

TRANSFORMING REHABILITATION: CONSULTATION RESPONSE FROM NPC

About NPC (New Philanthropy Capital)

New Philanthropy Capital (NPC) is a charity think tank and consultancy dedicated to helping funders and charities achieve a greater impact. We have an ambitious vision: to transform the charity sector so it becomes as effective as possible in improving people's lives and creating lasting change for the better.

NPC provides independent research and advice for donors and charities. As the leading think tank of the not for profit sector, we encourage debate about what makes a charity effective, and build knowledge and tools to support effectiveness. In this response we focus on effective outcomes for the rehabilitation of offenders.

Consultation Response

Extending our reform programme (including providing 'through the Gate' services to all offenders)

Question B1: How can we maximise the results we get from our collective Government and public sector resources?

Following more than 30 years of research, there is now reasonable consensus on the factors that contribute to persistent offending and the type of support that encourages desistance. Studies emphasise the importance of human capital (skills, attitudes and aspirations), social capital (including family relationships) and a continuity of support and trust in case workers.

Piecemeal or disjointed interventions will not lead to outcomes that create lasting change for offenders and the communities they return to. Integrated, practical support on a case worker model should ensure that housing, employment, financial and other practical needs are properly addressed. This should be combined with work on social and personal outcomes –building confidence and self esteem, and working to improve family relationships and friendships. Partnership working and collaboration between providers will be crucial in ensuring that offenders receive an integrated pathway towards rehabilitation. Any design of contracts must support partnership working and the interventions outlined, and not make them more difficult.

Measurement and evaluation should be core to the delivery of rehabilitation. NPC's research into charities working with offenders and their families has shown that there is very little consistency in the way outcomes are measured. This means that learning is not maximised and mistakes are repeated. Although intellectual property and commercial confidentiality issues need to be taken into account, the reforms should include a clear commitment to building an evidence base of the impact of services.

Question B2: How can we use the reform of offender services in the community to enhance the broader range of social justice outcomes for individuals?

The reforms present a timely opportunity to look at the role of rehabilitation in improving family relationships and ties to the community for offenders. Creating stability in areas of practical support—housing, finances,

employment—leaves room for individuals to concentrate on their family relationships and emotional well-being. The risk of family breakdown is aggravated in circumstances where a parent or child is in custody. By working with offenders and ex-offenders to improve and maintain family relationships—both in custodial and community sentences—can protect against children ultimately being taken into care.

The potential benefits of greater access to rehabilitation services for those on under 12 months' sentences (not just mentoring) should be carefully considered. Offending can be used as a way of identifying 'troubled families' even in the case of short sentences. NPC's work with charities in this field has shown that family problems do not always correlate with the severity of an offence—a short sentence can be associated with more serious underlying issues that risk family breakdown.

Contract specification

Question C1: We are minded to introduce 16 Contract Package Areas. Do you think this is the right number to support effective delivery of rehabilitation services? Do you have any views on how the Contract Package Area boundaries should be drawn?

Experience of contract specification in the Work Programme suggests there are risks attached to large contracts. When not carefully designed and managed, large contracts often reduce diversity in the supply chain and present a risk to the provision of comprehensive support for offenders and ex-offenders. They can squeeze smaller charities out, as only a very small number currently working with offenders are capable of becoming lead providers with contract package areas of this scale.

Many voluntary and third sector organisations are doing excellent work to tackle reoffending at a local level. Large contracts risk losing the valuable experience and local expertise of such organisations if they are aligned to an unsuccessful prime contractor in their area. NPC believes that local commissioning—at a city or regional level—has a better chance of protecting effective charities and enabling more joined-up service provision.

Many solutions to reoffending lie in local agencies—public, private and voluntary—joining up around the needs of the offender. Large contracts tend to mitigate against this type of development. More local commissioning, perhaps at the scale of the city region where appropriate, might achieve a better balance between economies of scale and a local focus.

Question C2: What payment by results payment structure would offer the right balance between provider incentive and financial risk transfer?

Despite growing interest in payment by results, only a small fraction of public money is distributed on the basis of outcomes. NPC believes that, if used appropriately, payment by results can be an important incentive for improving performance. However, there are concerns among large charities about the risk of new commissioning models. A recent NPC survey of over 100 large charities with government contracts revealed many have significant apprehensions about changes to the commissioning landscape (*When The Going Gets Tough*, 2012). More than half of the charities we surveyed believe that payment by results contracts will have a negative impact on their financial security. Despite feeling confident about delivering on outcomes, for some charities the capital required to compete for contracts was prohibitive. Many charities taking part in the Work Programme have also cited cashflow as a problem.

