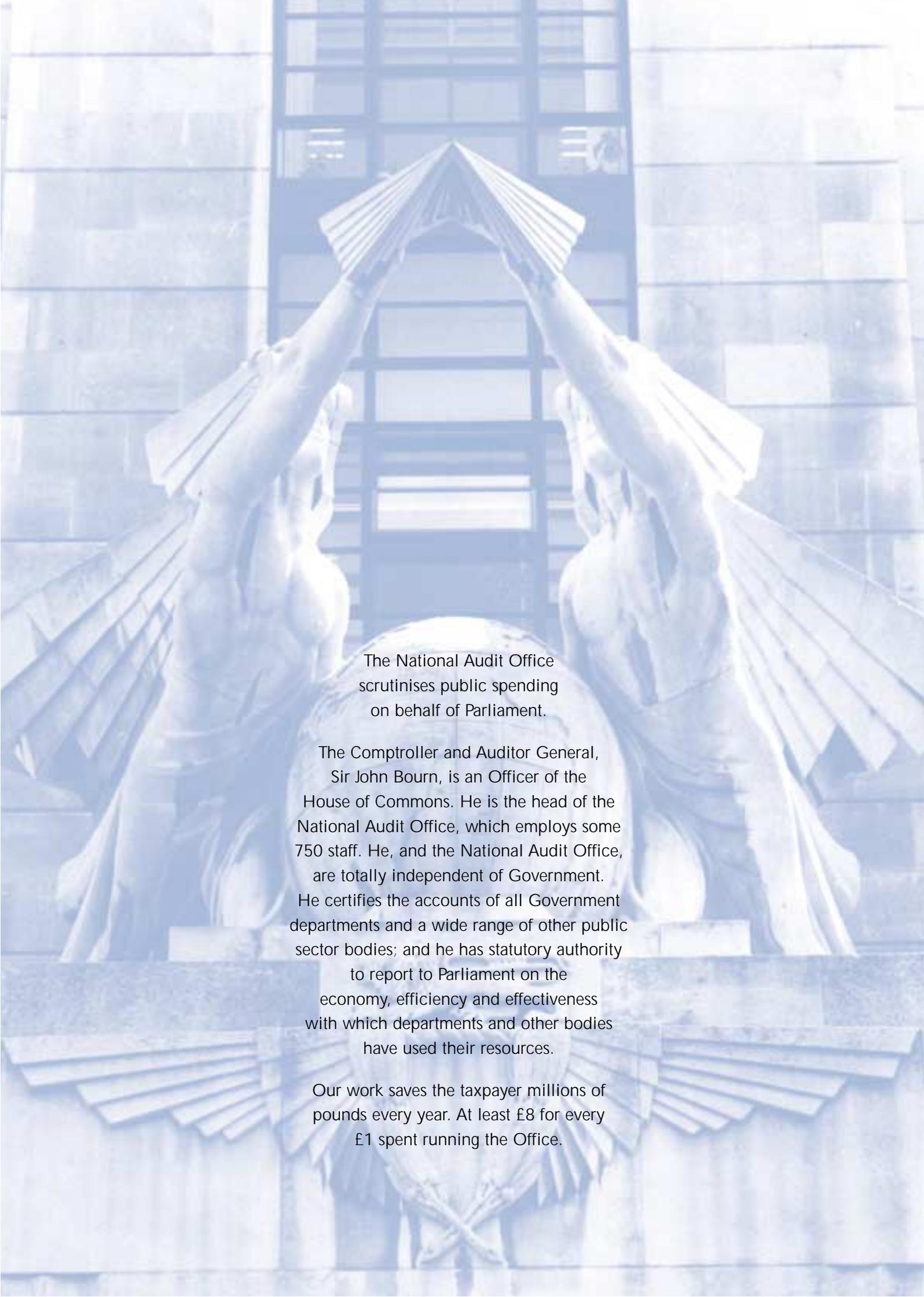


The Operational Performance of PFI Prisons

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 700 Session 2002-2003: 18 June 2003





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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn

Comptroller and Auditor General

National Audit Office

13 June 2003

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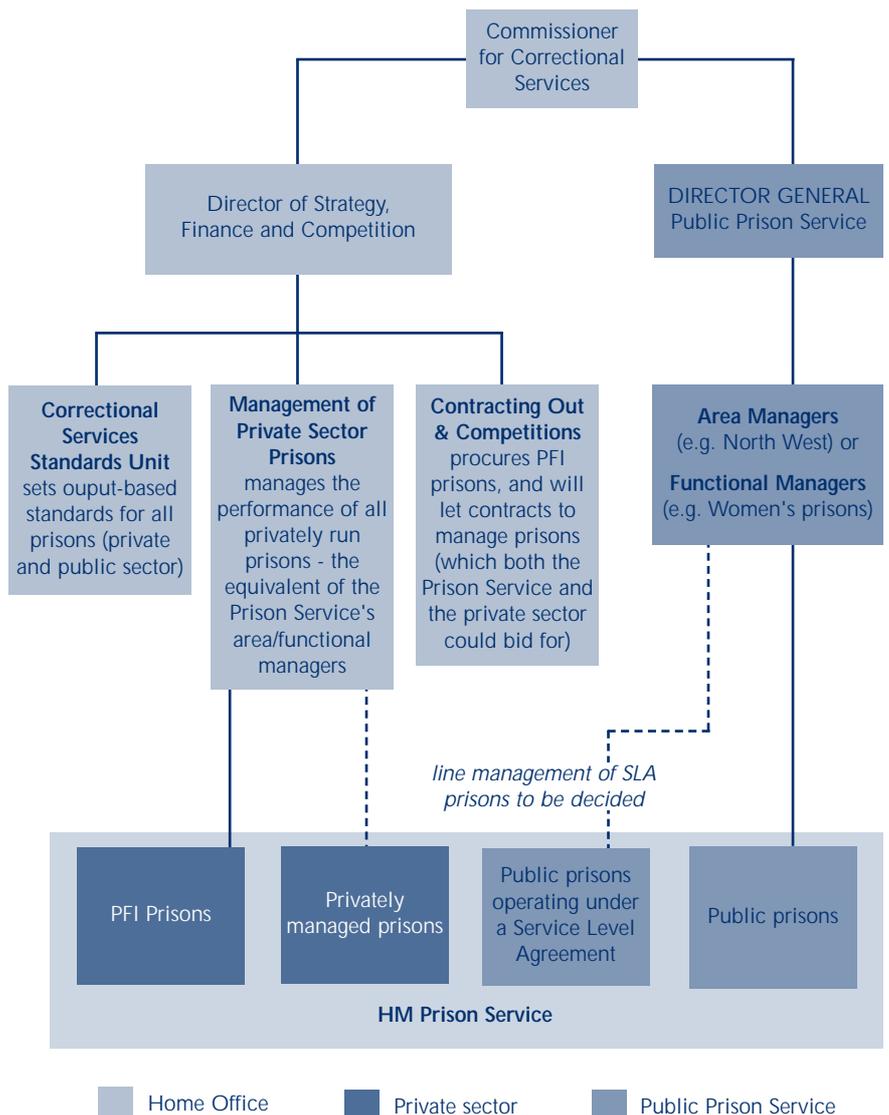
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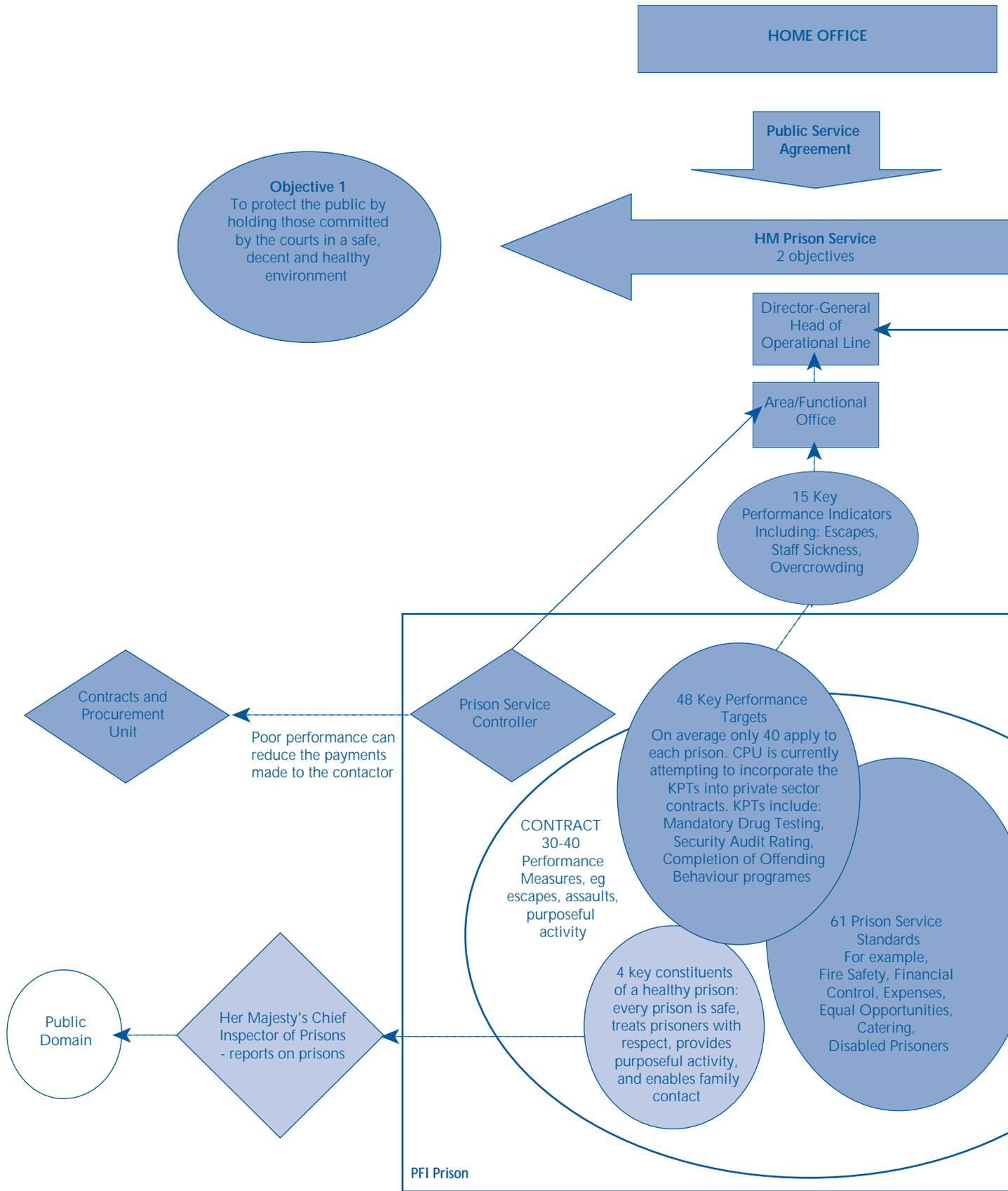


