Wales’ swollen prisons have reached full capacity is supported by evidence that there are large numbers of prisoners for whom incarceration is not the best option. A Home Office report (2006) advised that many offenders with mental health or drug problems, young offenders, women, and prolific but petty and non-violent offenders pose little or no risk to the public and would benefit from alternatives to custodial sentences.

First, too many people are sent to prison for short periods for relatively minor crimes. While offenders incarcerated for less than 12 months make up little more than 10 per cent of the total prisoner population at any one time, they account for the majority of annual

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4 A handful of offenders were released from prisons holding both young and adult offenders. These have been categorised as adult offenders and left in the data.
‘churn’ in the prison population (Muir and Loader 2010). Excluding those on remand, on average, 830 offenders are released from prison into Lewisham from prison every year, with around 60 per cent having served less than 12 months (Lewisham Strategic Partnership 2010). The chart below shows the length of the sentences served by convicted adult offenders released from prison into Lewisham in 2009/10, from a total of 966 releases.

Although the dividing line is nebulous, there was a noticeable difference in the severity of offences committed by offenders serving short and long-term sentences in our Lewisham cohort. Violent offences accounted for one-fifth of crimes among both groups. Among those who served less than 12 months, the majority were convicted of lesser violence, such as common assault, or violent offences that did not result in injury, such as harassment and threatening behaviour. In contrast, most violent offences committed by those serving 12 months or more resulted in injury or involved a weapon, including firearms.

Most short-sentence offenders had been convicted of non-violent and non-sexual crimes. The largest group of offences among those who had served less than 12 months was theft and handling. Fraud and forgery accounted for 17 per cent of offences in this group, and about 13 per cent were in prison for breaching a licence, suggesting a role for better practice and supervision in local probation services and community sentences. Of the four per cent convicted of drug offences, most were for possession.
The crimes committed by offenders who had served 12 months or more were altogether more serious. In contrast to Lewisham’s short-stay offenders, the largest category of crimes was drug offences, the vast majority of which were for the supply or import and export of drugs. Theft and handling accounted for only a small proportion of offences among this group, while more serious acquisitive crime such as robbery (which differs from theft in that it involves use of force) and burglary together accounted for nearly a quarter of offences. Seven per cent of those who had served 12 months or more had committed a sexual offence, compared to just one per cent those who served less than 12 months.
Second, it is widely recognised that female offenders in prison pose very little danger to the public. The Corston report (2007) recommended community-based sentences for women who had committed low-level offences, on the basis that the vast majority of women in prison are not violent, that female offenders have disproportionately high rates of drug and mental health problems and are often victims of violence and abuse themselves, and that custodial sentences for women often result in separation from children. Ten per cent of adult offenders released into Lewisham during 2009/10 were women. In line with national trends, three-quarters of them had served less than 12 months. More than one-third were sent to prison for fraud and forgery, over one-fifth for theft and handling, and 13 per cent for breach of a licence. Just 10 per cent, or seven women, had been convicted of an offence involving violence.

Third, many prisoners have drug, alcohol and mental health problems. Treatment-based programmes would be more effective in addressing the behaviour of these offenders than prison. The Bradley report (2009) found that custody can exacerbate mental health problems and increase the risk of self-harm or suicide, in part due to a lack of appropriate services in prisons. The review found that the majority of offenders with lower-level mental health disorders do not pose a risk to the public, and recommended a range of ways in which they could be diverted from custody into more effective sentences and treatment programmes.

A Government Office for London study (2008) found that nearly one-third of Lewisham offenders entering London prisons in 2007/08 were drug users and that 15 per cent had mental health problems. More in-depth assessments similarly suggested that drug and alcohol misuse were each a factor in nearly one-third of crimes committed by Lewisham probation commencements in 2007/08. Wider research suggests that about half of people with drug problems also have alcohol problems, and that about half of people with a mental health disorder also have an addictive disorder, and vice versa (Institute of Alcohol Studies 2007).

The real level of mental health and drug or alcohol problems among Lewisham offenders may be much higher than the available data suggests. Reliance on self-reporting and a tick-box approach mean that needs related to mental health and drug and alcohol misuse problems are likely to be conservative estimates (see Government Office for London 2008 for data limitations). One study found that 60 to 70 per cent of the total prison population have been using drugs before imprisonment and over 70 per cent suffer from at least two mental health disorders (Social Exclusion Unit 2002). Several studies have found that short-stay prisoners exhibit the highest levels of entrenched problems and multiple needs such as mental health problems, self-harm, substance misuse, problematic alcohol use and homelessness (NAO 2010, Revolving Doors 2010). This group also suffer high levels of social exclusion, with little experience of services outside prison (Revolving Doors 2010).

How effective is prison?
Prison is not very effective at rehabilitation (see Muir and Loader 2010). Short-term custodial sentences offer a particularly poor social return for maximum public investment: in 2007, 60 per cent of those serving sentences of less than 12 months were reconvicted within one year of release, compared to 47 per cent of all adult offenders (NAO 2010, Howard League for Penal Reform 2008). Within two years of release, 73 per cent of short-sentence prisoners will commit a crime, compared to 64 per cent of long-stay prisoners (see Lewisham Strategic Partnership 2010).

5 This includes offenders on community orders and those released from custodial sentences of more than 12 months.
To reduce reoffending, we need to act on its social causes, which are linked to the socially marginal nature of those in the offending population. High proportions of prisoners had poor childhood experiences at home and at school, including abuse and neglect. Homelessness and unemployment both before and after prison are commonplace, and literacy or learning difficulties are rife. The Social Exclusion Unit (2002) identified nine social causes of crime and reoffending:

- lack of education
- unemployment
- drug and alcohol misuse
- mental and physical ill health
- attitudes and low self-control
- institutionalisation and poor life skills
- lack of housing
- financial hardship and debt
- weak family networks

A short-term jail sentence can actually exacerbate the factors associated with crime, as offenders may lose their home or job when in prison and are separated from wider support networks (Social Exclusion Unit 2002). Prisons also lack the capacity to engage with short-stay offenders. They are often left to their own devices, and rarely have time to engage with the limited treatment programmes in prison, where they are available. Over half of short-stay offenders spend less than 45 days in custody, where the average waiting time to take part in treatment programmes is 26 days (NAO 2010). High rates of recidivism mean that some of the releases from prison into Lewisham are likely to be the same offenders ‘cycling’ in and out of prison more than once in the same year.

The Criminal Justice Act 2003 set out the purposes of sentencing: punishment of offenders, crime reduction, rehabilitation of offenders, public protection, and reparation by offenders to victims. Prison too often fulfils only the first of these objectives: punishment. While the public rightly see punishment as an important objective of sentencing, a survey commissioned by the Ministry of Justice (2007) found that 94 per cent of the public believe the most important outcome is that the offender does not do it again, while 81 per cent of victims of crime would be in favour of community sentences if they prevented an offender from reoffending. The government is right therefore to want to divert low-risk offenders from jail.

**How much does prison cost?**

Prison is an extraordinarily expensive policy intervention. Estimates vary depending on which costs are included, but the government puts the average annual cost per prison place at about £45,000, or more than £120 a night. Although the bulk of the prison budget is spent on offenders serving longer term sentences for more serious offences, there are associated costs with the ‘churn’ of offenders incarcerated for less than 12 months. The evidence presented above shows that women and short-stay offenders generally pose a much lower risk to the public, and yet the majority of prisoners are held in expensive, relatively high security prisons regardless of the gravity of their crime.

Over the course of 2009/10, a total of 518 adult offenders were released into Lewisham having served less than 12 months. Using the figure of £45,000 a year, we calculated that their combined prison sentences cost the state £2.8 million in 2009/10, or an average of £5,386 per sentence. At odds, perhaps, with the public perception, the majority of

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6 Individual prisons cost anywhere between about £22,000 and £52,000 per prison place per year (Ministry of Justice 2010b). Our figure of £45,000 lies somewhere in the middle, and is the most recent figure given by the government in Hansard written responses. Some estimates calculate the real cost of prison to be much higher, where the costs to other government departments are taken into account (see for example the Prison Reform Working Group 2009).
the crimes committed by these offenders were non-violent offences: it cost the taxpayer £2.5 million in 2009/10 to send non-violent and non-sexual offenders from Lewisham to prison for periods of less than a year.

The cost is calculated based on the number of prison places these offenders take up in a given year. For this we need to look at national data for England and Wales.\(^7\) The number of offenders sentenced to immediate custody in any given year is higher than the total prison population, or the total ‘stock’ of prisoners at any one time. For example, nationally, 38,316 offenders were sentenced to prison for three months or less in 2010. However, the number of prisoners serving three months or less at any one time is less than 2,000. This figure serves as a proxy for the number of places required to imprison these offenders. Nationally, the cost of these prison places is £84 million.\(^8\)

To work out the average cost per offender, we have divided the cost of the required prison places by the number of these offenders flowing through the prison system in a given year.

\[
\text{Per-offender cost} = \frac{\text{cost of prison places (total prison population x £45,000)}}{\text{number of persons sentenced to immediate custody in a year}}
\]

The cost of sending Lewisham offenders to prison also indicates the budget that a process of ‘justice reinvestment’ might make available to local areas. There are a range of options depending on how far any government wishes to go in diverting prison resources into more effective local alternatives (see table 1.1 below). The government could travel modestly down that road, and focus only on non-violent offenders who served less than three months. Among the offenders released into Lewisham in 2009/10, 24 per cent of sentences were less than three months. Excluding those who committed violent or sexual offences, sending these people to prison cost the state over half a million pounds in prison costs, at an average of £2,188 per sentence. Alternatively, the government may want to be more ambitious, thus freeing up more resources to address offending behaviour in the community. Over 40 per cent of our Lewisham cohort served six months or less: if all these offenders had been given non-custodial sentences instead, this could have generated a saving of over £1.7 million in prison costs, or an average of £4,110 per sentence.

