



Accounting Officer Memorandum

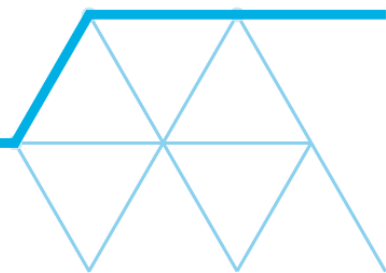
Probation Reform Programme (PRP)

The recommendation from this assessment has been approved by the Permanent Secretary in December 2020.

It is normal practice for accounting officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in *Managing Public Money*. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an accounting officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

Background and context

1. The Probation Reform Programme delivers reforms to the probation system after current contracts with Community Rehabilitation Companies (CRCs) come to an end in June 2021. It seeks to stabilise the service and remedy the issues that resulted from the *Transforming Rehabilitation* reforms (2014/15). In summary, this will see:
 - **The in-housing of all sentence management, including interventions such as Unpaid Work (UPW), Accredited Programmes (AP), and Structured Interventions (SI).** The delivery of services for low- and medium-risk offenders will be moved from CRCs, so that all such sentence management is delivered by the National Probation Service (NPS). Existing CRC staff will be in scope to transfer into the NPS or to Dynamic Framework providers (see below). This transformation of service delivery will be done on a geographical basis that aligns with each of the 12 regional areas established by the NPS for the delivery of sentence management by the public sector; and
 - **The creation of an overarching Dynamic Framework, which will allow specialist rehabilitative and resettlement support to be delivered through smaller, more local contracts.** The flexibility of commissioning through a Dynamic Framework means that we can develop richer service provision and maintain a strong mix of public, private and voluntary sector involvement in the delivery of probation services.



2. Overall, the Probation Reform Programme aims to advance three objectives:
- i. **Protect the public from harm caused by offenders**, where probation plays a key role in assessing the risk of harm to the public posed by offenders, suggesting appropriate sentence requirements and license conditions, and working alongside partner agencies to monitor offenders in the community;
 - ii. **Reduce reoffending and improve life chances for offenders**, where the role of probation includes developing and delivering appropriate rehabilitation interventions, supporting offenders to turn away from crime, and ensuring offenders' awareness of the effects of crime on victims and the public; and
 - iii. **Achieve value for money**, where it is imperative that the Department's investment buys the best probation services possible within the Department's Spending Review settlement.

Assessment against the accounting officer standards

Regularity

Overall, and taking all the above into account, our assessment is that the Accounting Officer test for Regularity is satisfied. There are clear, appropriate and enough legal powers for probation provision. The Final Business Case makes the case for change, and that change complies with current legislation.

Propriety

A policy or proposal is proper if it is in line with the principles of *Managing Public Money*, accords with the standards of public life, and the risks associated with it are acceptable.

The Probation Reform Programme has been, and will continue to be, the subject of extensive governance arrangements to ensure that it satisfies the definition of proper use of public funds.

A monthly Programme Board oversees the design and delivery of the Programme in both England and Wales. It is chaired by the SRO and fully supported by the FRO. The Programme Board also includes representation from across the Programme team and external representation from the IPA and HM Treasury, as well as an independent consultant with extensive experience of major programmes.

The proposal has been considered previously by both HM Treasury and the Cabinet Office, through the Major Projects Review Group.

Finally, it is important to note that the changes due to be delivered through the Probation Reform Programme, and as set out in the FBC, have already been announced and debated in public – most notably in the Lord Chancellor's statement to the House of Commons in June 2020, which was repeated by Lord Keen in the House of Lords.

Given all the above, our assessment is that the Accounting Officer Propriety test is satisfied and that all internal governance and processes to support Standards in Public Life have been adhered to as appropriate.

Value for Money

Overall, our judgement is that there is a compelling case for change, and increased investment, and furthermore that the proposed reforms to the Probation Reform Programme will deliver benefits and efficiencies that deliver against the aims of the probation system while making better use of public funds.

However, there remain some affordability challenges within the programme: it is only affordable if the separate SR funding bids on the impact of 20,000 additional police officers are secured. Pay will be the subject of a separate discussion outside of the SR process

Considering this the Keyholder Review of the Probation Reform Programme rated the Finance position as AMBER. The IPA Gateway Review, while rating the Programme as AMBER overall, also cited the affordability gap, as well as the programme's reliance on the funding for the separate SR bid for the impact of 20,000 additional police officers as key remaining areas of concern.

At every stage we have made HM Treasury aware of these issues, as well as of the separate SR bids that are critical to the delivery of the Probation Reform Programme. We remain confident that HM Treasury understands these dependencies, and in approving £155m for the Programme and £75m for Capital (to be confirmed in the SR settlement) to the case and another £75m for wider Probation issues is a key indicator that HMT support the Programme. In this regard, and subject to these SR bids being funded, we consider the Programme to represent good value for money. However, the outcome of the Spending Review and future SR's remains a key issue to the Programme going forward.

Finally, on Value for Money, the Programme should report back on progress of the take up of the Dynamic Framework to help mitigate any risks around fixed price contracts are managed effectively.

Feasibility

The A proposal is considered to pass the Feasibility test if the government can carry out the proposed policy effectively and credibly.

- there is a well-established and effective Programme team and governance framework to support the successful delivery of reforms, as supported by the independent review of the Infrastructure & Projects Authority; and
- the business case and delivery plan have been subject to detailed and independent oversight, which has helped to refine and improve the robustness of our approach.

However a key risk and uncertainty in considering whether the Programme can be delivered effectively and credibly remains the uncertainty around whether the Programme, as designed, is affordable. Risks exist around the reliance on separate and outstanding Spending Review bids (for example, around the cost impact of an additional 20,000 police officers), as well as on the affordability gap that exists once optimism bias is applied to all programme costs.

Therefore, to ensure your continued confidence in the Feasibility of the Programme you should, as Accounting Officer, ask the Programme for:

- regular updates on the Programme's interactions with HM Treasury regarding the individual SR bids that form a critical part of successful programme delivery, including contingency plans for a scenario in which not all these bids are fully funded; and
- concrete options to reduce Programme costs in-life if optimism bias is fully realised, and programme costs cannot be managed through natural underspends.

Conclusion

I have prepared this summary to set out the key points which informed my decision to approve the AO advice for the PRP business case. If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised summary, setting out my assessment of them.

This summary will be published on the government's website (GOV.UK). Copies will be deposited in the Library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.



Dr Jo Farrar

Second Permanent Secretary and CEO HMPPS

5 July 2022