1 The Prison Service, an executive agency of the Home Office, is responsible for holding those remanded or sentenced to custody by the courts in England and Wales (**Figure 1 overleaf**). Custodial services are provided in 137 prisons. The Prison Service became an Agency in 1993, and until recently it contracted out the management of custodial facilities under powers conferred on the Home Secretary by the Criminal Justice Act 1991. In March 2003, this function was transferred to the Commissioner for Correctional Services, a Permanent Secretary in the Home Office (**Figure 2**).

2 **Correctional Services in England and Wales - the new organisational structure (as of March 2003)**

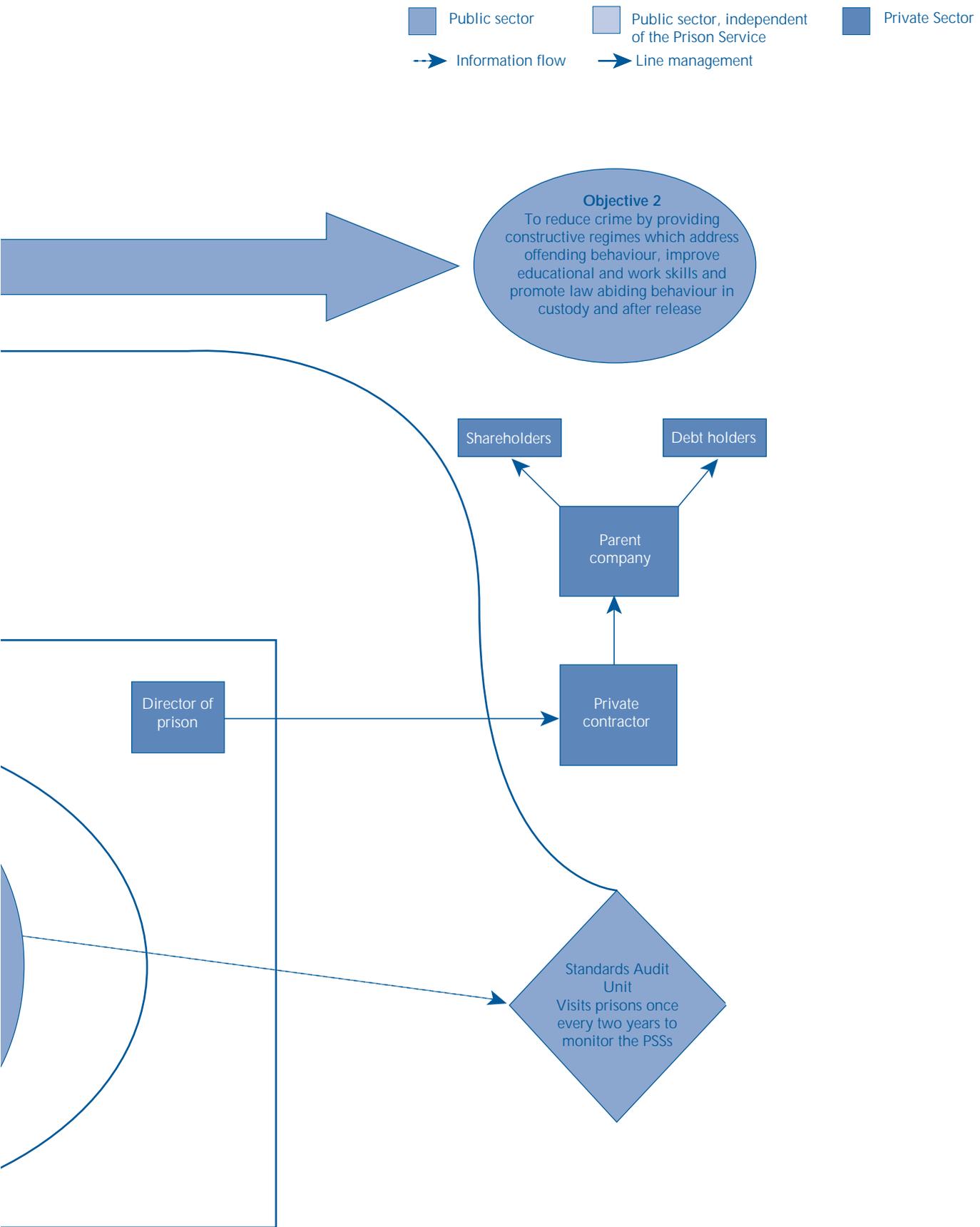


1 Reporting lines and information flows between the Prison Service and PFI prisons



This figure shows the organisational structure as it was during our fieldwork in May - August 2002. The Prison Service and Home Office were re-organised

Source: National Audit Office



in March 2003 - the new structure is shown in Figure 2.

1 Doncaster Marshgate, Doncaster

Contractor: Premier

Date opened: 20 June 1994

Certified Normal Accomodation: 771

Average Population 2001-2002: 1085

Type of Prison: Category A/B local male adult prison and Young Offender Institution.

5 Forest Bank Salford, Greater Manchester

Contractor: UKDS

Date opened: 20 January 2000

Certified Normal Accomodation: 800

Average Population 2001-2002: 840

Type of Prison: Adults and Young Offenders.

2 Blakenhurst Redditch, Worcestershire

Contractor: Service Level Agreement

Date opened: 26 May 1993

Certified Normal Accomodation: 647

Average Population 2001-2002: 820

Type of Prison: Category B local male prison.

6 Manchester Manchester

Contractor: Service Level Agreement

Date opened: 1868 (refurbished 1990)

Certified Normal Accomodation: 950

Average Population 2001-2002: 1120

Type of Prison: Category B local male prison.

3 Wolds Eventhorpe, Brough, East Yorkshire

Contractor: Group 4

Date opened: 6 April 1992

Certified Normal Accomodation: 400

Average Population 2001-2002: 400

Type of Prison: Category C local/training prison.

7 Lowdham Grange Nottingham

Contractor: Premier

Date opened: 16 February 1998

Certified Normal Accomodation: 504

Average Population 2001-2002: 840

Type of Prison: Category B training prison for convicted adult prisoners.

4 Parc Bridgend, South Wales

Contractor: Securicor

Date opened: 17 November 1997

Certified Normal Accomodation: 844

Average Population 2001-2002: 890

Type of Prison: Category B local prison with some Young Offenders.

8 Dovegate Marchington nr Uttoxeter, Staffordshire

Contractor: Premier

Date opened: 9 July 2001

Certified Normal Accomodation: 800

Average Population 2001-2002: *Not operational for the full year*

Type of Prison: Category B training prison with a therapeutic community.

PFI Prisons
 Privately managed Prisons
 Public SLA Prisons



9 Altcourse

Fazakerley,
Merseyside

Contractor: Group 4

Date opened: 1 December 1997

Certified Normal Accomodation: 614

Average Population 2001-2002: 830

Type of Prison: Local male adult prison.