<table>
<thead>
<tr>
<th>Sentence length</th>
<th>Number of sentences</th>
<th>Average cost(^9)</th>
<th>Total cost(^10)</th>
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<tbody>
<tr>
<td>Less than 12 months</td>
<td>518</td>
<td>£5,386 per offender</td>
<td>£2.8m</td>
</tr>
<tr>
<td>Less than 12 months excluding violent and sexual offences</td>
<td>413</td>
<td>£5,386 per offender</td>
<td>£2.5m</td>
</tr>
<tr>
<td>Six months and under</td>
<td>408</td>
<td>£4,110 per offender</td>
<td>£1.7m</td>
</tr>
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</table>

\(^7\) The national data we draw on here is available at: http://www.justice.gov.uk/publications/statistics-and-data/
\(^8\) The Ministry of Justice’s annual ‘snapshot’ of the prison population on 30 June 2010 showed that there were 1,863 prisoners serving three months or less. The figure of £84 million is based on costing each of these prison places at £45,000. The total prison population on 30 June 2010 was 85,002.
\(^9\) We have calculated the average cost per offender for each category using the national (England and Wales) prison population and sentencing statistics for 2010. See Appendix.
\(^10\) The total cost of sending offenders from Lewisham to prison for short periods of time is calculated by multiplying the number of Lewisham sentences by the average cost for each category.
Six months and under, excluding violent and sexual offences
318  £4,110 per offender  £1.3m
Three months and under
231  £2,188 per offender  £0.5m
Three months and under, excluding violent and sexual offences
184  £2,188 per offender  £0.4m

It should be noted that these savings are only realised once existing prisons or prison wings are closed. The figure of £45,000 includes prison overheads, which do not disappear because one fewer person is in prison. Because there is no publicly available data showing the marginal cost of each prisoner, we cannot calculate how much would be saved prior to prison closures. We can assume there would be some saving to the public purse but that it is likely to be fairly small compared to the potential saving once a prison or prison wing is closed. It must therefore be stressed that these savings are not immediate but accrue over time, and they depend on a concerted effort to bring down the prison population and to put more effective alternatives in place. Policy choices about how far to go will determine how quickly savings can be made.

Nevertheless, our estimated levels of savings are conservative. Our figures exclude the cost of failing to reduce reoffending. When the criminal justice system fails to tackle the underlying causes of reoffending, the costs are simply repeated every year. In addition to the £2.8 million short-stay Lewisham offenders already cost the Ministry of Justice in 2009/10, it is possible that the same group of offenders could cost £1.7 million in prison costs the following year, and just over £2 million within two years (assuming they receive one custodial sentence). We also refer only to the direct cost of prison borne by the Ministry of Justice, excluding the costs of police time and court cases as well as the wider costs of crime to society, which are enormous. Lewisham Strategic Partnership (2010) estimates the wider cost of reoffending to the residents, businesses and public bodies of Lewisham to be £95 million a year, and a further £49–64 million in direct economic and social costs.

We have presented the costs and potential savings for just one London borough. In England and Wales in 2010, 65,549 adult offenders were sentenced to custodial sentences of less than 12 months. They represented nearly 10 per cent of the total prison population. This means that, based on the number of prison places required to house these offenders, sending short-stay offenders to prison cost the public purse over £353 million in 2010. The total economic and social cost of reconvictions among short-stay offenders is estimated to be £7–10 billion every year (NAO 2010). The savings from a more effective approach to criminal justice for even a small proportion of this group could be huge.

Conclusions
We have argued that a significant number of the offenders sent to prison are low-risk and petty offenders, and that in many cases alternatives to custody would be more effective in addressing offending behaviour. Lewisham Council’s Total Place pilot has demonstrated that it is possible to gather the information needed to make justice reinvestment work – thus meeting one of the practical objections that are made. Finally, we have shown the kind of savings that could be made over time if the prison population were to fall.

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11 This is a ‘guesstimate’, based on reoffending rates of 60 per cent within one year and 73 per cent within two years, applied to Lewisham’s 518 short-stay offenders in 2009/10, and an average sentence cost of £5,386 for those serving less than 12 months.
Having set out the cost to society and the public purse of using prison for less serious offenders, this chapter examines how those on short term sentences could be diverted away from custody and what the community-based alternatives to custody entail.

Diverting offenders from custody
At best, prisons are a limited correctional tool. As Wright (2010) put it, ‘the place to learn how to behave in the community, is the community’. The Coalition government’s recent green paper suggests that women and people with mental health or drug and alcohol problems can be diverted into community-based sentences and treatment programmes. The green paper also argues that short-term sentences are ineffective for low-risk and persistent offenders, although it rules out abolishing these altogether (Ministry of Justice 2010a).

Our research supports measures to divert women and people with drug, alcohol and mental health problems from custody, and to reduce the number of short-term prison sentences. The question, however, is not only who to divert, but also how.

The Ministry of Justice has indicated it will divert offenders with mental health, drug and alcohol problems through the police, building on the recommendations of the Bradley review (2009) to improve awareness of and referral routes into mental health services from the police, probation and prison services. Several pilots – including one in Lewisham – also aim to reduce reoffending by providing aftercare for offenders leaving prison after a sentence of less than 12 months, as this group currently receives no statutory probation support.

We argue that these moves are extremely positive, but that the government could and should go further. Exit routes should be built into all stages of the criminal justice system to divert low-risk offenders into more effective rehabilitative programmes, particularly where homelessness or drug and alcohol problems are driving low-level crime. Early intervention with people who are repeatedly arrested, cautioned or given community sentences is likely to save money by reducing the likelihood they end up in courts and prison in the future.

Once offenders end up in court, however, sentencing is in the hands of the judges and magistrates. Diverting low-risk offenders from prison at this stage depends on either increasing the confidence of judges and magistrates in community-based alternatives or changing the sentencing framework to reflect the fact that many short-stay offenders should not be in prison. Changes brought about by the Scottish Criminal Justice and Licensing Act 2010 now stipulate a presumption against sentences of three months or less for low-level offenders. Short term custodial sentences in Scotland will now be replaced with community service, which will be made ‘more robust, immediate and visible’. The Scottish justice secretary said that short sentences do not work, citing evidence that the majority of these offenders go on to reoffend, and originally tried to set the bar at six months, but reduced it to three in the face of political and public opposition.

Our research suggests that to properly tackle the causes of offending it is necessary both to divert low-risk offenders before they reach court and to change the sentencing framework to reduce the number of short-term prison sentences, which are both ineffective and costly for taxpayers. Because most female prisoners are on short sentences and short-stay prisoners are most likely to have multiple and complex needs, curtailing short-term prison sentences would in all probability target the same groups the government hopes to divert. This can be done by changing the sentencing guidelines,
as has occurred in Scotland, but also by increasing the confidence of sentencers in the alternatives. Below we argue for investment in community-based alternatives that would increase sentencers’ confidence in alternatives to prison.

Having made the case for low-risk offenders to be diverted from prison, we now examine how they could be managed differently in the community.

**Making amends: reparation in the community**

The first component of any sentence is punishment – to provide the victim of crime with a measure of justice and reparation. There is no reason why prison is the only or the best place to punish offenders. As Wright (2010) has argued, there is no precise measurement to determine the seriousness of a crime or what a proportionate response might be. Curfews and other restrictions deprive people of their liberty. A six- or 12-month sentence in the community, with strict behavioural requirements and support to address wider social problems, is likely to be both tougher and more effective than a few weeks or months in prison, where many offenders spend most of the day in their cells. At their best, community sentences can provide offenders with the opportunity to repair the damage caused by crime, making amends to the wider community and, where possible, directly to the victim.

In Lewisham, the borough-level Community Punishment Team, which sits within local probation services, is responsible for identifying and managing ‘unpaid work’ placements. The majority of tasks involve manual labour and focus on local priorities, such as removing graffiti and improving ‘crime spots’ by cutting back overgrown hedges or improving lighting. Ideas for reparation are referred to the team by the council, the police and local residents. Work in charity shops, often referred to as a ‘soft option’, is usually reserved for people with disabilities or health problems that prevent them from carrying out manual work.

Without making any changes to current provision, community orders are both cheaper and more effective than prison. The direct running costs of unpaid work are relatively small. According to Ministry of Justice calculations (2009), which exclude overheads, the cost per offender is £82.40 for the pre-placement work session and the first two hours worked, and for every subsequent hour worked just £4.82 for an individual placement, or £8.83 for a standard group placement (slightly higher on a weekend). The average cost of an unpaid work requirement including probation staff costs was £780 in 2007 (see figure 2.1 over). The National Audit Office (NAO) estimated the cost of one year with probation supervision and drug treatment to be just £1,400 (2010). It also calculated that a highly intensive two-year community order with twice-weekly probation supervision, 80 hours of unpaid work and mandatory completion of accredited programmes cost £4,200 per offender, less than the cost of a prison place for just six weeks.
Judges and magistrates often recognise that people are sent to prison for relatively petty offences, but cite the fact that they frequently face repeat offenders. Short-stay offenders have an average of 16 convictions each (NAO 2010) and sentencers may see no option other than custody. However, as we have seen, short-term sentences offer little deterrent and are not effective, with reoffending rates of 60 per cent. The Ministry of Justice has found that custodial sentences of less than 12 months are less effective at reducing reoffending than both community orders and suspended sentence orders – by between five and nine percentage points in 2008 (Ministry of Justice 2011).

