• Welcome and introductions
• Housekeeping
• Scope of market engagement and consultation
• Format of session
• Recap from Days 1 & 2
## Agenda – Day 3

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Aim</th>
<th>Length*</th>
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<tbody>
<tr>
<td>1</td>
<td><strong>Introduction</strong></td>
<td>Set out the purpose of the session</td>
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<tr>
<td>2</td>
<td><strong>Payment mechanism</strong></td>
<td>Provide an outline of potential future payment models and set out the underpinning design principles</td>
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<td><strong>Comfort break</strong></td>
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<td>3</td>
<td><strong>Performance framework</strong></td>
<td>Set out principles for a new performance framework and provide an overview on how future performance measures are being developed</td>
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<td>4</td>
<td><strong>Close</strong></td>
<td>Closing remarks</td>
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Payment mechanism

Janet Phillipson

Protecting and advancing the principles of justice
Session objectives

✓ We want to get your views on how to design a payment mechanism which supports the delivery of the services
✓ We want to hear your views about what will work
✓ We will share our current thinking but this is mostly to initiate a discussion and we are open to other ideas
✓ We would welcome your ideas about alternative models as well as on specific questions
✓ We don’t expect you to have detailed views on all of the questions yet, but want to present a number of questions for you to start thinking about, so that we can have more detailed conversations at the next session
Overview

• We have developed some guiding principles informed by the lessons learned from the current contracts and best practice from across government.
• We have considered different paymech options against these principles but want to have your input to help us decide on the most appropriate model.
• This focuses on the contract for core services in England – it doesn’t include any services in Wales.
• If we decide to commission separately any rehabilitation or resettlement services in England (as discussed at a previous market engagement session), this would be done under a distinct contractual model and payment mechanism.
Principles of future payment mechanism

The payment mechanism should:

- Be transparent and understandable
- Reflect actual workload, including any changes
- Pay providers a fair price
- Incentivise providers to find and share efficiencies
- Incentivise good quality, without risking reasonable costs of core delivery
- Be open to different providers and operating models
- Assign risk to the appropriate party
Payment mechanism options

- **Fixed or firm**
  - Fixed / firm cost (with volume bands)
  - Fixed / firm cost + unit costs for interventions

- **Volume-based**
  - Unit costs (volume-based)

- **GMPTC**
  - Guaranteed maximum price with target cost
  - Guaranteed maximum price with target cost (part profit at risk outcomes/quality not met)
### Payment mechanism options

#### Fixed / firm cost (with volume bands)
- Supplier bids fixed/firm price for different sentence management volume bands
  - Provides stable income for given period
  - Doesn’t take variability of intervention volumes into account
  - May not sufficiently reflect varying case complexity and effort
  - Could be under or over-funded if costs incorrectly bid
  - Drives efficiency over quality

#### Unit costs (volume-based)
- Supplier bids unit price for different activities, with different prices at different volume bands
  - Reflects variable volumes
  - Costs may not vary with volumes
  - May not sufficiently reflect varying case complexity and effort
  - Could be under or over-funded if costs incorrectly bid
  - Drives efficiency over quality
Payment mechanism options

**Fixed / firm cost + unit costs for interventions**

- Fixed/firm price selected for some elements of costs, could include sentence management / minimum staffing
- Additional unit prices for variable aspects of interventions (and sentence management?)
  - ✓ Reflects both fixed costs and variable volumes
  - ✗ Could be under or over-funded
  - ✗ May not sufficiently reflect varying case complexity and effort
  - ✗ Drives efficiency over quality
Guaranteed maximum price with target cost (GMPTC)

- Bidders submit a target cost and target price (incl profit) for given volume bands of different activities
- Actual costs paid up to maximum price
- Profit goes up or down inversely to actual costs, with pain- and gainshare
- Requires open-book accounting and cost review/justification
  ✓ Mitigates risk of incorrect cost estimation and under/over-funding
  ✓ Shared goal to achieve efficiency
  ✗ Aggregating target costs for different activities may be impractical or drive wrong behaviours
  ✗ Drives efficiency over quality

GMPTC with some profit at risk or multiplied for outcomes/quality

- As above but with part of profit dependant on achieving quality or outcomes based target.
  ✓ Mitigates risk of incorrect cost estimation and under/over-funding
  ✓ Shared goal to achieve efficiency and quality
This is a worked example with fictional figures for illustrative purposes only.

Target cost (TC) = £100
Target price (TP) = £110
Guaranteed maximum price (GMP) = £120
Sentence starts / caseload volumes

• We would also like your views on what basic element of sentence management volume we should use, for whichever payment mechanism we choose.