10 Buckley Hall

Rochdale

Contractor: Service Level Agreement

Date opened: 14 December 1994

Certified Normal Accomodation: 350

Average Population 2001-2002: 380

Closed female training prison.

11 Ashfield

Pucklechurch,
near Bristol

Contractor: Premier

Date opened: 1 November 1999

Certified Normal Accomodation: 400

Average Population 2001-2002: 380

Young Offenders and Juveniles

12 Rye Hill

Onley, near Rugby
Warwickshire

Contractor: Group 4

Date opened: 21 January 2001

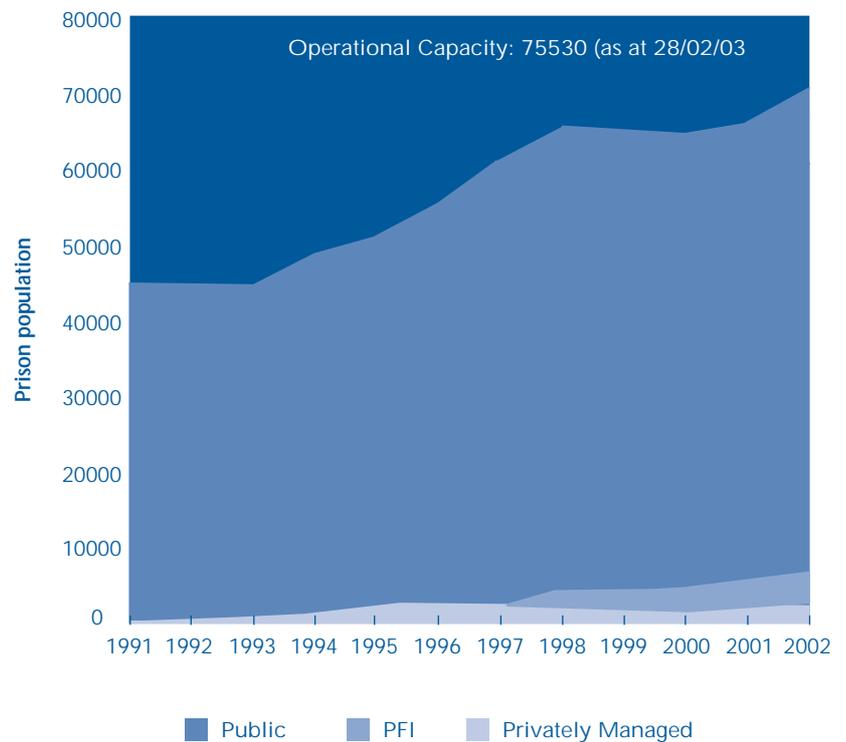
Certified Normal Accomodation: 600

Average Population 2001-2002: 590

Cateryory B training prison for adults.

- 2 Two prisons that were built and financed conventionally by the public sector are run by private companies under management-only contracts. Three other prisons, two of which had previously been operated by the private sector, are now run by local management teams following successful in-house bids. Since 1995, the Prison Service has signed nine Private Finance Initiative (PFI) contracts for new prisons. Of these, two are being built and seven are operational. **Figure 3** shows the prisons built and operated under PFI contracts and those built by the Prison Service but now managed by private contractors or in-house teams under Service Level Agreements (SLAs)¹. The seven operational PFI prisons account for about five per cent of the estate and hold 5,000 prisoners, around 7 per cent of the total prison population (**Figure 4**).

4 Prison population by sector



Source: Her Majesty's Prison Service

- 3 PFI prisons are often put forward as examples of how the PFI can be used successfully to provide all the key elements of a public service. However, the success of in-house management teams in bidding against private sector teams for the operation of prisons has been seen as an example of how performance has improved to the point that the Prison Service can now compete successfully on operating costs.
- 4 There is little available information on how the operational performance of PFI prisons compares with other prisons or whether the use of the PFI has brought wider benefits to the Prison Service. We therefore examined the performance of PFI prisons against their contractual requirements and against a range of comparable prisons run by the Prison Service. We also considered the impact that the PFI has had on the Prison Service generally.

¹ An agreement between the Prison Service and an individual public sector prison, stating the number of prisoners the prison will hold, and specifying the standard of performance expected in return for a fixed budget.

The performance of PFI prisons against contract has been mixed

5 Irrespective of whether a prison is publicly or privately managed, the opening period will be difficult for staff and management. All but one of the PFI prisons have incurred financial deductions for poor performance (Figure 5), although the level of financial deductions in themselves do not provide a full picture of performance in a prison. In most cases, the financial deductions tended to be highest in the first year of operation and generally reduced in the following years. The main exception to this is Ashfield, where the level of financial deductions has increased since the prison opened in 1999. The Prison Service took control of Ashfield for five months in 2002, following concerns about the safety of prisoners there. In October 2002, the Prison Service considered that the improvement in performance at Ashfield was such that control could now be returned to Premier Prison Services (Premier). Following a visit in April 2003, the Prisons and Probation Ombudsman concluded that Ashfield was providing custodial care of a good quality. However, he also noted that it was at half of its operating capacity but with a full complement of staff. The Prison Service has made clear to Premier that the prospect of contract termination remains, if the improvement in performance is not sustained.

5 Financial deductions on PFI prisons

	Year of Opening	Operational Years			
		Year 1	Year 2	Year 3	Year 4
Parc	1997	£750,000	£109,000	£3,500	£0
Altcourse	1997	£195,000	£108,000	£34,000	£0
Lowdham Grange	1998	£83,000	£11,865	£0	
Ashfield	1999	£50,000	£66,000	£200,000	
Forest Bank	2000	£0	£0		
Rye Hill	2001	£0	£65,589		
Dovegate	2001	£423,000			

NOTES

Figures for Ashfield in years 2 and 3 are estimates and have not yet been finalised. The figure for Dovegate is for the first 3 quarters in the performance year; quarter 4 is still being assessed. Operational Years refers to successive 12 month periods during which the contract has been operating.

Source: Her Majesty's Prison Service

- 6 Failure by a contractor will have serious and direct effects on the Prison Service. For example, serious problems at Ashfield resulted in the Prison Service moving the Young Offender population to other establishments and putting its own management team in charge. The contractor will face large financial penalties as a result of the problems at Ashfield but the Prison Service had to take the ultimate responsibility for ensuring that the establishment was safe for the young people held there and for accommodating those who were moved.
- 7 Prisons constructed and managed under PFI contracts, like those built and funded conventionally, may not be sufficiently flexible in design and operation to respond to changing penal priorities. Negotiating changes through a PFI contract or SLA adds a further level of complexity to this process. For example, there is now a greater emphasis on education and rehabilitation rather than employment in prison workshops, which was a priority when the earlier PFI contracts were let. Furthermore, the monitoring of each PFI contract depends partly on the



relationships between the individuals involved. Controllers² have different approaches to their contract management responsibilities which can affect the level of financial deductions levied on a prison. This was especially the case in the early PFI contracts where renegotiations of the performance penalty points took place as a result of the contractors disputing assessments by Controllers.

PFI prisons span the range of prison performance

- 8 Comparing the performance and cost of PFI prisons against publicly-managed prisons is difficult because of the different ways they are funded, the variable proportion of prisoners of different categories, the variations in design, age and function of the prisons, the ways they are measured and the different targets they are set. The difference in capital financing between the PFI prisons and other prisons adds another level of complexity when seeking to compare costs. We analysed a range of performance data and ranked the 21 prisons in our study according to our findings.³ Within our study group of prisons, the best PFI prisons are outperforming most public prisons but the lowest performing PFI prison is among the worst in the prison estate (**Figure 6 overleaf**). Our analysis split the prisons in our study into three groups. Only one PFI prison was in the lowest performing group (prisons with five or more indicators of weaknesses), whereas four PFI prisons were in the highest performing group (two or less such indicators). The two privately-managed prisons, Wolds and Doncaster, were also in the highest performing group. PFI prisons tend to be better than public prisons in areas related to decency and regimes (such as the purposeful activities available to prisoners). They perform less well in other areas, such as safety and security. However, it is unusual for any prison, whether privately or publicly managed, to perform equally well on both counts which suggests there is a difficult balance to be struck between the two areas of work.
- 9 The Prison Service is developing more output-based and comprehensive techniques in order to provide a complete picture of the relative performance of prisons. These techniques will incorporate qualitative judgements concerning safety and decency of individual establishments, which are essential for a complete assessment of prison performance. This work also has important implications for the complex contractual framework in which PFI prisons operate (**Figure 2**).