Reducing reoffending: rehabilitative services
Given the importance of public safety in the objectives of sentencing, all sentences should aim to rehabilitate and contain offenders. Many of the solutions to offending behaviour lie outside the prison system, through the effective social integration of offenders. Maintaining stable employment, a home and family relationships are all more difficult to achieve from inside prison walls, and it is in the community that the necessary range of treatment and support services can be found. We examine the existing services in Lewisham, how much they cost, and how they could effectively support and supervise offenders in the community.

A wide range of services currently exist in Lewisham working with offenders and the wider public. Lewisham Strategic Partnership (2010) estimates that £7.5–£10 million is spent on rehabilitative services for offenders in the borough every year. The borough has a number of existing residential units, intensive treatment schemes and other forms of community programmes that could be appropriate alternatives to prison for low-risk offenders and offenders with specific needs (see table 2.1 over).
## Table 2.1
Community services, Lewisham

<table>
<thead>
<tr>
<th>Rehabilitative need</th>
<th>Service</th>
<th>Funding and oversight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug and alcohol</td>
<td>Lewisham’s Drug and Alcohol Action Team has recently re-commissioned all drug services in the borough to a single provider. This aims to cut gaps and duplication by providing a single referral route and allows clients to stay with the same organisation. The service runs two co-located offices in the borough, which offer advice, treatment, peer support and referral into specialist residential rehabilitation and detoxification centres across the UK. They already monitor compliance of Drug Treatment Orders.</td>
<td>Local authority and NHS (GPs and National Treatment Agency) Residential treatment costs between £200 and £500 a week</td>
</tr>
<tr>
<td>Mental ill health</td>
<td>The NHS Ladywell Mental Health Unit and a range of voluntary sector providers offer intensive mental health care in Lewisham. For example, Penrose has 36 units in Lewisham ranging from 24-hour care to floating support, and is able to deal with people with extremely high mental health needs, including paranoid schizophrenics. They already monitor compliance for offenders under licence in their care.</td>
<td>Local authority (Supporting People) and NHS Intensive residential care costs between £500 and £700 a week</td>
</tr>
<tr>
<td>Housing</td>
<td>Lewisham Council has created a referral pathway into housing for single people, the Single Homeless Intervention and Prevention Team (SHIP). Many of their clients are ex-offenders referred through probation and the Diamond Initiative (see p20). They have a stock of emergency housing and help people to access the private rented sector in the borough (and less often social housing). SHIP also has an informal reciprocal agreement with Camden Council, allowing them to secure housing for offenders on the other side of London, for example for ex-gang members or in other situations where peer influence is a factor in criminal behaviour.</td>
<td>Local authority (Supporting People) and Department for Work and Pensions (Housing Benefit)</td>
</tr>
</tbody>
</table>
Supported housing

Lewisham hosts several hostels offering transitional accommodation for the homeless, where a range of wraparound support and treatment are available. Refuge, which provides emergency accommodation for women in need, also has a hostel in Lewisham.

Several registered social landlords and voluntary providers also deliver floating support services for vulnerable people in Lewisham’s social housing and private rented sectors.

Education

Lewisham college has been rated as one of the best colleges in the country and offers a range of courses, including basic and vocational skills, ESOL and life skills.

Employment

Jobcentre Plus and welfare-to-work providers.

Local authority

(Supporting People) and Department for Work and Pensions

(Housing Benefit)

Floating support costs between about £18 and £25 an hour.

Substance misuse is a significant cause of prolific adult offending, and in an online survey conducted by Lewisham Council (2005) more residents perceived drugs to be a major cause of crime in the area than any other factor. There are a number of NHS and third sector specialist mental health units in the borough. For high intensity residents requiring 24-hour care, the cost is between about £500–£700 per person per week. For residents with lesser requirements, requiring residential but not 24-hour care, the cost is lower. To refer someone with a drug or alcohol addiction to one of the rehabilitation and detoxification centres located across the country costs £200–£500 a week. All of these options are significantly cheaper than the £865 a week that each prison place costs.

Wider research shows that community drug treatment programmes are not only cheaper than prison but also more effective. Matrix Knowledge (2007) found that the Drug Treatment Alternative to Prison Programme, which diverted non-violent drug-addicted offenders into residential drug treatment facilities, cost £5,299 per offender per year (£102 a week). Offenders on the programme were 43 per cent less likely to reoffend after release than comparable offenders receiving prison sentences. In a later report, Matrix Evidence (2009) estimated that diversion from prison to residential drug treatment or intensive supervision with drug treatment could save about £200,000 or £60,000 per offender respectively over the course of the offender’s post-release lifetime. These figures include savings for the criminal justice system, the NHS and victims of crime.

A number of hostels for the homeless already function as halfway houses in some respects. For example, Spring Gardens, one of three hostels run by St Mungo’s in Lewisham, has capacity for 40 residents with one or more drug, alcohol or mental health needs. About half of their residents at any one time are also known to the criminal justice system, including several who are on tagging or drug treatment orders. Wraparound rehabilitative, training and job-brokerage services are linked into the hostel, and residents are required to engage with treatment and to participate in at least one activity a day. The hostel costs about £900,000 a year to run, or half the cost of a prison place, at £433 per
resident per week. The building and upkeep costs are met by Housing Benefit and service charges paid for by the residents. The remainder is staff costs, which are covered by the local council through a Supporting People grant.

Local providers suggest that the majority of offenders are unlikely to require this intensive residential support. Many have access to family housing and, where they do not, Lewisham Council operates a service to help single homeless people find accommodation in the private rented sector. Similarly in the United States, justice reinvestment has worked best where interventions are targeted on those most likely to reoffend, where risk and needs assessments are carried out and where community-based alternatives to prison are based on evidence of ‘what works’. Only high-risk offenders require intensive treatment: for most, relatively light supervision and support to find a job, a home and to comply with behavioural requirements is sufficient (Clements et al 2011). Floating and wraparound support services will be enough to help most offenders to comply with community orders and address the wider social problems they face, the costs of which are significantly lower. For example, the average tender to Supporting People to provide floating housing-related support for people is about £18–£25 an hour.

At present there is very little data available on the needs of short-sentence offenders from a given area. This is important, because the level of need will determine the response – and pressure on capacity – among local commissioners and rehabilitative services should more offenders be managed locally instead of being given a short-term prison sentence.

In Lewisham, our data shows that if the government abolished all short sentences of up to six months, as many as 406 people could be diverted into community-based alternatives to prison over the course of a year. Due to data protection rules, we were not able to examine whether some of these could be the same offender going in and out of prison several times in one year. Given what we know about reoffending rates, however, 406 is likely to be the maximum. Many of these will not need the highest, and most expensive, level of support. London also has the highest offender population, suggesting the pressure on services in areas outside of London would be less.

Those 406 sentences of six months or less cost £1.7 million in prison expenditure. Assuming the maximum number of offenders, what could we buy in the community for the cost of sending those offenders to prison? The average annual cost per case for a community sentence was calculated to be £3,265 in 2005/06 (Howard League for Penal Reform 2005). On those cost assumptions, giving those 406 Lewisham short-stay offenders a community sentence instead of prison would have cost 21 per cent less than the cost of prison, at £1.3 million. Local areas must have the flexibility to address the varied needs of their offenders. Lewisham services working with offenders highlighted jobs and homes as the most urgent need, and suggested wage subsidies, rent deposits, and offender behaviour courses. With the money left over, we could invest to increase compliance and confidence in alternatives to prison.

The rub is that the government must be bold to see the savings. If the government follows the Scottish example and abolishes sentences of three months or less, the saving available to be reinvested into Lewisham would be only £0.5 million, or an average of £2,188 per offender. Therefore, depending on the intensity of community support, an initiative focusing just on offenders sentenced to less than three months in prison may only be cost neutral, or may require some supplementary spending by government for offenders with more intensive need. To really achieve big cost savings the government
would have to be bolder and focus on the larger groups of individuals with sentences of under six months or under 12 months.

**Coordination and wraparound support**

One key question that emerged from our interviews with professionals on the ground was not the extra resource local agencies would require – which they felt they could cope with – but how to link offenders into existing rehabilitative services. Currently, the only adult offenders who receive statutory support are offenders released from prison after serving a sentence of more than 12 months. Offenders on community sentences do not receive support from probation unless supervision is a requirement of their sentence. While treatment-based requirements can be a condition of licence, the trend in community sentencing is towards more punitive requirements, such as curfews and unpaid work. Mair and Mills (2009) found that the use of accredited programmes – where cognitive behavioural work with offenders takes place – and supervision requirements has declined, and that alcohol and mental health treatment (among others) is hardly used at all.

A related problem is that the court cannot sentence an offender to particular services or projects. In most cases the Crown Prosecution Service asks probation services to identify a placement. Probation may (but does not always) interview the offender to determine whether they have a particular need, before making a recommendation to the court for approval. Crucially, this system relies on good awareness of, and confidence in, local reparative options and rehabilitative services among both probation and sentencers. It is the lack of knowledge and confidence in local alternatives to custody and a ‘failure to think creatively’ that have led sentencers to err on the side of more punitive sentencing options (ibid).