• Should payment / target-cost setting be based on sentence starts or caseload?
Sentence starts / caseload volumes

Advantages of using sentence starts

- There is usually more intensive work at the start of a sentence
- Using starts mitigates the potential incentive to keep people on the caseload when they should have been returned to court for early termination for good behaviour

Advantages of using caseload

- Caseload reflects sentence length and whether someone is actually still being actively managed by the CRC
- It should encourage engagement with service users to keep them on the active caseload
- It is the resource allocation method used by the NPS
Q&A

We would welcome your initial views today on the following questions:

• What are your views on these options? What alternatives would you suggest?
• What are your views about caseload or starts?
• How can the paymech encourage innovation and achievement of outcomes/quality?
• How would the paymech affect supply chain providers?
• Are there any barriers to entry that we haven’t thought of?
• What else should we be asking you that we haven’t?
Further detailed questions

We would also welcome reflections on the following more detailed questions. We would be very pleased to receive written submissions following today’s event.

**General questions**
- How can the paymech promote balanced performance across all activities?
- How are mobilisation, transition and transformation best accounted for?
- Would you expect efficiency to be built into the pricing mechanism over future years?
- How is inflation best accounted for?
- How should services to the NPS be treated in the paymech? Would unit costs be the same, or does different risk apply?

**Technical questions**
- How do costs change with volume?
- How long is required to increase/reduce costs and how should this be reflected?
- If using unit prices, should these be banded?
- If using volume bands, should these be defined by suppliers or the Authority?
- Which cost strands should be fixed/firm and which should be unit-based?
- How does the timescale for volume band shifts affect which cost strands are fixed/firm and which are unit based?

**GMPTC questions**
- How should we incentivise both efficiency and outcomes/quality?
- How should we set the maximum price?
- If volume changes, how quickly should target cost change, and what is the mechanism to do this?
- Should some costs be fixed and not subject to target cost? If so, which?
- Does the need for open-book accounting cause any concerns, and if so how can they be addressed?
- How should service credits operate with a GMPTC model?
Next steps

Please let us know your views on any of the questions, or any questions you have, at ProbationCommercialTeam@justice.gov.uk

There is no specific deadline for feedback, but the more you feed back early on, the more we can address at the next session.

The next paymech session will be on Wednesday 12 September.

If necessary, a third session will be held on Thursday 4 October.

Are there any other ways we can get your feedback on the model or on the more detailed questions?

What other information would you need in order to give informed feedback?

Thank you.
Performance framework

Sue Rex

Protecting and advancing the principles of justice
Market engagement – performance framework

Agenda

- Session objectives
- Key Principles
- Principles for new performance framework
- Developing Performance measures – overview and next steps
- Main areas of development
- Strengthening existing measures
- Questions for suppliers
- Next steps
- Appendix – overview and list of current measures
Session objectives

✓ We want to get your views on how to design a performance framework which supports the delivery of the services

✓ We want to hear your views about what will work

✓ We will share our current thinking but this is mostly to initiate a discussion and we are open to other ideas

✓ We would welcome your ideas about alternative approaches as well as on specific questions

✓ We don’t expect you to have detailed views on all of the questions yet, but want to present a number of questions for you to start thinking about, so that we can have more detailed conversations at the next session
Aims of performance framework

• Performance framework to hold suppliers to account on fulfilling the core functions of probation
• Ensure performance measures drive the right behaviours for all parties
• Allocate risks appropriately to the party best able to bear them
• Get the basics right: delivering the sentence of the court and protecting the public
• Focus on the right outcomes, backed up by meaningful incentives, to promote innovation
• And promote quality of services
Principles for new performance framework

These are informed by good practice, the findings of external and internal scrutiny, and experience under existing contracts:

• **Quality**: a focus on quality (and outcomes) rather than processes;

• **Outcomes**: the role of outcome-related activities and outputs;

• **Targets**: transparency in setting targets (service levels), using baselines where possible and taking account of geographical variation if appropriate

• **Financial incentives**: proportionality in setting the level of financial deductions (service credits) to reflect the loss to the Authority of performance failure

• **Oversight**: awareness of the overall oversight demands and avoiding duplication (consistent with the MoU agreed with HMI Probation in March)

• **Alignment**: across the probation and prison systems, reflecting consistent standards between contractual requirements, instructions and other guidance

• **Data**: improved provider awareness and access to the data necessary to track performance, and an ability to use provider data
Developing the Performance Framework

To develop an integrated performance framework, we are:

Developing measures on:

- Acceptable quality delivery
- Outcomes and outcome-related outputs
- Engagement with service users and stakeholders

Strengthening measures in relation to:

- Reoffending
- Unpaid work
- Right interventions to right individuals
- Compliance
Next steps ....