The private sector has brought benefits to the Prison Service

- 10 The provision of custodial services by the private sector following market testing has introduced an element of direct competition. In response, the Prison Service has recently accepted in-house bids, delivered competitively, to replace private-sector management at two prisons. It has done this, in part, by reducing the price of its bids through more flexible staffing.
- 11 Competition has been important within the prison system for improving both management and conditions for prisoners. The success with PFI prisons at a time when the Private Finance Initiative was faltering in other sectors was critical for sustaining a competitive market for the benefit of the Prison Service. However, as the bids become increasingly competitive, so there appears to be evidence that both private contractors and successful in-house bid teams are struggling to meet required standards of performance. This is apparent in the problems faced by Ashfield, Dovegate and Rye Hill in recruiting and retaining staff to the levels stipulated in their contracts and in concerns regarding staffing levels voiced to us by the staff at Manchester. Prison Custody Officer (PCO)

² Correctional Services employees based in the PFI prison who monitor the contractor's performance.
³ The prisons were chosen on the following basis: the seven operational PFI prisons, the two privately managed prisons, and 12 public sector prisons which between them provided the best comparators to the nine private sector prisons - see Appendix 1 for further details.

6 Ranking of prisons

Sector	Prison	Date opened
Public	Pentonville	1842
Public	Bullingdon	1992
Public	Lewes	1855
Public	Swaleside	1988
Public SLA	Manchester	1869
PFI prison	Ashfield	1999
PFI prison	Dovegate	2001
Public	Chelmsford	1830
Public	Garth	1988
Public	High Down	1992
PFI prison	Rye Hill	2001
PFI prison	Forest Bank	2000
Public	Brinsford	1991
Public	Grendon	1953
PFI prison	Lowdham Grange	1998
PFI prison	Altcourse	1997
Privately managed	The Wolds	1992
Privately managed	Doncaster	1994
PFI prison	Parc	1997
Public	Swansea	1859
Public	Lancaster Farms	1993

Source: National Audit Office



shortfalls can be accommodated by transferring staff from other prisons managed by the contractor, but such strategies can only be viewed as a short-term solution. The Prison Service considers that the competitions at Peterborough and Ashford (Middlesex) in 2002 may have addressed this problem since in terms of cost per place, these appear more expensive than recent bids. However, Ashford will have to compete for staff within the vicinity of Heathrow Airport, and both Peterborough and Ashford will contain female prisoners which usually makes such prisons more expensive⁴.

- 12 The use of the PFI has brought innovation, mainly in the recruitment and deployment of staff and use of new technology; however, there appears little difference in terms of the daily routines of prisons. A key innovation by the private sector has been in promoting a more constructive staff/prisoner relationship. PCOs are encouraged to treat prisoners in a more positive manner, for example through the use of first names and mentoring schemes. The senior management of the Prison Service has been able to use the success of the private sector in nurturing better staff/prisoner relationships to encourage their own staff to adopt a similar approach.
- 13 The prison population in England and Wales has increased by 36 per cent since January 1996 when the Prison Service let the first PFI prison contract. The use of the PFI to build new prisons has helped the Prison Service cope with this increase speedily and cost effectively and has created the necessary conditions for competition in the management of existing public prisons. Although the PFI has brought an increase in capacity, the operational performance of the prisons has been mixed. Furthermore, there has been only limited evidence that the innovation and good practice of PFI prisons is easily applicable to the rest of the Prison Service. However, the Prison Service has successfully integrated private management within its national arrangements for making the best use of available accommodation which has in turn, helped generate a common correction professionalism, irrespective of employer.
- 14 The use of the PFI is neither a guarantee of success nor the cause of inevitable failure. Like other forms of providing public services, there are successes and failures and they cannot be ascribed to a single factor. This report shows therefore what we should expect. A relatively new procurement method such as the PFI is associated with encouraging and disappointing results and that performance will improve over time. But a general verdict that the PFI is either good or bad in the case of prisons, or more generally, cannot be justified.



⁴ Due to factors such as the increased health care provision and the need for more facilities such as Mother and Baby units.

Recommendations

a) Performance measurement needs to be rationalised

We recommend that the Prison Service shares its measurement techniques with other Government departments. Comprehensive measurement systems have increased the transparency of the performance of the prison estate. Senior management at the prisons we visited regularly use Key Performance Targets (KPTs) to assess their own performance in relation to other comparable prisons. This stimulates overall improvement and in particular encourages the prison to focus resources where attention is needed. However, there are a substantial number of performance measurements. For example, each PFI contract sets out 30-40 performance measures. Alongside this there are 48 KPTs and 61 Prison Service Standards⁵ set by the Prison Service for public prisons. Most of these performance measures are also applicable to PFI prisons. Therefore it becomes difficult for the individual prisons to monitor their performance against all these targets simultaneously. It is also difficult for Governors and Area Managers to prioritise between so many targets.

The number of performance measures that feed into the weighted scorecard should be reviewed. The weighted scorecard is a management information tool which uses a weighting of KPTs to measure and monitor comparative prison performance according to function. Although we acknowledge the need by the Prison Service to collect essential data, and we support this, we consider that in the case of the weighted scorecard, there is room to rationalise the amount of data that is used in the calculations. A smaller number of inputs would allow for a more rigorous approach to collecting this data. This is supported by our research which suggests that the number of targets could be reduced without reducing the effectiveness of the overall weighted scorecard performance measurement system. When ranked only against the targets which feed directly into the Prison Service's 15 Key Performance Indicators, the performance ranking of the prisons we examined was almost identical to that using all 48 KPTs (paragraphs 1.4; 2.6; and 2.27).

The quality and collection of performance data needs to be improved in the public sector. Data collected by private prisons are monitored by the contractor and by on-site Correctional Services staff and is generally of high quality. The internal monitoring and validity of data collected by public prisons varied. Some public prisons carried out spot checks but others relied on data provided by wing staff and accepted that this may not always be reliable (paragraphs 2.5-2.7).

b) The management of PFI contracts should be improved

The link between performance and financial deductions needs to be monitored closely. There is no clear link between historical performance and the financial deductions which are actually imposed on contractors. For instance, some financial deductions at Altcourse and Parc which were due under the contract had been reduced by agreement (paragraphs 1.8 and 1.11). This means that the data available to us and the Commissioner for Correctional Services on financial deductions cannot necessarily be used to assess a PFI prison either over time or in comparison to other PFI prisons (paragraphs 1.9; 1.21 and 1.22).

Greater flexibility should be introduced into earlier PFI contracts. The balance between containment and rehabilitation in prisons has changed over the last 25 years and it is reasonable to expect that priorities will change over the

⁵ The Standards Audit Unit (which is part of Prison Service Headquarters) visits prisons to ensure they are complying with the 61 Prison Service Standards, but can only assesses a prison against a third of the Standards on each visit.

25 years of current PFI contracts. For instance, new performance indicators have been introduced in recent years to help reduce re-offending but most of the early PFI contracts have not been amended to reflect this (paragraphs 1.28-1.30).

The system of performance measurement needs to be sharpened. The most recent PFI contracts now contain performance measures based on many of the KPTs which apply to public prisons. Penalty points will accrue if a contractor fails to meet a certain percentage of the target and the number of points will increase as the percentage by which the target is missed increases. The Commissioner for Correctional Services is seeking to introduce this system into existing PFI contracts (paragraphs 1.32-1.34).

The role of Controllers should be enhanced. The role of the Controller is crucial, as they ensure that contractors are performing satisfactorily. However, although the monitoring of PFI contracts is working well, the approach taken is not always consistent. Furthermore, Controllers need to have sufficient experience to adjudicate on prisoner discipline cases (which is also part of their role) along with the skills to understand and monitor a complex contractual relationship. But staff in Controllers' teams felt that the job was not one which is widely respected and might count against them as their careers progress (paragraphs 1.23-1.27).

c) The decency agenda should be developed further in public prisons

The private companies involved in PFI consider that a major private sector innovation has been in the attitude of staff towards prisoners. Our prisoner survey supported this assertion by finding that prisoners held in PFI prisons felt that they were shown greater respect and were treated better than prisoners in public prisons. The Institute of Criminology (Cambridge University) has undertaken pioneering work in this area and is collaborating with the Prison Service on measuring this aspect of the quality of life in prisons. We view this as a positive development which will help the Prison Service take the decency agenda forward (paragraph 2.18).

d) Good practice initiatives in the day-to-day operation of prisons should be shared to a greater extent

The experience gained from the PFI has helped in the successful development of Service Level Agreements. For example, Manchester prison runs an incentive fund which will be distributed to staff in the form of a bonus once any deductions have been made for under-performance. As wages account for the majority of running costs, the private sector has focused on the more efficient use of staff. Shift patterns in PFI prisons allow receptions to open later and visiting times to be more flexible. Other innovations include CCTV, clear lines of sight and design features such as a control room at the centre of a spine system of wings. Although it would be difficult to incorporate such innovations into older public sector prisons, we believe that there is scope to learn from the private sector (paragraphs 3.12-3.20).

The newly-appointed Commissioner for Correctional Services needs to ensure that the PFI programme is managed to ensure that consistently high quality services are provided while innovation and good practice are shared more effectively, irrespective of management, between all prisons in England and Wales.