This reinforces the need to improve confidence in alternatives to prison. Providing rehabilitative support for offenders in the community is likely to improve completion rates on non-custodial sentences as well as reducing reoffending. Probation officers and services working with offenders said the most common reasons for breaching a licence were wider problems such as chaotic lifestyles, homelessness, or drug, alcohol or mental health issues. As one provider said, ‘it is difficult to complete strict requirements of a community order when your life is falling apart’. The key here is to ensure that offenders do not fall through the gaps in service provision and that the right partnerships exist to refer people effectively into any specialist support they need. Lewisham Council is involved in a number of pilot projects to improve joined up support for offenders, often referred to as ‘integrated offender management’.

The Diamond Initiative, which operated from 2009 to 2011 in seven London boroughs, of which Lewisham was one, aimed to reduce reoffending by providing post-prison support for all offenders leaving prison who are not currently covered by statutory probation provision, that is, for those who have served less than 12 months. As the Diamond pilot has now drawn to an end, Lewisham is due to pilot ‘payment by results’ for the Ministry of Justice through a Through the Gates service, which meets short-stay offenders upon release from prison and offers support through a caseworker. As a Total Place borough, Lewisham has made a concerted effort to improve joined-up working between different services, in particular putting in place strong referral routes in drug and housing provision.

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13 There are also several initiatives tackling gun and gang-related crime (Trilogy), domestic violence (DV MARAC) and young people who have been victims of crime (Youth MARAC) (see Lewisham Strategic Partnership 2010).
The independent evaluation of the Diamond Initiative showed disappointing results, with little difference between the cohort who went through the programme and the control group. However, the evaluation still supports the principles of integrated offender management, suggesting that patience is required, both in terms of rehabilitating offenders and smoothing out the inevitable teething problems in multi-agency partnerships (Dawson et al 2011). Anecdotally, the fact that it was police-led has meant a heavy focus on enforcement, at times to the detriment of support.

In addition, people who had committed an offence but had not been prosecuted, and those on community sentences, were not covered by Diamond. In effect, if support is only available for offenders leaving prison, people have to go to prison to receive support. Camden Council’s Reducing Re-offending Unit, which built on the Diamond model, offers an example of strong practice at relatively low cost (see the boxed text below). This multi-agency wraparound support service engages proactively with local offenders at all stages of the criminal justice system, and caseworkers work with pre-offenders, offenders and ex-offenders to change their behaviour and address needs by linking them into existing services in the borough.

Reducing reoffending in Camden
Camden Council’s Reducing Re-offending Unit was a nine-strong team which included two police officers, a probation officer, a Drugs Intervention Programme (DIP) officer and three caseworkers, as well as a manager and administrator. This multi-agency team worked with prisons to identify remand prisoners and offenders serving less than 12 months who were to return to Camden. They also targeted offenders ‘upstream’, including those who were arrested repeatedly, those who had been cautioned, and offenders serving non-custodial sentences.

The team worked closely with the neighbourhood police to conduct ‘old-fashioned collar ing’. Offenders were informed about and offered support services, but told that if their behaviour did not change the police would have to resort to more traditional law enforcement tools. The team also used a ‘whole-family’ approach, building goodwill by supporting an offender’s family and helping them to address the offender’s behaviour.

Offenders were allocated a case worker, who supported them and helped them to access other existing services in the borough. Wider evidence also supports a multi-agency approach (see Harper and Chitty 2005) and suggests that a strong and supportive relationship with a caseworker is an important factor in changing an offender’s behaviour (Braithwaite and Revolving Doors’ National Service User Forum 2009).

The service was not expensive. The benefit of a public sector service is that it is able to pool resources and deliver economies of scale. Probation, police and DIP covered the salary costs of their officers, and probation also hosted the team, covering their overheads. Excluding these costs, the total cost was £260,000 in staff costs – paid for by the council and Supporting People – and an operational budget of £30,000. They dealt with 90 cases last year, at a unit cost of £2,888 a year. Although the team has not tracked the outcomes of this cohort, in a previous pilot they reduced reoffending by 54 per cent among 39 persistent male offenders.
Revolving Doors\textsuperscript{14} is developing a model that examines the direct financial impact to government departments of interventions that divert people with multiple needs out of the criminal justice system, similar to the one operated by Camden Council. The model assumes that where there is no intervention, the offender’s behaviour is more likely to deteriorate and to result in a chaotic life in the community, punctuated by frequent short-term custodial sentences. Initial findings from the model suggest that an investment of £33 million per annum in holistic services for people with multiple needs in the community and in prisons could save the government up to £3 billion over three years.

The cost of alternatives to prison falls on different departments. If the needs of a persistent offender with multiple needs were met locally, Revolving Doors estimates that the amount spent by the Department for Communities and Local Government on housing support services for those offenders would triple over the five-year period, while the expense of housing the offender locally would mean an increase in the Housing Benefit bill. Their findings suggest that despite this there would still be a saving of more than 50 per cent overall. The model shows that the taxpayers’ bill rises the later a diversionary intervention is made, but that substantial savings can be made none the less.

\textbf{Capacity and cuts: can communities cope?}

Among the service providers we spoke to in Lewisham, there was widespread consensus that the services, skills and experience exist locally to meet the needs of low-risk offenders and so to address the causes of reoffending. There are several caveats to this, however. The first is that Lewisham may not be a typical borough in terms of needs and service provision. The council has been involved in several pilots working with offenders and has invested in various initiatives to improve partnership working and referral routes for vulnerable groups, including offenders, into services. Other local authority areas may need to fill significant (or just different) gaps in service provision in order to manage offenders effectively in the community.

Second, the Coalition government’s widespread budget cuts risk undermining the supportive infrastructure that plans for a ‘rehabilitation revolution’ rely on. Local authorities are faced with extremely difficult choices about where cuts should fall. Some councils may cut certain services but try to retain the quality of remaining services. Others may choose to maintain the capacity of services, but ask all services to skim a certain amount. This is no easy choice: the former risks a residualisation of services, reducing capacity so that only those with the highest need can access support, but the latter risks watering services down to the point where quality is compromised. Different councils will also make different choices about which user groups will bear the brunt of the cuts. These decisions will inevitably affect the ability of services to absorb and manage offenders locally. In Lewisham, most providers we spoke to were expecting to have to scale back services, and lower-level floating support was particularly vulnerable. Camden Council’s wraparound service (described above) has already been a casualty of the cuts.

Recent changes to Housing Benefit will also affect our offender cohort. Currently, people under 25 of age living in the private rented sector who receive Housing Benefit are only entitled to enough to rent a single room in a shared house, rather than the rate for a self-contained one-bedroom property. From April 2012, the age limit will be raised from 25 to 35. The average age of a short-stay offender is 28 (NAO 2010). Service providers we spoke to were concerned the changes would make it more difficult for offenders and ex-offenders to find housing. In Lewisham, as in many London boroughs, there is a severe

\textsuperscript{14} See \url{http://www.revolving-doors.org.uk/}
shortage of appropriate shared-housing accommodation. Several providers thought street homelessness would rise, increasing pressure on supported housing in the borough.

Successfully rerouting offenders to be managed locally relies on the rehabilitative services and referral routes being in place to deal with the influx. If the funding and capacity are not available to manage offenders locally, it is likely offending behaviour will continue. Crucially for the legitimacy of this radical new policy direction, the consequences are likely to be highly visible to the public.

**Conclusion**

We have argued that the Government is right to divert low risk offenders from prison, but also argued for a more ambitious strategy that would change the sentencing framework to reduce the number of short term prison sentences. The evidence presented here demonstrates that even the most intensive community sentences are often cheaper than prison. The key is to improve compliance and confidence by ensuring effective referral routes into rehabilitative support are in place for offenders. Our findings support the conclusions of a report by the Justice Select Committee (2009) into the case for justice reinvestment, which called for preventative services, ‘a well-resourced, nationally-available but locally-responsive system of community sentences’, and ‘a mechanism, via statutory provision if necessary, to ensure custody is the last resort’. In practice, the most urgent threat to justice reinvestment is budget cuts – it is vital to ensure that local services are not damaged by those cuts.
This report has so far demonstrated how significant sums of money currently spent on incarcerating less-serious offenders on short sentences could be diverted to more effective alternatives in the community. This process of shifting public investment away from prison and into measures that prevent crime and save money has been described as ‘justice reinvestment’. We have demonstrated the scale of the potential benefits of this kind of change – now, we set out how it could be made to work in practice.

In particular, we need to decide who is best-placed to invest any sums diverted from the prison system and how those funds should be reallocated. Most of the successful examples of justice reinvestment come to us from the United States, where state governments sought to reduce the cost of rising prison populations by shifting resources towards neighbourhoods with high crime rates. By doing this, they have been able to invest in crime prevention initiatives that have reduced the numbers coming through the prison system.

However, it is not easy to translate American lessons into our own criminal justice system, simply because our system of offender management is highly centralised. There, states can save money in their own budgets by channelling funds from prisons into preventative initiatives. In England and Wales, on the other hand, the local authorities who control the levers to reduce offending (local councils and their partners) lack any incentive to do so, because any money saved in prison costs would accrue to the national government, which holds the prison budget.

In order to make justice reinvestment work in England and Wales, we need to create financial incentives for actors at the local level to take action that will reduce the prison population. This chapter explores how this might be done in our criminal justice system. It argues for a radical decentralisation of offender management, including devolution of custody and probation budgets to the local level. This would enable local authorities to invest in interventions and programmes that we know reduce crime, lower reoffending and save the taxpayer money in the long run.

The centralisation of offender management
Offender management constitutes that part of the justice system that deals with offenders after conviction in court. Its two main components in England and Wales are the Prison Service and the Probation Service, both currently run by the Ministry of Justice.