The outcome that generates a saving, such as a reduction in re-offending, can often only be measured several years after an intervention. Therefore, commissioners need to create intermediate outcomes, with evidence of a link to the final outcome of reduced re-offending. This will enable them to assess progress towards an ultimate outcome, and link payments accordingly. Placing a proportion of the contract under a payment by results—10 to

15 per cent, for example—would provide the right incentive for services to improve where both intermediate and final outcomes are properly defined. This should be balanced against the financial risk taken on by a charity.

NPC's recent report *Collaborating for Impact* (2013) emphasises the need for charities to better understand the financial risks attached to outcomes-based commissioning, particularly when this represents a substantial proportion of their income. The government needs to carefully consider how to design contracts to better balance encouraging effective charities to scale up their work, whilst avoiding the pitfalls of large risk transfer, including cost of capital. Effective private/voluntary collaboration can go some way to support charities with risk management, however, these need to be thoroughly negotiated to support mutually beneficial outcomes.

Understanding the underlying costs and pricing their services appropriately may be a new process for many charities. Charities should be able to charge a reasonable margin—just as private providers are expected to build in a 'profit' margin—so that they build reserves for investment, resilience and growth. Without doing this, charities that rely on public sector contracts will not be able to grow or survive shocks.

Question C3: What measurements and pricing structures would incentivise providers to work with all offenders including the most prolific?

The government should recognise that not all reoffending—or patterns of reoffending—are alike. Among some individuals, a reduction in the number of offences committed or the severity of the crime would represent a significant outcome. NPC believes that this should be reflected in the measurement of outcomes. An appropriately designed and robust measure of reoffending should be accompanied by a similarly strong measure of the risk of reoffending. By recognising and measuring both intermediate and final outcomes, these reforms can be used to reflect progress made in reduced frequency of offending and reduced severity of offences.

Supply chain management

Question C7: What steps should we take to ensure that lead providers manage and maintain a truly diverse supply chain in a fair, sustainable and transparent manner?

Simply opening up contracts to bids from charities is unlikely to achieve a level playing field. The government needs to take a lead role in encouraging dialogue and establishing the right conditions for the voluntary sector to compete effectively. In practice, this means an environment in which charities can collaborate and form consortia.

NPC's recent research into charities' experiences of public service commissioning shows that charities prefer being contracted by other charities (*When The Going Gets Tough*, 2012). However, there are only a very small number of charities currently working with offenders who are of an appropriate scale to become lead providers. One way to ensure a diverse slate of lead providers is to reduce the size of Contract Package Areas, and proactively encourage charities and other third sector organisations to enter into the market either as primes or consortia. NPC recognises that many lead providers will involve partnerships from across the private, charity and social enterprise sectors.

Collaboration has the potential to improve the charity sector's collective impact, both within the sector and involving private partners. The most complex problems—including the rehabilitation of offenders—cannot be solved by services that work in isolation. By working together, the charity sector can become stronger and deliver better outcomes.

However, collaborations can be tricky to navigate. Our report on charity partnerships and impact networks, *Collaborating for Impact* (2013) argues that commissioners have a role in helping the charity sector overcome barriers to working together. Commissioners should signal their intent to charities far in advance of tendering for services, to give them the maximum chance of forming successful collaborations. If charities have to scramble to

form consortia in a tight timescale, it may result in damage to both the charities involved and beneficiaries themselves.

Careful design of contracts could be used to insist on bids from consortia, building greater fairness and sustainability into the supply chain. But to deliver on these aims, the commissioning process must recognise and address the factors that enable successful collaboration within the charity sector and beyond.

These arrangements must maximise the strengths of each sector. A lead provider from the private sector, for example, may be in a better position to take on initial financial risk, and allocate that risk fairly among subcontractors and partners. NPC has been leading work to foster dialogue between the charity sector and corporates, and provide practical solutions to tackling a prevailing culture of distrust.

Question C9: How can we ensure that the voluntary and community sector is able to participate in the new system in a fair and meaningful way?