Part 1

The operational performance of PFI prisons against contract has been mixed

This part of the report summarises the main elements of the PFI contracts, explains how PFI prisons are paid for and how financial deductions are made for poor performance. The level of contractual financial deductions varies between each of the PFI prisons and in most cases has reduced over time. However, performance against contract does not provide the full picture of the service provided by contractors in individual prisons.

PFI prisons face financial deductions if they cannot make places available or they perform poorly in other areas

1.1 The operation of PFI prisons by the private sector is governed by contracts with the Commissioner for Correctional Services (whose office forms part of the Home Office). Each contract runs for 25 years and sets out the level of service which contractors should provide, the payment system, and the mechanisms by which the Commissioner can make financial deductions for poor performance. The contracts set out detailed operational requirements, usually under seven broad headings (Figure 7). Although the operational requirements are detailed, some allow the contractor flexibility. For example, although contracts stipulate the number of staff who should be on each wing of the prison, these numbers are usually indicative and the contractor is required to provide sufficient staff to provide a safe and secure prison. This reflects the essence of the PFI approach which is based on achieving outcomes, or outputs, rather than stipulating inputs.

Availability is a key factor in the payment mechanism

1.2 The Commissioner for Correctional Services pays a monthly performance-related service charge in respect of both the capital expenditure and the budgeted running costs of delivering the contracted service - the unitary charge. The unitary charge budget and adjustment mechanism (e.g. for inflation) are fixed at contract signature. Furthermore, contractors are paid an additional amount for each place provided in excess of the fixed number of places. A prisoner place is available provided the prison meets certain standard requirements, whether or not the Prison Service allocates a prisoner to it. These include access to healthcare, the opportunity for exercise, and the availability of clean bedding, clothes and three meals a day. If these standard requirements are

7 Typical Operational Requirements of a PFI contract

1. **Keeping prisoners in custody** - for example, the number and type of searches to be carried out;
2. **Maintaining order, control, discipline and a safe environment** - for example, the provision of a system of incentives and earned privileges for prisoners;
3. **Providing decent conditions and meeting prisoners' needs** - for example, safeguarding prisoners' personal property;
4. **Providing positive regimes** - for example, the provision of education and counselling services;
5. **Preparing prisoners for their return to the community** - for example, pre-release courses;
6. **Delivering prison services** - for example, selection and recruitment policies for prison staff and provision of probation and health care staff;
7. **Community relations** - for example, facilitating access to the prison for invited members of the community.

Source: National Audit Office analysis of the PFI Contracts

not available, the number of available prisoner places will be reduced and thus the amount paid to the contractor will be reduced accordingly.

Deductions can also be made if performance falls short in other areas

- 1.3 Broadly there are three other sets of circumstances under which the Prison Service may make deductions from the unitary payment:
- unauthorised overcrowding of cells, (for example, holding two prisoners in a cell designed for one);
 - fixed deductions for specific incidents, such as an escape; or
 - where the contractor has exceeded a contractually-agreed threshold of penalty points for poor performance in providing facilities management and other support services.

Financial deductions vary between the PFI contracts. For example, under the contract for Lowdham Grange, an escape incident, regardless of the number of prisoners who escape, will result in a fine of £50,000 (0.4 per cent of the annual payment) as compared to a fine of £60,000 (0.5 per cent of the annual payment) under the Rye Hill contract. Under the first two PFI contracts, Altcourse and Parc, escapes, other than Category A escapes, are not dealt with as separate incidents but form part of the performance point system.

- 1.4 Each contract sets out 30-40 performance measures and the number of points which each incident will attract. The more serious an incident, the higher the number of points. For example, an incident involving a Class A drug such as heroin may result in the loss of ten performance points. An incident involving a non-Class A drug such as cannabis may result in one performance point. A selection of contractual performance measures is set out in **Figure 8**.
- 1.5 At the end of a set period, usually either a year or a quarter, the accrued number of performance points is compared to a contractual baseline total. The inclusion of a baseline in the contract recognises that for a complex and demanding contract of this kind, total compliance would require a much greater level of resources than would normally be needed to meet contractual obligations. Where the number of performance points is greater than the baseline total, the contract sets out by how much the unitary payment should be reduced. The baseline total is determined by the fixed number of available prisoner places but varies according to the amount of overcrowding. The individual performance measures, the baseline totals and the equivalent cost of each performance point in excess of the baseline vary between each PFI contract. If all places are available but performance in other areas is poor, the maximum amount that can be deducted is capped at 5 per cent of the payment due in each quarter⁶.

8 A Selection of PFI Contractual Performance Measures

Performance measure	Performance Penalty Points per incident
Failure of security procedures	5
Key/lock compromise	50
Items smuggled in	20
Assaults against prisoners or staff member	20
Incident of roof climbing	5
Failure to ensure prisoners see health care staff on arrival	1
Failure to comply with cleaning schedule	2.5
Delivering programme hours of < 95% of contract standard	5
Delivering programme hours of < 75% of contract standard	10
Delivering programme hours of < 50% of contract standard	25

Source: National Audit Office analysis of the PFI contracts

Most PFI prisons have had problems when they first opened but, with a significant exception, performance has improved

- 1.6 Most of the seven PFI prisons, like other prisons, experienced problems when they first opened, but with one main exception, they have now settled and are performing reasonably well. This section summarises the performance of each PFI prison against its contract. We examined each contractor's performance during 2002 (calendar year)⁷ using information provided by the Prison Service on financial deductions and reports written by the Controller. From this, we produced a table (**Figure 9**) detailing the financial deductions and escape fines for each PFI prison during this period. This figure shows that the penalty points for four of the prisons were below their contractual thresholds and of the other three, one amounted to less than 1 per cent of the unitary payment. Moreover, two of these three prisons were in their second year of operation.

⁶ This was a feature of many of the early PFI deals and reflected the fact that the only security for debt repayment to lenders is the stream of service payments made to the contractor. Such a cap limits uncertainty about the degree of variation in this income in order that third party debt can be obtained competitively to finance the service, but does not include deductions for non-availability or fines outside the penalty points system for escapes. Should there be a persistently inadequate level of service then the contractor would be in default and at risk of losing its invested equity should the contract be terminated.

⁷ With the exception of Rye Hill which has the new performance measurement system which contains a mixture of annual and quarterly performance measures.

9 Penalty Performance Deductions (Jan - Dec 2002)

	Penalty Performance Points acquired Jan-Dec 02	Adjusted Baseline ¹	Cost per point	Performance Deductions	Deductions as % of annual payment	Escapes Fines
Ashfield	6362	2848	£94	£331,121	3.0	£0
Dovegate	3573	1784	£227	£406,392	1.5	£0
Altcourse	3964	6849	£293	£0	0	£0
Parc	6157	6443	£141	£0	0	£0
Lowdham Grange	301	620	£105	£0	0	£0
Forest Bank	4178	8052	£170	£0	0	£0
Rye Hill	2	2	2	£5,589 ³	0.04 ³	£60,000

NOTES

- 1 The contractual baseline is adjusted to take into account overcrowding and assaults in comparator prisons.
- 2 Rye Hill has a different contractual framework for calculating performance deductions based on quarterly and annual penalty performance deductions, each priced differently.
- 3 Therefore these figures refer to the most recent contractual year rather than January-December 2002.

Source: Her Majesty's Prison Service

The first three PFI prisons are now performing well

HMP Parc

1.7 The Prison Service told us that there had been significant problems when Parc first opened but the prison was now performing better against contract. In the first few months of operation as an adult local prison, there were control problems culminating in a major disturbance in February 1998, which was attended by Prison Service staff from other prisons in the area. From March 1998 the prison also started to take Young Offenders from Feltham who had been held in overcrowded and inferior accommodation. Securicor told us that Young Offenders were sent to Parc because the Prison Service was not able to fill the available prisoner places for which it was paying. This brought extra pressure to bear on a relatively inexperienced staff, particularly as a result of tensions between black Young Offenders from the London area and the predominantly white prison population from the local area that had not been anticipated either by the Prison Service or the contractor. During this period the prison experienced problems in ensuring adequate staff cover which had to be eased by the contractor temporarily bringing in additional staff employed in its London court escort contract. At about the same time, Securicor decided that a fresh management approach was needed and appointed a new director and deputy director. The prison continued to experience relatively high numbers of assaults and there was another disturbance following a suicide in May 1998.

1.8 The Prison Service made a financial deduction of £750,000 (about 3 per cent of the annual payment) at the end of the first year of operation. This was a negotiated settlement to take into account early problems with contract monitoring⁸. The level of financial deductions fell in the second and third years and there have been no escapes since the prison opened. In his second report on Parc in 2000, Her Majesty's Chief Inspector of Prisons (HMCIP) noted the problems that occurred when the prison opened and attributed these, in part, to the introduction of new technology and specifically an electronic locking system which slowed movement around the prison. HMCIP went on to note that, since opening, Parc had 'matured and progressed'⁹.