However, offender management was not always the exclusive domain of national government. Until the 1877 Prison Act, England and Wales possessed a two-tier prison system: prisons run by central government held convict prisoners and prisons funded by local rate payers served local magistrates courts. This system came under strain as national inspection of local prisons increased, leading to increased local burdens and consequent political pressure to reduce the contributions of local rate-payers. It was for these reasons that Disraeli moved to a centralised system of prison administration in 1877.

The 1877 Act created a national prison system, with the English Prison Commission accountable to the Secretary of State taking over responsibility for the country’s prison estate. There has been a national system of prison governance ever since, despite a number of changes at the top: in 1963, the Prison Commission was replaced by a prison department within the Home Office, which was itself turned into a government agency in 1993 (Her Majesty’s Prison Service) and then incorporated alongside the Probation Service into the National Offender Management Service (NOMS) in 2004.
One consequence of central control was the growth of ever-larger prisons and the closure of smaller ones, as the government tried to maximize economies of scale. Links between prisons and local courts and communities became ever more distant, with the prison service responding exclusively to national penal policy. One further consequence, as Andrew Coyle has argued, is that the cost of prison was lifted from the shoulders of local rate-payers, making the expansion of the prison estate a less locally contentious proposition – for taxpayers, prison became a distant ‘free good’ (Coyle 2007).

Probation services have also been increasingly centralised over time, although at a later stage. In 1907, the Probation of Offenders Act enabled courts to release offenders on probation and introduced probation officers as agents of the courts to ‘advise, assist and befriend’ those on probation. The service grew from being a part-time and semi-voluntary one, to becoming a professional local service. Over the course of the 20th century, it took on work inside prisons, the supervision of community service, linking offenders into drug treatment, and the supervision of prisoners out on licence. It was governed by 54 local probation committees and received at least part of its funding from local authorities.

In 2001, the service was made a national agency within the Home Office, accountable to the Home Secretary, breaking its link to local authorities. This was accompanied by a growing emphasis on the public protection, in addition to (many say at the expense of) the rehabilitative part of probation officers’ remit. In 2007, the Probation Boards that ran the service in each area were replaced by Probation Trusts that could both directly provide and externally commission offender management services. There are currently 35 Probation Trusts accountable to the justice secretary through NOMS.

So, centralisation has been the dominant trend over the course of recent history. There have, however, been some moves in the opposite direction. In particular, the Crime and Disorder Act 1998 introduced new local structures for managing youth justice. The Youth Offending Teams (YOTs) bring together professionals from a range of disciplines including social services, the police, the probation service and health authorities. Because of the range of services involved, YOTs can provide a holistic response to the needs of each young offender with the aim of reducing their likelihood of reoffending. The YOT assesses each individual and identifies the specific problems that make the young person offend, as well as measuring the risk they pose to others. Appropriate programmes and interventions can then be identified.

In terms of the wider justice system, there have been some limited experiments with reconfiguring courts so that they are more closely embedded in communities. A community justice centre was established in North Liverpool in 2005, which links the work of the judge to problem-solving local agencies that can help tackle the causes of the offending behaviour. This community court managed to speed up processes, increase compliance with community sentences and boost victim satisfaction – although disputed early results showed no improvements in reoffending rates (McKenna 2007).

The value of devolving offender management budgets
Our main objective in this report is to examine the potential impact of justice reinvestment in a real case study in England and Wales – and to then work out how it could work in practice. We did not set out to argue for a more localised offender management system
– however, it is apparent that only by placing offender management in the community under local control could a process of justice reinvestment work, practically speaking.

This is because most of the levers to reduce crime and reoffending are held by multiple local service providers rather than prison or probation services. If we look across the seven ‘reducing reoffending pathways’ set out by the government, most of them rely on the work of local agencies outside the criminal justice system: housing, education, training and employment, health, drug and alcohol recovery, finance, family relationships and attitudes.\(^\text{15}\) To help offenders turn their lives around, resource needs to be channelled to local councils (accommodation, social services), health providers and welfare-to-work agencies.

Additionally, justice reinvestment requires that those local agencies with the levers to reduce reoffending and prevent crime have clear incentives to do so. Currently, they have little financial incentive to focus on offenders because the costs of imprisonment are borne nationally rather than locally. This could be changed if custody budgets were devolved to the local level, as they are in the United States. Local authorities, for example, would then have an incentive to ensure that offenders are appropriately housed and to sign-post them to the right drug and alcohol treatment services. We will return to what mechanisms could be used later in this chapter, but it is clear that we need a mechanism that means that local authorities lose money if an offender in the appropriate sentencing range goes to prison.

So, justice reinvestment requires a decentralisation of powers, budgets and responsibilities within the offender management system. There are, however, additional reasons why devolution makes sense.

First, we know that a holistic approach, integrating the work of different local agencies, is the best way to reduce reoffending. And work at the local level is more likely to integrate the work of different agencies at the frontline than a system that works on a department by department basis, accountable to different central ministries. Greater local participation means that a wider range of services will be available to the police, the courts and the probation service to help tackle the underlying causes of offending. The work of Youth Offending Teams is salutary in this respect: they have been widely praised, including by the present government, for bringing in much greater multi-agency working than exists in the adult justice system (Allen and Stern 2007).

Second, we know that one of the reasons that courts tend to resort to the use of custodial sentences is that they often lack confidence that the probation service or other agencies will have the resources to supervise, manage and rehabilitate offenders in the community (Justice Select Committee 2009). A new local actor, such as the local authority, with an incentive to take on offenders and address the underlying causes of their behaviour, could be a powerful new advocate for alternatives to custody and give judges and magistrates greater confidence to apply community sentences.

Finally, a more local system will be closer to local people and will be more likely to improve confidence in the criminal justice system. We know that public confidence in sentences and the criminal justice system as a whole is low (Casey 2008). From other areas of public service delivery, we know that local agencies tend to command more confidence than national ones. Having a locally accountable offender management service that is more

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\(^\text{15}\) The seven reducing reoffending pathways were first set out in Home Office National Reducing Re-Offending National Action Plan, published July 2004, based on the factors identified by the Social Exclusion Unit (2002).
visible and intelligible to local people, more reflective of their priorities and more integrated with other local services could help to improve the public’s confidence in the justice system as a whole.

**A devolved model of offender management**

A much more locally devolved offender management system is the only way to really make justice reinvestment work effectively, aligning budgets, powers and incentives at the right levels to allow money to flow from prison into more effective community-based alternatives.

There are a number of components of this model, each of which we set out in what follows.

**The local actor**

Who locally should be responsible for managing offenders in the community to reduce their likelihood of reoffending? If justice reinvestment is to work on the ground, we need a local agency to allocate resources, provide strategic coordination, monitor and regulate provision, and ensure public accountability.

There are three main contenders for this role. One option would be the new Police and Crime Commissioners. These commissioners will be elected in 2012 and will cover every police force area in England and Wales (except in London, where the mayor will retain responsibility for overseeing policing). The commissioners will be responsible for holding chief constables to account, approving the force budget and providing the strategic direction for their local force. It is conceivable that these commissioners could be charged additionally with reducing reoffending in local communities and coordinating offender management services.

Another contender would be the existing Probation Trusts that manage and commission local probation services on a regional basis, and have a statutory duty to reduce reoffending among people on community sentences and those released from prison after a sentence of 12 months or more. Where probation has been involved in localised, multi-agency initiatives, the results have been encouraging. Seven trusts piloted the Intensive Alternatives to Custody trials. Kevin Wong, Deputy Director of the Hallam Centre for Community Justice, Sheffield Hallam University, has been involved in the process evaluations of the trials, and he told us that all stakeholders, including offenders, have been positive about the trials and confidence has increased among sentencers as a result. Crucially, they were given flexibility to decide local priorities, including which offender groups, sentence requirements and rehabilitative services were appropriate. However, as noted above, centrally managed probation services generally lack the local levers to ensure services are available and joined-up for all offenders.

The final candidate is the upper-tier local authority (county, unitary or metropolitan borough) – these bodies already run Youth Offending Teams, for example. We argue that local authorities, working in partnership with probation and other services, are by far the strongest candidates to fulfil the necessary tasks of managing offenders in the community. Reducing reoffending requires work in the areas of housing, education and drug and alcohol treatment services – many of which are provided directly or commissioned by local authorities.

Crucially, local authorities are best able to coordinate the work of different agencies in their local area because they already lead local strategic partnerships and have existing relationships with the relevant agencies. They will be best placed to identify gaps in service and either deliver or commission to fill such gaps. The government is keen to open
up delivery to third and private sector providers and we have no problem with diversity of provision. But we do need a local commissioner to bring coherence to that provision, ensure there are no gaps, and reduce overlap.

Local authorities are also much better placed to monitor and regulate service provision on the ground. This is because they are closer to their communities and already have existing systems in place to monitor local outcomes.

Moreover, the role requires a body that is accountable locally, so that the work can enjoy public legitimacy and support. Probation Trusts are unelected and would not be able to successfully perform this role. Although elected police commissioners will be accountable to the public, they are nonetheless distant figures, particularly in very large force areas. Given that offender management in the community is a service whose impact can be very visible at the neighbourhood level, it makes much more sense for the local authority to be the accountable body. It is conceivable as well that local authorities could foster local debate about how to spend the additional funds, asking residents to send in suggestions, setting up citizens’ juries, or even using forms of participatory budgeting. All of this would help narrow the gap between the public and the justice system and should help improve public confidence.