Set Targets:

• Determine which measures will have targets attached;

• Set appropriate target levels and service credits, taking account of performance baselines and a reasonable ramp up period to desired performance levels;

Identify MI and data requirements:

• Review MI required to support service levels and assurance metrics;

• Ensure data available on Authority systems to allow accurate reporting on measures;

• Develop technical description for each the measures.

Consider implications of the new annual inspection programme and how to include inspection ratings in the performance framework
Main areas of development

We are planning to develop the performance framework, and will consider targets, in the following areas.
Developing quality measures

• To support a focus on quality, we are developing three core quality measures drawn directly from the Authority’s audit of case management, covering the following areas:
  • proper enforcement
  • sufficient risk assessment and management
  • sufficient sentence planning and delivery
• The intention is for these to be assessed through providers’ internal quality assurance, with the Authority auditing a sample of cases.
Characteristics of offenders

Those who commit crimes often have **complex, multiple needs** which contribute to their offending behaviour. It makes sense to hold suppliers to account on the work probation services do to help to address these.

*Proportion of offenders supervised in the community with identified criminogenic needs, 30 June 2017*

*These figures exclude women and men without a valid OASys assessment or needs data at this point in time.*
Developing outcome-related measures

• We intend to continue to focus on the key outcomes of probation work in promoting rehabilitation and ultimately reducing reoffending.
• There is a real interest in suppliers being measured on the positive interventions delivered, distance travelled by service users and long-term resettlement outcomes.
• Consistent with that we are looking at how to capture the benefit of rehabilitative and resettlement services, in terms of improved needs and strengthened protective factors.
• How can we best capture outcomes and outcome-related outputs for interventions delivered by probation, e.g. RARs?
Engaging Service users and stakeholders

- We plan to hold suppliers to account on engagement with the following:

  - **Partners/stakeholders** – how providers work with and develop local and regional partnerships with key stakeholders, improve sentencer confidence in community sentences, and work with victims and Unpaid Work beneficiaries

  - **Service Users** – placing people who use a service at the heart of its design and delivery drives continuous improvement, validates service achievements and offers significant development opportunities. We want to achieve a consistently high standard of service user involvement and engagement, building on the current service user survey.

- We are also considering the implications of Lammy recommendation 32 on suppliers’ publishing data on protected characteristics.
Strengthening existing measures
We plan to maintain measures of reoffending, as the ultimate outcome for probation, published as national statistics. But not to apply payments for outcomes/outputs that suppliers do not control.

We are considering whether to measure frequency based on the whole cohort of offenders rather than those individuals who do reoffend.

This would be consistent with the overall goal of reducing the total number of proven reoffences. It would have a clearer relationship with the current binary measure, which is based on the total cohort.

But reoffending would no longer have two distinct success measures: firstly, whether the average rate of offending has fallen; and secondly, whether those people who do reoffend are committing fewer offences.

It could encourage a focus on multiple offending rather than less frequent but more serious offending such as burglary or relatively serious violence. This would be offset by retaining a binary measure adjusted for offender mix using average OGRS scores.
Proposals to strengthen existing measures

- **Appointments**: to ensure service users are engaged, we are considering a performance measure on attendance at appointments, i.e. compliance. This would enable us to compare compliance achieved across providers and over time.

- **Delivery of interventions**: We are looking at how to track positive behaviour, completion of Accredited Programmes by people who are eligible, and delivery of RARs and treatment requirements.

- **Unpaid Work**: we are considering a single measure for getting individuals through induction and onto their first unpaid work session within 4 weeks of allocation.
Questions for suppliers

• How can the Authority and suppliers best work together to assure quality in the delivery of probation services?

• What offending-related needs/protective factors can probation most influence, and how could suppliers demonstrate change in those areas?

• How can the Authority hold suppliers to account on involving service users and acting on their feedback?

• What is the potential impact of basing the frequency measure of reoffending on the entire cohort rather than on those individuals who reoffend?

• What do you see as being the greatest challenges to achieving good performance?
Next steps

Please let us know your views on any of the questions, or any questions you have, at ProbationCommercialTeam@justice.gov.uk

There is no specific deadline for feedback, but the more you feedback early on, the more we can address at the next session.

The next performance session will be on Wednesday 12 September.

If necessary, a third session will be held on Thursday 4 October.

Are there any other ways we can get your feedback on the model or on the more detailed questions?