1.9 During 2002, Parc accrued 6,157 performance penalty points against a baseline threshold of 6,443 points (Figure 9). The single largest source of these performance points was a failure to provide the required number of hours of positive regimes such as vocational training. Parc also accrued penalty points for assaults, positive drug tests and incidents of self-harm resulting in medical treatment. This performance and the operation of the baseline needs to be understood in terms of similar measures in other prisons. For example, over the period 1998/99 to 2001/02, in terms of the first three of these measures, Parc has performed reasonably in terms of the targets set for all prisons, including those with more easily-managed populations, such as open and Category C prisons.

⁸ The negotiation of financial deductions is discussed in paragraphs 1.22 and 1.27.
⁹ HMCIP, Short unannounced inspection of HMP & YOI Parc, 5-7 September 2000, para. 2.21.

HMP Altcourse

- 1.10 The Prison Service told us that Altcourse had generally performed well since opening and that there had been no major incidents or escapes. In 1999, HMCIP noted that the prison had been exceptional in that it had opened with few problems and the Inspectorate described Altcourse as 'the best local prison that we have inspected'¹⁰.
- 1.11 The Prison Service made financial deductions of £195,000, £108,000 and £34,000 in the first three performance years at Altcourse. The deductions in the first two years were lower than the amount specified by the contract to take into account early problems with contract monitoring. There have been no further deductions for performance in years four and five. During 2002, Altcourse accrued 3,964 performance penalty points against a baseline threshold of 6,849 points (Figure 9). These were mainly for assaults.

HMP Lowdham Grange

- 1.12 The Prison Service had concerns over the levels of concerted indiscipline when the prison first opened in 1998. In particular, there were incidents in April and August 1998 when prisoners refused to return to their cells. The Prison Service deducted £83,000 from the annual payment at the end of its first performance year (0.6 per cent of the total annual payment). A financial deduction of £11,865 accrued in the second year was waived in return for a commitment from the contractor to provide Offending Behaviour Programmes (OBPs)¹¹.
- 1.13 There was also an escape in June 2001 while a prisoner was being escorted outside the prison. This resulted in a fine of £28,000. This consisted of the £25,000 fine stipulated by the contract and £3,000 to reflect inflation. During 2002, Lowdham Grange accrued 301 performance penalty points against a baseline threshold of 620 points (Figure 9). These were for assaults, positive drug tests and failure of security procedures.

Of the two PFI prisons opened in 1999 and 2000, one is performing well but the other is performing badly

HMP Forest Bank

- 1.14 During 2002 Forest Bank accrued 4,178 performance penalty points against a baseline threshold of 8,052 points (Figure 9). Approximately two-thirds of these were for assaults and items smuggled into the prison. Since it opened, Forest Bank has incurred a relatively low level of performance penalty points compared to the baseline and is the only PFI prison for which the contractor has not incurred any financial deductions since opening. There have been no escapes or major incidents. It received a 'good' security audit from the Prison Service Standards Audit Unit in February 2001, which is relatively rare for a new prison, and, after its first inspection in June 2002, HMCIP described Forest Bank as a 'very good local prison'¹².

HMP& YOI Ashfield

- 1.15 At the time of our fieldwork, the Prison Service had just taken control of Ashfield from the contractor, Premier Prison Services. In May 2002, the Director General put in a team led by a public sector Governor. This decision followed a period of nine months during which the Prison Service expressed increasing concerns to Premier regarding the conditions at Ashfield¹³. The Prison Service returned the prison to Premier in October 2002. More detailed information concerning the background to these events can be found in Appendix 2.
- 1.16 During 2002 Ashfield accrued 6,362 performance penalty points against a baseline threshold of 2,848 points. Against contract this translates into a financial deduction of £331,121¹⁴ (3 per cent of the annual payment) (Figure 9). The performance points were mainly for assaults and failures to maintain agreed staffing levels.

¹⁰ HMCIP, *Announced full inspection HMP Altcourse, November 1999*, p 7.

¹¹ *Courses which seek to change a prisoner's erratic or aggressive thinking behaviour and therefore reduce their risk of re-offending.*

¹² HMCIP, *Announced inspection HMP Forest Bank, 17-21 June 2002*, p 3.

¹³ *During this period, seven letters were sent to Premier noting concerns over such matters as high staff turnover, staffing levels and the levels of adjudications. There were also two formal contractual notices issued to Premier by the Central Procurement Unit (CPU) regarding a failure to meet contracted hours out of cell and insufficient staff to meet Tornado commitments (officers trained to deal with riot situations). See paragraph 3.12 for an explanation of the CPU's role.*

¹⁴ *The financial deduction figures given are exclusive of VAT.*

The two PFI prisons which opened most recently have incurred financial penalties

HMP Rye Hill

1.17 During its most recent contractual year (2001/02) Rye Hill accrued 1,060 performance penalty points, which against contract translates into a financial deduction of £5,589 (0.04 per cent of the annual payment) (Figure 9). These were mainly for failure to implement recommendations made by the Standards Audit Unit¹⁵. Furthermore, Group 4 were fined £60,000 for two escapes during an incident in March 2002.

HMP Dovegate

1.18 During 2002 Dovegate accrued 3,573 performance penalty points, which against contract translates into a financial deduction of £406,392 (1.5 per cent of the annual payment) (Figure 9). These were mainly for assaults, security breaches and positive drug tests.

1.19 The performances of Rye Hill and Dovegate should be viewed in the context that they have been operational for only a relatively short period of time. In 2001 the Board of Visitors report at Rye Hill said, 'the early months were not easy, but the prison is settling down'.

There are three main reasons why performance against contract does not provide a complete picture of how a PFI prison is performing

The contracts negotiated for each PFI prison differ

1.20 As there are differences in the size and category of the PFI prisons, no two penalty performance systems are the same. For example, Ashfield and Rye Hill have low quarterly baseline totals compared to Forest Bank and Altcourse. When a prison incurs more points than the baseline, the Commissioner for Correctional Services begins to make financial deductions from the annual payment. Therefore, when trying to compare the performance of PFI prisons, it is necessary to compare the percentage deduction of the annual payment rather than the number of performance penalty points. Different levels of fines exist for escapes from similar types of establishment.

There are grey areas in how performance is defined

1.21 The level of performance penalty points, and therefore the amount of any financial deduction, is affected by the procedures for monitoring the contracts. Some of the performance measures are relatively straightforward, for example, a positive adjudication following an assault. However, other measures are more ambiguous and allow for a degree of discretion on the part of those responsible for monitoring the contract. For example, most PFI prisons have a performance measure on the number of self-harm incidents which result in an injury to the prisoner. An individual prisoner with a long history of persistent self-harm can have a dramatic effect on performance against that measure even if the prison is taking all possible precautions to control the number of incidents. In such cases, it is important that the contractor and the Controller work together to interpret the contract in a reasonable manner.

The level of financial deductions is not an accurate indicator of performance

1.22 The Prison Service could not provide a clear audit trail between historical performance, in terms of fixed fines for specific incidents or performance points against baseline, and the actual financial deductions. The earlier financial deductions at Altcourse and Parc were reduced following negotiations between the Prison Service and the contractors. These negotiations were not solely concerned with the prisons' operational performance. They also took account of problems with inflexible contract monitoring. The Prison Service also told us that financial deductions in the second performance year at Lowdham Grange were offset in return for other services provided by the contractor. The Prison Service does not monitor trends in performance points over time and consequently there is no easily-accessible historical record of past performance points and the incidents which led to them. However, the Prison Service has recently tightened these procedures.

Controllers have varying views of their role

1.23 The performance of each PFI prison is monitored by an on-site Controller. Controllers are Governor-grade employees and lead a small team of support staff which usually includes a deputy and administrative support. The Controller has two main functions: to adjudicate disciplinary charges brought against prisoners, and to monitor the performance of the contractor against the contract. Up until March 2003 Controllers, who are recruited from the operational part of the Prison Service,

15 A Prison Service team which visits every two years to assess whether a prison is complying with Prison Service Standards (instructions from Head Office).

were line-managed by the Area Manager. PFI prisons were also part of the Prison Service's area management structure and Directors of PFI prisons reported to the Prison Service operational line through an Area Manager. In most cases the Area Manager was responsible for a number of prisons in a geographical area. The relationship between Controllers, Area Managers and senior staff in PFI prisons was therefore important to ensure consistent monitoring of performance against contract and to support the efficient operation of the prison (Figure 1). Since March 2003, Controllers and the PFI prisons at which they are based have reported directly to the Home Office's Commissioner for Correctional Services.

1.24 The role of the Controller is critical to the effective monitoring of PFI contracts. They need to have sufficient operational experience to adjudicate on prisoner discipline cases, and the skills to understand and monitor the complex contractual relationship between private contractors and the Commissioner for Correctional Services. Their relationship with the senior managers in a contracted-out prison is of fundamental importance.