If these functions were to be devolved to upper-tier local authorities, it is important that the government does not prescribe how they should perform their role. They must be able to tailor their work to local needs and circumstances and to respond to local people’s views flexibly. For example, they might decide to spend some of the money on early years provision, if they believed that this would most effectively reduce reoffending in the long term, or they might decide to spend it on floating support.

We know that partnership working will be crucial to the success of integrated community offender management. However, we do not think it is necessary to dictate precisely how local governance arrangements might work. They could include, for example, a partnership board charged with reducing reoffending, or these functions could simply be assumed by existing crime and safety partnerships, involving a wider range of partners. It is sufficient, however, to devolve the function to the local authority and then allow that body to tailor the form of partnership to its local requirements.

**Incentive-based custody budgets**

Once we have identified a local agency to commission and coordinate offender management in the community, we need to find a way of unlocking resources currently spent by the Ministry of Justice on prison places and allowing them flow to local authorities so that they can reduce reoffending.

One way of doing this would be to transfer control of prisons to the local actor who was also responsible for reducing reoffending. This actor could then redistribute resources into local community initiatives as the number of short-stay prisoners was reduced. However, there are two principal problems with this approach. First, the agencies that are best placed to reduce reoffending (local authorities and their partners) are simply too small to manage the prison estate. Moreover, the prison estate is not equally distributed around the country and there is not a local prison in every county or borough.

It might be possible to create regional Prison and Probation Trusts, which would involve local authorities and which could be charged with reducing reoffending in an integrated
way. However, there remains a second problem with this approach: many prisons hold large numbers of prisoners from outside their own areas. In particular, London ‘exports’ large numbers of offenders to other prisons around the country. The trusts would be spending resources locally to reduce reoffending, but this would not necessarily result in a falling local prison population nor, therefore, cashable savings for the trust.

This option of devolving custody and probation budgets to integrated local commissioning bodies may be worth exploring in the longer term, if we could get to a situation where prisons are largely holding local prisoners. Alternatively, this approach could be piloted in a local area where the proportion of local prisoners in custody is already high.

However, to make justice reinvestment work sooner and to scale, we need a mechanism for passing a budget from the prison service nationally to the local authority charged with reducing reoffending.

We believe the best model for doing this would be a form of incentive-based financing, such as that adopted by the US state of Oregon in 1998. Oregon awarded a block grant to Deschle County calculated to be the equivalent the state was spending that year on juvenile custody. The county could spend that grant on whatever it wished, but it would be ‘charged back’ by the state for every juvenile offender who then went to prison. This resulted in a 72 per cent drop in the levels of juvenile incarceration and significantly improved investment in the community infrastructure required to reduce crime. A similar model was subsequently adopted in Ohio and Michigan with comparable results (Allen and Stern 2007).

In England and Wales, NOMS could transfer to local authorities a block grant for the forthcoming year based on the average number of adults from their areas imprisoned on short-term sentences in each of the last three years. This could cover offenders on sentences of less than three, six or 12 months, depending on how far the government wishes to move. The local authority could spend those funds on whatever it wanted, but would be charged back the cost of each custody place every time an offender went to prison for less than 12 months from their area over the next three years.

Ahead of the curve once again, youth justice has recently announced a justice reinvestment pilot along similar lines to those proposed here. The two-year Youth Justice Reinvestment Pathfinder Initiative, launched in February 2011 by the Ministry of Justice, will allocate funds from the central custody budget to consortia of local authorities (or larger single local authorities), who will be free to invest the money upfront in intensive alternatives to custody. Local authorities will be charged back the cost of custody for young people who go to prison. Incentive-based financing such as this creates a powerful incentive for local authorities to invest resources in services and programmes that would work with known offenders or those likely to offend to reduce their likelihood of going to prison. Local authorities in low crime areas that generate very few prisoners would be free to join together with neighbouring authorities to pool their custody budget and invest in jointly commissioned services in their areas.

As we have already argued above, such a move would make local authorities a powerful local advocate for community penalties, of the kind that simply does not exist at the moment. The local council would have an incentive to work with the courts to demonstrate that it could deal with offenders more effectively than the prison system. This

16 See http://www.yjb.gov.uk/en-gb/practitioners/Reducingreoffending/Pathfinder.htm
helps us to overcome the scepticism among judges and magistrates that offenders would be properly monitored and rehabilitated in the community.

Of course, there is an upfront cost to the Ministry of Justice: it needs to unlock finance in the first year when it is effectively ‘paying twice’. At this point, it is still running the prison estate under existing conditions and providing local authorities with the finance to establish local alternatives.

How much money would have to be found? In 2010, 65,549 adult offenders were sentenced to custodial sentences of less than 12 months. This means that, based on the number of prison places required to house these offenders, sending short-stay offenders to prison cost the public purse over £353 million in 2010. If the government were to choose to start with offenders with sentences of less than three months, this upfront cost would be considerably less – but equally, the reduction in prison numbers would be smaller.

In the current fiscal climate, with the department facing major cuts in its budget, this upfront cost might be rejected on financial grounds. However, in the medium to long term, it is essential that the government puts in place a commissioning framework for offender management that gives local agencies the resources and the incentives to reduce reoffending. Therefore, we would hope that this system could be trialled first in a small number of areas and then rolled out nationally once the immediate requirements of reducing the deficit are met.

We should also, of course, reiterate the point that this proposal will save the government considerably more in the long term than even the straight prison costs to the Ministry of Justice. Once prison wings and prisons are closed, very significant savings would flow through. This policy requires upfront investment but it is also an ‘invest to save’ approach with very considerable financial rewards in the long run.

Collecting data on local offenders
Clearly, for such a model to work we need to know where prisoners come from, so that local authority custody budgets can be allocated and charge backs calculated. Currently, this data is not shared between criminal justice and local authorities. Lewisham has shown, however, that this can be done – the Total Place project in the borough was able to collect this data for everyone leaving prison and going to a Lewisham postcode. Although making sure this data is collected and shared requires the establishment of the right systems, this only needs to be done once. Once the system is in place it should be relatively easy to operate: everyone arriving at a prison reception should have their postcode collected and recorded on a national database. This will allow NOMS to calculate local budgets and charge backs.

Devolve the probation service to local authorities
In addition to devolving custody budgets in this way, we argue that the probation service should once again become a local service, integrated into the work of local authorities and facing outwards towards communities, rather than upwards towards Whitehall. This is hardly a revolutionary act: it was only in 2001 that the probation service became a national agency, and in Scotland probation functions are carried out by local councils’ social service departments.

17 According to the latest available data, 7,865 people are in prison serving less than 12 months. See Appendix.
This move would confer a number of advantages:

- Probation officers responsible for overseeing community sentences would be fully integrated into the work of local youth services, drug and alcohol treatment services and mental health services
- Community service work would be more closely linked to local people’s priorities for the area
- It would signal a return to the original ethos of the probation service, with a clear focus on reducing reoffending and rehabilitating offenders, as well as on public protection and enforcement work
- While there would be a national framework for supervising the most serious offenders, probation officers would have greater flexibility to tailor their work to local circumstances and to the requirements of individual cases
- Probation officers could be based in local communities as part of local authority and police community safety teams and coordinate holistic efforts to tackle offending behaviour.

Challenges
There are a number of challenges involved in moving towards this local model, but we argue that none of them is insurmountable.

First, the model is partly predicated on the idea that reductions in reoffending rates would deliver a reduction in the number of people being sent to prison. There are concerns that reducing reoffending may not lead to a reduction in the numbers coming through the system. This is because there are many more offenders out in the community than have been convicted. Even if reoffending among known offenders is reduced, the police may simply pick up others within this wider pool of offenders. If the police are still bringing the same number of offences to justice, then (all else being equal) the prison population will not fall.

Theoretically, this is a possibility if this financial redistribution took place in isolation. However, first of all, empirically we know from the US example that when this model was adopted with juvenile offenders it delivered very significant falls in the young prison population. Second, the police no longer have a Home Office target to increase the number of offences brought to justice. Finally, even if the police did bring the same number of offences to justice each year, our model involves a change in sentencing. This will take place in one or both of two ways: through reform to the sentencing guidelines to curtail the number of short-term sentences, or through the introduction of a new local advocate for community alternatives (the local authority), which should increase the confidence of the courts in non-custodial options.

A second challenge to this model is financial. Following the Spending Review, the Ministry of Justice will see a fall in its budget of 23 per cent over the next four years. The ministry wants to close prisons and bring the prison population down, but it wants the money to go to the Treasury to pay off the deficit. In the long term, however, the nation will save money if it invests in community-based alternatives now, and delivering those alternatives requires local financial incentives of the kind we have proposed. We would hope that some funding could be found now to trial this approach with a small number of local authorities. It could then be rolled out nationally once the immediate requirements of deficit reduction are met. Over the long run and if done at scale, this approach should pay for itself.
A third challenge concerns the point at which savings begin to flow to the Exchequer. These will only come through in a substantial way once the government is in a position to close existing prisons (although the cancellation of future prison building programmes would yield rewards more quickly). For the first few years, the government will still be paying prison overheads even while prison numbers are falling. However, upfront investment is critical for this policy to work: the community-based alternatives need to be put in place prior to the point at which prisons can be closed. As we have already argued, this is an investment that will save very significant sums in the long run.

A fourth challenge concerns the infrastructure of services on the ground to help reduce offending. During our interviews with professionals in Lewisham, we were told that the community infrastructure already existed to take on those offenders who would otherwise be in prison. The key missing ingredient was floating wraparound support to identify need, coordinate and sign-post. However, we know that all local services are currently facing major cuts, whether in health, social services, youth services or the probation service. That the diversion of offenders from prison may coincide with cut-backs in the community infrastructure to deal with them could prove to be the biggest impediment to the government’s ‘rehabilitation revolution’.