In addition to the issues of collaboration in our response to C7 (above), NPC believes that the voluntary and community sector will face financial barriers as a result of the new commissioning arrangements. For many charities and consortia, participating as either lead provider or a significant sub-contractor will require an injection of capital to achieve the right scale to deliver services. The government should work with Big Society Capital and other social investment providers to see if they can make social finance available to those bidding for contracts, and build in enough time for charities to prepare and give consideration to the financial risks of capital.

By reducing the size of contracts, the government can address many of the practical barriers for the charity sector in playing an active role in transforming the rehabilitation of offenders. If charities themselves do not have the balance sheet strength to take on big contracts paid in arrears, or to absorb the risks of being a prime on a large contract, this can be addressed by fair and effective collaboration with the private sector. Where cross-sector partnerships share the financial risk of delivering a service, this risk should be placed where it can be most effectively managed.

Proposals for Reform

Question C19: Do you have any further comments on our proposals for Transforming Rehabilitation in this document.

There can be no doubt that tackling stubbornly high reoffending rates is one of the biggest challenges facing government. The government, charities and social enterprises can help address this challenge by providing offenders with the right support to reduce their chances of reoffending. To be clear about what works to reduce reoffending—and avoid decisions based on instinct or anecdote—those working in criminal justice need access to evidence about which approaches are successful.

Although a well-designed payment by results model will create incentives for providers to improve their services, it is important that the government recognises the effect it could have on transparency. An obligation on providers to share what works though a national evidence base should be built in to contract specifications.

To build this evidence base, these groups need to be able to access data on reoffending for the people they work with. At present, it is too difficult for charities to access this data. We surveyed 236 criminal justice charities about their experiences for our recent report *Unlocking Offending Data*. Around half had tried to access offending data from government, but only a fifth were successful every time. Four in five found the process of accessing data hard some or all of the time.

In the report, NPC called on the Ministry of Justice to create a Justice Data Lab to improve access to data on reoffending. We are delighted that in January, the Ministry announced that they will create such a Lab (<http://www.justice.gov.uk/news/press-releases/moj/transforming-rehabilitation-less-crime,-fewer-victims,-safer-communities>). It will need to be accessible, providing data in a form that is easy to interpret for both public service providers and commissioners. And it will need to be sustainable; capable of surviving future shifts in government priorities, something which can best be achieved by asking users to contribute to its running costs.

We need to unlock offending data to help charities and other providers ensure they are using the best methods to tackle one of the UK's most pressing social problems.

NPC's work in the criminal justice and commissioning areas

Unlocking Offending Data: How access to offending data could help charities improve outcomes for offenders (2012)

In partnership with the Oak Foundation, NPC called on the Ministry of Justice to create a Justice Data Lab to improve access to data on reoffending. Many charities provide offenders with the right support to reduce their chances of reoffending, but all too often they struggle to access data on reoffending for the people they work with. An accessible, transparent and sustainable Data Lab will help government, commissioners, charities and social enterprises understand and prove their impact.

National Offender Management Services: Developing measures of the effectiveness of rehabilitation services (2012)

NPC, in collaboration with ICPR (Institute for Criminal Policy Research), is part of a consortium of partners commissioned by NOMS (the National Offender Management Service) to develop a toolkit for measuring the effectiveness of interventions to reduce reoffending. The toolkit will help providers to measure "intermediate" outcomes concerning family relationships and peer relationships. The consortium also includes Action for Prisoners' Families, Safe Ground, Ormiston Children and Families Trust, and St Giles Trust.

When the going gets tough: Charities' experiences of public service commissioning (2012)

In 2012, NPC partnered with the third-sector insurer Zurich to survey the top 750 charities about their experiences of commissioning. We aimed to find out what's working well when it comes to government funding of the sector, and to highlight good practice and identify challenges. The survey focussed on three areas: new types of contracts, such as payment by results; new delivery models, eg, being subcontracted by another organisation to deliver contracts or working as part of a consortium; and how charities are coping with cuts to government income.

Indigo Trust: Measuring together: Improving prisoners' family ties (2011)

Family can make all the difference to prisoners' rehabilitation, but measuring their impact is difficult—outcomes are largely intangible and the criminal justice system complex. Partnering with the Indigo Trust, NPC worked with a group of experts and charities to build and pilot visitor experience and family relationships questionnaires to help develop a framework for more standardised measurement in the sector.