1.25 Our interviews with Controllers revealed differences in approach to their contract management responsibilities and sometimes different views of their role. To some extent this may be explained by the performance of the particular prison. For example, a well-established PFI prison which has been running well for some time and has good systems in place may need a different approach from a new prison which is having problems at the beginning of the contract. The attitudes of the contractor will also be a determinant of the approach taken by the Controller. We were told that the relationship between Controllers and senior staff in PFI prisons depends to a large extent on the personalities of those involved and, inevitably, some relationships were more constructive than others.

1.26 As a result of being based in an establishment operated by a private contractor, Controllers are relatively isolated from their Prison Service colleagues. Staff in Controllers' teams felt that the job was not one which is widely respected in the Prison Service and were worried this would count against them as their career progresses.

1.27 The Commissioner for Correctional Services recognises the importance of the role of Controllers and the dangers of them either getting too close to the contractor or, conversely, applying the contract too stringently. The Central Procurement Unit (CPU) considered this latter case to be true of the early contracts and as a result, reduced the size of the financial deductions for Altcourse and Parc in the first year of their operation. The Commissioner also acknowledges that a pedantic approach by Controllers to contract monitoring could create an adversarial relationship between the prison Director and the Controller. Such a relationship would make it difficult for them to work together and consequently would not be in the best interests of the Commissioner for Correctional Services, the contractor or the prison. Alternatively, regulatory capture may occur if the Controller over-identifies with the institution to such an extent that they begin to favour the contractor. This appeared to us to be a significant risk given that the Controller and his small team are the only public-sector representatives in a private sector prison. The Commissioner for Correctional Services proposes to reduce the threat of regulatory capture by introducing new arrangements whereby all Controllers work under an Assistant Director of Contracted Prisons. The idea is to harmonise contract management across this sector through exercises designed to standardise the approach of Controllers to identifying and acting upon practice inconsistent with the contract.

Amending PFI contracts to reflect changing priorities is difficult

1.28 Developing a performance measurement system which reflects the containment and rehabilitation roles of prisons is very difficult. It is relatively straightforward to have a contractual requirement which penalises contractors for failing to prevent prisoners from escaping. It is less clear how a contract can measure the extent to which a prison has contributed to reducing the likelihood of re-offending. As we noted in a previous study, there are little data available on the success of individual prisons in reducing re-offending¹⁶.

1.29 The balance between the emphasis on containment and rehabilitation in prisons, and the activities which have been promoted to facilitate rehabilitation, have changed on a number of occasions over the last 25 years. These changes have resulted from political direction, academic research and, to some extent, prison population pressures. It is reasonable to expect that Correctional Services' priorities will change over the 25 years of current PFI contracts and in certain areas there have already been changes since the first contracts were signed.

Most PFI contracts were negotiated when the emphasis was on work but the emphasis is now on education and resettlement

1.30 The Prison Service has introduced a number of new Key Performance Indicators (KPIs) which are designed to reduce the risk of re-offending. These include three KPIs on education; a KPI to deliver 7,100 accredited offending behaviour programmes (OBPs) in 2002/03 and a KPI on the number of prisoners getting jobs on release. Individual public prisons have Key Performance Targets (KPTs) for these indicators.

1.31 By contrast, most existing PFI contracts do not include performance measures on basic skills, OBPs or resettlement. This is reflected in the performance of PFI prisons on these measures. For example, in 2001/02, PFI prisons delivered only 1.5 per cent of the Prison Service's OBPs but held 6 per cent of the prisoner population. Previous governments have emphasised the importance of work in the rehabilitation of prisoners and as a result the three PFI contracts negotiated under the last government have high targets for employment. This was also reflected in the design of some prisons. Lowdham Grange has extensive workshops and a performance measure to provide 35 hours of work a week, for each prisoner.

The Commissioner for Correctional Services is changing contracts to incorporate KPTs

1.32 PFI contracts awarded recently to UKDS to operate new prisons at Ashford and Peterborough contain performance measures that are based on many of the KPTs which apply to public prisons. Penalty points will accrue if the contractor fails to meet a certain percentage of the target and the number of points will increase as the percentage by which the target is missed increases. This new system of performance measurement has also been introduced into the contracts for the two privately-managed prisons, Doncaster and The Wolds. The Commissioner for Correctional Services proposes to introduce this system into existing PFI contracts and is in discussions with the private contractors about how this will affect their risk profile and any resulting cost implications. Most PFI prisons are shadowing the new system to assess its effects. Rye Hill is committed to operating the new system from April 2003 and negotiations are continuing with the other six PFI prisons.

1.33 PFI contractors expressed reservations about the proposed system. In particular, they are concerned that there are a large number of KPTs and that some are based on inputs rather than outputs. They therefore concentrate on procedures rather than measuring results, such as an *actual* reduction in re-offending rates. Contractors felt that the proposed system was over-prescriptive as prisons already have to comply with high numbers of Orders, (long-term instructions issued by the Prison Service) and meet Prison Service Standards. These requirements reduce any scope for innovation and increase the levels of bureaucracy required to support compliance.

1.34 Progress to date has been slow in introducing new targets into PFI contracts to reflect changing priorities. Up until March 2003, Area Managers set KPTs in liaison with PFI prison Directors. The CPU negotiated with contractors over the performance measure which will apply to that particular target, for example, the number of penalty points for failing to meet a certain percentage of the target. The CPU and the contractors were therefore involved in annual negotiations that could prove difficult, particularly when prisons were not performing well, leading to delays in agreeing performance measures. The potential financial penalties for failure to meet targets are an important part of the risk profile and any changes will therefore have implications for the price. However, the new contracts recently awarded by the Prison Service are based on this performance measurement system and this suggests that such an approach is viable. Furthermore, the new performance measurement system would enable PFI prisons to be compared to public prisons more easily. Such a comparison is currently very difficult but is essential for assessing the relative performance of PFI prisons.



Part 2

PFI prisons span the range of public prison performance

This part of the report assesses the relative performance of the seven PFI prisons against 12 public sector prisons and the two privately-managed prisons. Such a comparison is complicated by the different ways private and publicly-managed prisons are measured but there are some common qualitative and quantitative indicators which we supplemented with our own research. Although the results need to be considered in the context of the structural differences between the two sectors, they demonstrate that the performance of PFI prisons spans the whole range of public prison performance.

There are differences in the way PFI and public prison performance is measured and monitored

2.1 In terms of quantitative measures, PFI and privately-managed prisons are monitored against a range of contractual performance measures whereas public prisons are assessed on performance against a range of KPTs. Although there are features common to the two systems there is currently a lack of consistent data, both in terms of quality and in what it measures. It is not therefore possible to make a meaningful comparison of PFI and public prisons by simply comparing performance against KPTs even where those figures are available. This will become easier if the Commissioner for Correctional Services renegotiates the performance measurement systems in PFI contracts.

PFI prisons do not provide all the information for measurement against KPTs though there have been moves towards standardisation

2.2 Some of the individual performance measures applied to PFI prisons are directly comparable to Prison Service KPTs. For example, PFI prisons receive penalty points for each proven assault and public prisons have an almost identical KPT. Similarly, PFI prisons have a contractual requirement to ensure that certain prisoners are unlocked from their cells for a number of hours each day. This is also a Prison Service KPT.

2.3 There are a number of other areas where the details of the measures are slightly different or where different measures are used to assess performance against the same standard. For example, PFI prisons generally have a performance measure which penalises the contractor for each incident of self-harm by a prisoner. There is no equivalent KPT but public prisons do have a target to achieve at least an 'acceptable' rating from the Standards Audit Unit for its self-harm procedures. Even where contractual measures are the same as KPTs,

performance against those measures does not always appear in Prison Service KPT data. This is because they are measured under different systems, designed to monitor performance against contract rather than to provide information for Prison Service KPTs.

2.4 The Prison Service is developing a quarterly system of ranking prisons, known as the weighted scorecard. It scores an individual prison's performance against its targets, its previous performance and the performance of other prisons in the same category. Individual targets are then weighted according to the type of prison. For example, escapes are weighted more heavily in a maximum security prison than in an open prison. It is a system designed to compare performance between prisons but it can equally be used as a management tool for monitoring change. PFI prisons are not ranked accurately in the weighted scorecard because the data they submit to the Prison Service is not as comprehensive as that submitted by public sector prisons. Not all KPTs apply to private prisons. For example, each public prison has a KPT on staff sickness rates; in private prisons this is primarily an issue for the contractor rather than the Prison Service. However, the Prison Service has been able to draw on private sector practice in its own initiatives to reduce the high sickness absence rate.

The data collected from PFI prisons is more reliable than that collected from public prisons

2.5 Data collected by private prisons are usually monitored internally by a compliance monitor employed by the contractor, and also by the on-site Prison Service staff led by the Controller. Contractors also benefit from more up-to-date IT systems which assist in the collection and analysis of data. We found the data collected from private prisons to be of a generally high quality. There were effective systems put in place to check the validity of the information collected by both the contractors' teams and the Controllers.