**Conclusion**

This chapter has argued that to unlock those resources currently resting in the custodial estate and reinvest those funds in more effective alternatives in the community, we need to radically decentralise the offender management system. We have argued for a model centred on those local authorities who possess the policy levers to affect reoffending outcomes and prevent crime. These upper-tier local authorities would be provided with a block grant to be spent in their communities, but would be charged back every time a prisoner with a short sentence, for instance of between three and 12 months, went to prison. This would provide a powerful incentive for them to reduce reoffending and prevent crime. We have further argued for the devolution of the probation service so that it would sit under local authorities and help to provide the kind of integrated multi-agency support that we know provides the best chance of rehabilitating offenders in the community.
CONCLUSION

Our prisons are overcrowded, costly and ineffective at reducing recidivism. The government has now recognised that we need to take a different approach, embarking on a ‘rehabilitation revolution’ to ‘break the cycle’ of continued penal failure and lifetimes of crime.

This report has contributed to this important debate in three ways:

• It has set out the scale of the costs locally from imprisoning the local offender population and identified the kind of budget that could be made available to a local area through a process of justice reinvestment.

• It has identified, in practical terms, what such a local budget could be spent on and how it could be integrated with existing services on the ground.

• It has scoped out how, in practice, money could be made to flow around the system to make justice reinvestment work.

In doing so, we have argued for a radically new approach to the sentencing, management and rehabilitation of offenders. This involves much greater use of non-custodial sentences for those currently receiving a prison sentence of less than 12 months. It requires investment in alternatives for both the punishment and rehabilitation of offenders in the community. And, finally, it entails making local authorities a powerful new force within the criminal justice system, charged with reducing reoffending and working with others to break the cycle.

We have set out some of the challenges that need to be overcome in order to make this programme a reality. Public and judicial confidence in community sentences needs to be improved, new systems for sharing information have to be put in place and some upfront funding for local authorities needs to be found. However, we have argued that none of these challenges is insurmountable – and that the goal, if it can be reached, is a great one: a criminal justice system that both punishes offenders and rehabilitates them, that costs less, and that is more effective at tackling crime and protecting the public.
# APPENDIX A

## COST OF IMPRISONING SHORT-STAY OFFENDERS IN ENGLAND AND WALES

<table>
<thead>
<tr>
<th></th>
<th>Prison population* (‘stock’)</th>
<th>Number of persons sentenced to immediate custody (‘flow’)</th>
<th>Cost of prison places (stock x £45,000)</th>
<th>Cost per offender (cost/flow)</th>
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<tbody>
<tr>
<td><strong>Three months or less</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1,846</td>
<td>35,738</td>
<td>£83,070,000</td>
<td>£2,324</td>
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<tr>
<td>2009</td>
<td>1,785</td>
<td>36,071</td>
<td>£80,325,000</td>
<td>£2,227</td>
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<tr>
<td>2010</td>
<td>1,863</td>
<td>38,316</td>
<td>£83,835,000</td>
<td>£2,188</td>
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<tr>
<td><strong>3 year average</strong></td>
<td><strong>1,831</strong></td>
<td><strong>36,708</strong></td>
<td><strong>£82,410,000</strong></td>
<td><strong>£2,245</strong></td>
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<tr>
<td><strong>Six months or less</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>5,873</td>
<td>58,076</td>
<td>£264,285,000</td>
<td>£4,551</td>
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<tr>
<td>2009</td>
<td>5,131</td>
<td>57,392</td>
<td>£230,895,000</td>
<td>£4,023</td>
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<td>5,343</td>
<td>58,497</td>
<td>£240,435,000</td>
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<td><strong>3 year average</strong></td>
<td><strong>5,449</strong></td>
<td><strong>57,988</strong></td>
<td><strong>£245,205,000</strong></td>
<td><strong>£4,229</strong></td>
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<tr>
<td><strong>Less than 12 months</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>8,759</td>
<td>64,996</td>
<td>£394,155,000</td>
<td>£6,064</td>
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<tr>
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<td>£340,830,000</td>
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<tr>
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<td>£353,025,000</td>
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<tr>
<td><strong>3 year average</strong></td>
<td><strong>8,059</strong></td>
<td><strong>65,018</strong></td>
<td><strong>£362,670,000</strong></td>
<td><strong>£5,578</strong></td>
</tr>
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Source: Ministry of Justice statistics – prison population and sentencing data

* The Ministry of Justice collects a “snapshot” of data on the total prison population on 30 June each year.
APPENDIX B
REDESIGNING JUSTICE: LOCAL INNOVATIONS

In England a series of pilots currently underway are testing how local offender-management schemes can reduce reoffending and so save money in prison costs. This appendix summarises these pilots.18

1. Ministry of Justice pilots
The Ministry of Justice have commissioned two pilots to test payment-by-results with a view to reducing reoffending. Payment-by-results is widely used in welfare to work but has not previously been applied to attempts to reduce reoffending. Four further payment-by-results pilots are planned, including one with a public sector prison, two community pilots and an ‘innovation pilot’ that aims to attract new social investors to fund criminal justice programmes.

Peterborough
The Social Impact Bond pilot scheme in Peterborough, known locally as the One Service, was launched in September 2010 and will run for six years. The organisation Social Finance has raised approximately £5 million of social investment through a ‘Social Impact Bond’, mainly from foundations and charities. This funding mechanism aims to transfer the financial risk from the government and providers to investors, with the return on investment dependent on a reduction in reoffending.

The scheme is working with all adult male offenders sentenced to less than 12 months in prison and released from HMP Peterborough. The investment is funding a range of third sector organisations to support to up to 3,000 offenders over the life of the pilot, in three cohorts of 1,000 offenders every two years. Providers are paid upfront and not by results. Support includes a ‘through the gates’ service, which supports offenders in the immediate period after release to access key services such as housing and employment. In addition, a range of third sector providers are on hand to help the ex-offenders to reconnect with relatives and access wider support services.

The social investors will receive a return on their investment from the Ministry of Justice dependent on the outcomes of the pilot. Success will depend on reducing the reconviction rate across the cohort of prisoners by at least 10 per cent compared to a control group of 10,000 offenders with similar characteristics. In order to avoid problems of ‘creaming’ and ‘parking’, where providers focus resources at those who are least likely to reoffend, the overall reoffending rate is measured across the whole offender group, rather than individual reconvictions. If a 10 per cent reduction is not achieved for any of the three cohorts, payment will be made if a 7.5 per cent reduction is achieved at the end of six years across all three cohorts together. If this target is not met, no payment will be made.

A local stakeholder interviewed by IPPR noted that having the flexibility to use the funding as they saw fit was important, allowing them to tailor the service to local and individual needs. According to an interim evaluation19 released in May 2011, stakeholders involved in the project felt the financial risks had successfully been transferred to the investors. However there were questions about whether the performance measurements could be rolled out nationally, given that they rely on testing success against a control group of offenders who do not receive the service. The evaluation also highlighted that it was unclear from the pilot whether the Social Impact Bond would generate ‘cashable’ savings for government, and if so how these savings would be shared across government departments.

18 Appendix B inserted into original report in December 2011.
Doncaster
HMP and Young Offender Institute (YOI) Doncaster’s payment-by-results pilot was launched in October 2011 and will run for four years. HMP Doncaster is a private prison and has been run by Serco since 1994. Serco were awarded a new 15-year contract to manage the prison in March 2011.

The scheme is working with all offenders released from HMP Doncaster over the four year pilot and aims to work with as wide a range of offenders as possible. The Ministry of Justice is using a ‘black box’ approach that allows Serco to determine the approach used to reduce reoffending. Serco has sub-contracted third sector providers Turning Point and Catch 22 to deliver rehabilitation services in prison and a ‘through-the-gates’ service to meet offenders upon release.

Re-offending will be measured as the percentage of offenders who commit an offence during the 12 months after discharge, as proved by a court conviction during this period or in the subsequent 6 months. Serco will be paid upfront for running the prison and in addition will receive a bonus based on reducing the reoffending rates of all offenders released from the prison. This will be measured as the percentage of offenders who are convicted of an offence committed during the 12 months after release.

For each year of the pilot, Serco will place at risk 10 per cent of the value of the annual operating contract. If Serco do not reduce the rate of one-year reconviction events by at least five per cent against an historic baseline, the 10 per cent will be returned to the Ministry of Justice. If they exceed this target, however, they will receive a bonus payment for each additional percentage point reduction, to a maximum of 10 percentage points. Assessment will be based on data from the Police National Computer.

2. Local justice reinvestment pilots
The Ministry of Justice has also encouraged local authorities to initiate their own local justice reinvestment pilots, which aim to improve partnership working in order to reduce local reoffending rates. These pilots are being developed in line with local priorities. Where the local authority can demonstrate a reduction in reoffending rates, the savings generated will be shared between the Ministry of Justice and local areas.

Lewisham
Lewisham Council’s payment-by-results pilot was launched in June 2011 and will run for three years. A key aim of the pilot is to reduce service gaps and duplication in Lewisham by making a single provider, Penrose Housing Association, responsible for managing an offender group that does not receive statutory probation supervision and supporting them to access wider existing services where necessary.

The scheme is working with all offenders sentenced to less than 12 months in prison and released into the borough of Lewisham. Lewisham Council have not specified the approach Penrose Housing Association should take, leaving them free to determine the approach and tailor their services to local and individual offenders’ needs.