What other information would you need in order to give informed feedback?
Appendix – existing measures
There are two reoffending measures linked with PbR:

- **Binary** – percentage of offenders that commit at least one re-offence
- **Frequency** – average number of re-offences per re-offender
- **Re-offence**: an offence committed within 12 months of an offender entering the cohort; results in caution/conviction within 18 months
- **Cohort**: All offenders aged 18+ released from custody or start a community order or suspended sentence order within the quarter
- **Offender mix**: the binary measure is adjusted to take account of a cohorts’ risk of reoffending, as measured by OGRS4/G, compared to the baseline year of 2011
- **Updated frequency baseline**: we have adjusted the baseline year so this better reflects the performance of providers since current contracts began
## Current service levels for CRCs from July 2017

<table>
<thead>
<tr>
<th>Metric</th>
<th>Summary Description</th>
<th>Service Level</th>
<th>Improvement Plan Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>SL1 Initial Contact</td>
<td>Face to face appointment (including by video conference) within 5 business days of allocation (Community order CO/Suspended Sentence Order SSO)</td>
<td>97%</td>
<td>92%</td>
</tr>
<tr>
<td>SL2 Initial Contact</td>
<td>Face to face appointment (including by video conference) within 1 business day of release (Licences/Post Sentence Supervision PSS)</td>
<td>97%</td>
<td>92%</td>
</tr>
<tr>
<td>SL3 Sentence Plan</td>
<td>A Plan completed within 15 days of first appointment (CO/SSO)</td>
<td>97%</td>
<td>92%</td>
</tr>
<tr>
<td>SL4 Sentence Plan</td>
<td>A Plan completed within 15 days of first appointment (Licences/PSS)</td>
<td>97%</td>
<td>92%</td>
</tr>
<tr>
<td>SL6 UPW Arranged</td>
<td>Unpaid Work arranged within 7 business days of allocation, or assignment for NPS cases (CO/SSO)</td>
<td>75%</td>
<td>65%</td>
</tr>
<tr>
<td>SL8 Positive Completion</td>
<td>Positive completion (CO/SSO)</td>
<td>75%</td>
<td>65%</td>
</tr>
<tr>
<td>SL10 UPW Delivery</td>
<td>Positive completion of Unpaid Work within 12 months</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>SL11 Programme Delivery</td>
<td>Positive completion of Programme Requirement or Licence Condition for Accredited Programme, including by NPS cases</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>SL13 Resettlement Plan</td>
<td>A Resettlement Plan completed within 5 Business Days (Licences/PSS)</td>
<td>95%</td>
<td>90%</td>
</tr>
<tr>
<td>SL15 Assessment for discharge</td>
<td>Provision of information for decision making on release on Home Detention Curfew or Temporary Licence (Licences/PSS)</td>
<td>97%</td>
<td>95%</td>
</tr>
<tr>
<td>SL16 Breach Referral Quality</td>
<td>Breach Information packs can be used by NPS without the need for additional information (CO/SSO)</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>SL18 Recall Referral</td>
<td>Recall recommendations made within 24 hours of decision to request Recall (Licences/PSS)</td>
<td>95%</td>
<td>90%</td>
</tr>
</tbody>
</table>
## Current assurance measures for CRCs from July 2017

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
<th>Service Level</th>
<th>Improvement Plan Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMA Quality engagement</td>
<td>Annual Service User Surveys demonstrate an Overall Positive Experience</td>
<td>75%</td>
<td>72%</td>
</tr>
<tr>
<td>AMB SFO Reviews</td>
<td>Acceptable SFO Action Plans conducted within 3 months of individual being charged with a SFO</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>AMC Accommodation on release</td>
<td>Settled accommodation on release from custody (Licence/PSS)</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>AMD Quality Accredited Programmes</td>
<td>Accredited Programmes meet required quality assurance to show adherence to accreditation standards</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>AME Timely Breach Referrals</td>
<td>Alleged breaches referred to NPS for Breach Presentation within 8 Business Days of breach</td>
<td>95%</td>
<td>85%</td>
</tr>
<tr>
<td>AMH Recall Risk Management Plans</td>
<td>Recall Part B (Risk Management Plan) documents supplied within 8 Business Days of Standard Recall to custody</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>AMI Record Sentence Completion</td>
<td>Completion of sentence of the court recorded</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>AMJ Licence/PSS compliance</td>
<td>Positive Compliance Outcomes with Licences and Post Sentence Supervision Periods</td>
<td>65%</td>
<td>55%</td>
</tr>
</tbody>
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End of Day Three

Please send any feedback and comments to ProbationCommercialTeam@justice.gov.uk
MoJ is undertaking this market engagement ("ME") alongside the ‘Strengthening Probation, Building Confidence’ public consultation, which was launched on 27 July 2018. Please note the following, MoJ:

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