Lewisham Council pays half of the upfront cost of service delivery to Penrose, with the remainder paid dependent on reducing re-offending rates. The final 50 per cent of payment will depend on the following model: the service provider will be paid a fixed sum per offender if the individual does not re-offend within 12 months of his/her release date. If they re-offend within that time the clock restarts, and another 12 month period begins in which Penrose will attempt to earn their money on this offender. To reduce the incentive
A stakeholder we spoke to said the Council had encountered resistance in moving towards a payment-by-results model due to concern that the risk is being passed on to providers. Furthermore, many smaller third sector providers did not have sufficient capital in order to fund the upfront costs of provision. Most cannot afford to risk more than about 10 per cent of their return on investment, limiting the scope for payment-by-results. The Ministry of Justice will undertake an evaluation at the end of the three-year pilot.

Southwark

Southwark Council is leading a multi-agency Reducing and Deterring Adult Reoffending (RADAR) team. The pilot was launched in June 2011 following the end of the Diamond Initiative, for which Southwark was a pilot borough. It builds on the learning and partnership arrangements developed during the Diamond Initiative to develop an integrated offender management system in the borough.

The RADAR team works with offenders released from prison into Southwark following a sentence of less than 12 months in prison and Prolific and other Priority Offenders (PPOs) in the area, including a small group of young offenders. The scheme aims to work with about 600 clients over a year (150 at any one time) and may pick up other offender groups such as those that have committed gang-related crimes. Offenders are provided with an initial eight weeks of intensive support after release or sentencing. Depending on success, the level of support is reduced after this period. The co-located project brings together about 40 staff and case workers from the police, probation and Southwark’s drug and housing services teams. The partners jointly fund the RADAR team. The core team is based at the borough’s Drug Intervention Programme and Probations Substance Misuse Team. They work closely with HMP Brixton and aim to have four officers based there to work with offenders pre-release.

Success is not being measured based on reductions in reoffending rates, as it was felt that this did not work well when trialled during the Diamond Initiative. The project also piloted a ‘distance-travelled’ measure of success known as the outcomes star, but dropped it following limited engagement from offenders. Instead success is being monitored against the number of clients who find employment, stable accommodation, and other indicators.

Stakeholders involved in the project felt that there was good partnership working between the different agencies involved in the scheme, although the lack of involvement from the courts and magistrates means it is difficult to influence sentencing, for example to divert people into the scheme. The lack of coordination, practical support and resources from central government in the pilots appeared to be a challenge. There were concerns that it could be difficult to share learning because no central evaluation will take place across the local pilots, which are also compiling data in ways that will not necessarily be comparable. The local authority does not have the resources to facilitate an evaluation.

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20 Known as OGRS-3, the score is a predictor of reoffending based on age, gender and criminal history.

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Lambeth
Lambeth Council’s Systems Change Pilot was launched in April 2011. The multi-agency co-located project aims to reduce reoffending among priority offender groups in the borough. These have been identified as offenders that have committed domestic violence offences, those with drug and alcohol problems and those released from prison after sentences of 12 months or less.

The project involves the police, probation services, HMP Brixton, several third sector organisations, and the local authority, including the Drug Interventions Programme, the Prolific and other Priority Offender scheme and the Diamond Initiative. Third sector organisations CRI and Rapt are leading attempts to better join up offender management for those with drug misuse issues. The project is also working with domestic violence services in the area. The scheme is co-funded by the police, probation and Lambeth Council.

Key stakeholders interviewed by IPPR noted that the partnerships were working well, but that putting these in place takes time and can be challenging. With limited resources, they found it difficult to measure any reductions in reoffending and at present are not measuring the impact of the project in these terms.

Croydon
Croydon’s integrated offender management pilot was launched in 2011. The aim of the pilot is to reduce reoffending and to reduce the number of people sentenced to 12 month or less and those on statutory orders.

The scheme targets all offenders in Croydon, working at different stages of the criminal justice system, including those at risk of offending, at sentencing stage in the courts, in prison with offenders about to be released from sentences of 12 months or less. They are offered a case worker to link them into wider services, including mentoring programmes, based on the Intensive Alternative to Custody model.

In contrast to Lewisham no lead agency has been contracted to manage offenders. Instead, Croydon Council, Croydon probation services, the court and the police, Jobcentre Plus, local prisons, and a range of third sector providers are working together to integrate the different services, with Croydon probation services the hub of the pilot. A team of managers from these services has been formed to facilitate this partnership-working. Through written and verbal reports, the services encourage the court to put the offenders on the pilot instead of giving them prison sentences. Offenders, referred through the borough’s Drug Intervention Programme, the Jobcentre and local third sector providers working with offenders, are also encouraged to sign up to the pilot on a voluntary basis.

Stakeholders interviewed by IPPR felt that, while the partnerships were working well, the integration of services was hampered by the constraints on how the different agencies budgets can be spent. It was felt that efforts to integrate services would be best facilitated by pooling different departmental budgets, with flexibility in how this could be spent. The riots in August 2011 also represented a major challenge for the pilot, as the courts and magistrates have since refused all their applications requesting that alternatives to custody be considered, resulting in an increase in the numbers being sent to prison. Stakeholders interviewed by IPPR said this had dramatically affected the success of the pilot in diverting offenders from custody. There are concerns that savings in prison costs will fail to materialise due to the breakdown of the involvement of the courts, meaning that they will have to cover the increased expenditure on offender management.
Hackney

Hackney has taken an Integrated Offender Management approach, whose aim is to work intensively with a targeted cohort of offenders to address the causes of their offending and reduce the likelihood of them committing crime in the future. The borough has focused on 140 offenders (both adult and juvenile) who are acquisitive criminals with a high risk of reoffending. A large proportion of them (currently 80 per cent) are drug and/or alcohol dependent. It is envisaged that the initial number will grow to 200 once staff are identified and posts filled.

Once offenders have been selected onto the scheme, they will be graded using a traffic light system to indicate the level of supervision and police monitoring the offender should receive. Those graded red are the most prolific offenders and will receive intense supervision; those graded amber will receive a high number of interventions and multi-agency work to prevent them from becoming prolific offenders; and those graded green will be those whose behaviour has improved and are on their way to exiting the scheme, receiving very little monitoring. Youth workers will be appointed to manage the juvenile members of the cohort.

The police will maintain a database of the cohort, monitor release dates, signal releases to other partners, and visit offenders once they have been released to ensure they are abiding by the conditions on their licence. There will be regular meetings between all relevant partners to monitor all cases within the cohort. It is far too early to assess the success of the project but the following early challenges have been identified: moving to co-location of the partners, resourcing the management of non-statutory offenders, delivering ‘added value’ to offenders (including working with the voluntary sector for example) and delivering family-focused interventions.

Greater Manchester

Greater Manchester’s Transforming Justice pilot is based on the same Financial Incentive Model as the London pilots whereby the MoJ payback half of their calculated saving. MoJ’s main requirement is a substantial reduction in criminal justice outcomes (i.e. suspended sentence orders, community orders, short custodial sentences and all other convictions and associated disposals) when compared to a baseline of 2010/11. The baseline and payment by results are calculated through a list of metrics which quantify costs associated with these outcomes.

The objectives of the programme are to:

- Reduce crime, reoffending and the wider impact of crime and dependency on society.
- Reduce the number of victims of crime
- Improve working across criminal justice and partners to streamline delivery, reduce duplication and deliver sequenced, integrated interventions.
- Reduce overall demand and cost to the criminal justice system.

The programme aims to delivers interventions at key transition points to reduce reoffending: contact between youth and adult services, the point of arrest and referral, the point of sentence, and the point of release.

There are two main parts of the programme. First the police and the CPS are exploring more effective use of out of court disposals for first time and low risk offenders by the police and the Crown Prosecution Service.
Second, TJ is looking at groups of offenders already in the criminal justice system, adopting a ‘transition and cohort’ approach. In particular agencies are exploring alternative approaches during the transition from youth to adult services and looking at the differing needs of female offenders.

3. Youth custody pathfinder pilots
The four youth custody pathfinder pilots, run by the Youth Justice Board (YJB), were launched in October 2011 and will run for two years. The pathfinder pilots are closest to the Justice Reinvestment projects trialled in the US and in Gateshead in England. Part of the YJB budget is devolved upfront to local authorities to put in place measures to reduce reoffending. The aim is to reduce the numbers of young people sentenced or remanded to custody.

The pilot areas are Birmingham, West London, North East London, and West Yorkshire. A total of £1.6 million is available for each area. Only those local authorities or consortia with a large enough number of minors in custody were eligible to bid. They were required to submit a two to three year plan to reduce reoffending rates, including plans to invest in alternatives to custody and diversionary schemes. Success will be measured by the calculating the reduction in the number of nights spent in custody among young people in the given area. If the pilot areas fail to meet agreed targets at the end of a two-year period, they will have to pay back some or all of their funding to the YJB.

The Ministry of Justice received significantly fewer proposals than anticipated. Stakeholders interviewed by IPPR put this down to the amount of risk being placed on local authorities. Local authorities are being given responsibility over services that they were not previously involved in, and may have to cut their own budgets if efforts to reduce reoffending are unsuccessful. Other concerns included the relatively short timescale, as two years may not leave enough time for planning and implementing the necessary services. More widely concerns have also been raised about the size of the devolved budget devolved, with some arguing that it reflects an underestimate of the real costs of youth custody. In general, however, stakeholders interviewed by IPPR were supportive of the project, noting that local authorities are key to reducing the number of young people in custody, and that it makes sense for them to have a stake in reducing reoffending rates, thus reducing the incentive to view prison as a ‘free good’ paid for by central government.

References


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