- 2.6 We also examined the data collected by public prisons on their performance against KPTs. There were 48 KPTs in 2002/03, though on average, only 40 of these will apply to an individual prison. In public prisons, the internal monitoring of data varied considerably as did the validity of the data. Some prisons carried out spot checks on data such as the amount of purposeful activity being recorded; others relied on the data being provided by wing staff and accepted that this may not always be reliable.
- 2.7 One option to improve the quality of KPT data from public prisons would be to put the equivalent of a Controller's team in each public prison to audit the information provided. This approach is already used in those public prisons which are implementing an in-house bid following market testing and operate under a Service Level Agreement (SLA) with the Prison Service¹⁷. The Prison Service considers that it would cost approximately £5 million a year to apply this approach to the other public prisons and did not feel that this would be cost-effective. It is therefore developing self-audit systems in each prison. It also hopes to improve the ease with which data is transferred, both between prisons and from individual prisons to its head office, with a new information system which is part of the planned Quantum IT project.

PFI prisons are set different targets from public prisons

- 2.8 Although a number of measures are common to both PFI and public prisons, target levels differ between the two sectors. In some cases, this difference reflects the areas where the private sector has been required by the contract to perform better than the public sector. For example, the average purposeful activity target for local prisons operating in the public sector is 20.6 hours per prisoner per week. The equivalent figure for PFI and privately-managed local prisons is 29.5 hours. Similarly, the contracts for private prisons stipulate relatively high levels of time-out-of-cell for prisoners compared to the equivalent targets in public prisons. With the exception of Grendon which operates a therapeutic community unique in the publicly-run prisons, all the public prisons we examined had lower time-out-of-cell targets than PFI prisons.

With one exception, PFI prisons perform well relative to comparable public prisons

- 2.9 There are a number of factors which suggest that a simple comparison of PFI prisons with public prisons would not be comparing like for like. These include the different funding mechanisms, design and construction issues, and the problems of assessing relative costs (Appendix 3).
- 2.10 The methodology we adopted in analysing the large amount of data collected on the 21 prisons in our study is described in more detail in Appendix 4. We analysed pre-existing quantitative data in the form of performance against four Prison Service KPIs, qualitative data from Her Majesty's Chief Inspector of Prisons, Prison Service Area Managers' reports, and reports by the independent Boards of Visitors and our own surveys of prisoners and prison staff. We then collated this information in the form of a traffic-light structure which assesses the performance of individual prisons against this range of indicators and ranks them according to the number of red indicators. **Figure 10** presents a summary of the traffic light ranking. Our traffic-light structure is similar to the approach used by the Prison Service when selecting prisons for performance testing.
- 2.11 This analysis may not provide a complete picture of prison performance but it does highlight those prisons which would appear to be giving cause for concern as well as those which perform consistently well against a range of indicators. It shows that PFI prisons are generally performing well, with one exception.

The best PFI prisons are better than comparable public prisons across a range of indicators

- 2.12 Those prisons which had two or less red indicators were classified as green and thus are performing relatively well compared to the other prisons in the study. Four PFI prisons came into this category (Parc, Altcourse, Lowdham Grange and Forest Bank). Parc was one of only three prisons which did not score any red indicators; the others were Swansea and Lancaster Farms. Altcourse was one of three prisons which scored only one red indicator; the other two were the two privately-managed prisons, Wolds and Doncaster. Of the six prisons with either one or less red indicators, four are managed by private sector contractors and five were built in the last ten years. Thus, six of the nine privately-managed prisons fell within the green category.

10 Traffic Light Ranking of Prisons

Prison	Escapes/ Absconds 01/02	Standards Rating	Security Rating	Qualitative Data	Assaults as % of population	MDTs+ve	Purposeful Activity	Staff Survey - safety	Staff Survey - non-safety	Prisoner Survey - safety	Prisoner Survey - non-safety	Number of red indicators
Public												6
Public										*	*	6
Public												6
Public												6
Public SLA												5
PFI prison												5
PFI prison												4
Public												4
Public												3
Public												3
PFI prison												3
PFI prison												2
Public												2
Public												2
PFI prison												2
PFI prison												2
Privately managed												1
Privately managed												1
PFI prison												0
Public												0
Public										*	*	0

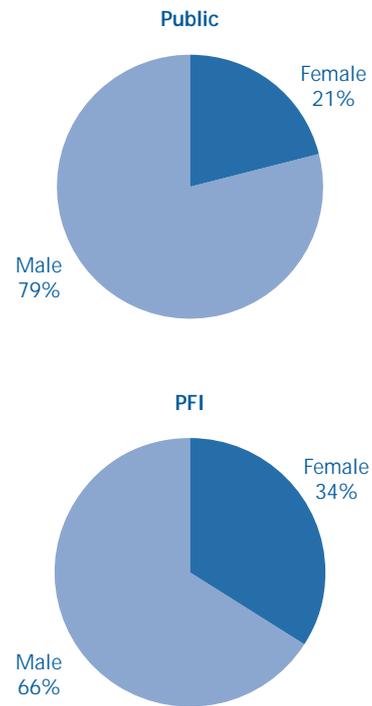
* Two prisons did not have a prisoner survey undertaken, Bullingdon and Lancaster Farms, although given their performance in other categories, this would not have affected their overall position in our Traffic Light Matrix.

Source: National Audit Office

The worst PFI prison is worse than comparable public prisons across a range of indicators

- 2.13 Those prisons that scored more than four red indicators were classified as red overall and were performing poorly. This group includes one PFI prison, Ashfield. It is the only prison within our study which received an unacceptable security rating from the Standards Audit Unit and it also scored red on other indicators relating to safety and security, the level of assaults and the degree to which staff felt safe. All the qualitative assessments of conditions at Ashfield, such as those of Her Majesty's Chief Inspector of Prisons, Youth Justice Board and the Area Manager, were extremely critical.
- 2.14 The other five prisons in this category are all public prisons and include Manchester which operates a SLA with the Prison Service following a successful in-house bid against the private sector. Her Majesty's Chief Inspector of Prisons highlighted a recent reduction in staffing levels in her 2002 report¹⁸ which may have affected responses to our survey. It is not possible to say whether this is a reaction to the recent changes which may reduce over time or may be a more long-term problem.
- 2.15 The traffic light analysis is not a definitive ranking of prisons. First, it includes only 21 of the 137 prisons in England and Wales. Second, it does not weight any of the indicators and it does not take into account any of the special circumstances which may affect individual prisons. Third, the data is time sensitive and a number of prisons have been able to make significant progress in a relatively short period of time, usually following a change of Governor. However, it does summarise a wide range of data and, as such, provides a useful summary of how the prisons in our study performed. It also, together with other parts of our study, highlights particular areas where there is a difference in the performance of PFI and public prisons.

11 The sex of staff in public prisons compared with PFI prisons



Source: National Audit Office

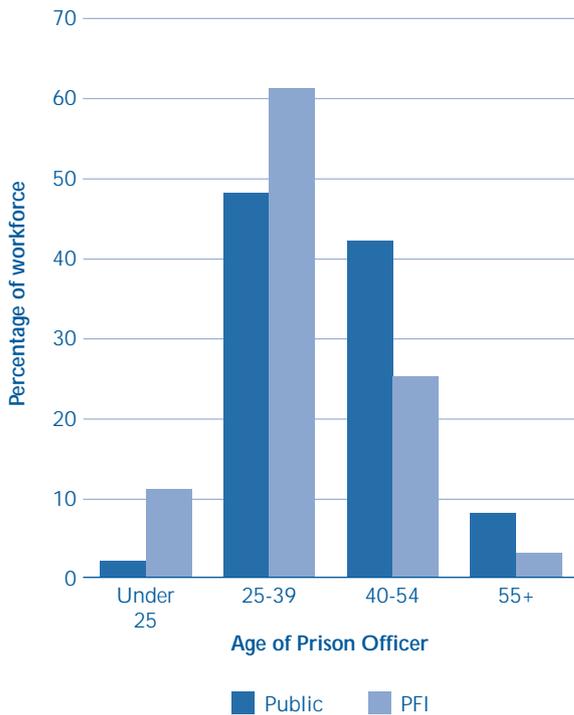
There are systemic performance differences between PFI and public prisons

- 2.16 From the prisons examined in our study, PFI prisons on the whole perform better than public prisons in areas related to the Prison Service's decency agenda, such as respect shown to prisoners. However, they generally perform less well in areas such as safety and security. It appears to be difficult for any prison¹⁹, whether private or public, to perform well in both of these areas which suggests there is a difficult balance to be struck between the two.

¹⁸ HMCIP, Full announced inspection HMP Manchester, 11-21 November 2001.

¹⁹ However, Parc (a PFI prison) Lancaster Farms and Swansea (public prisons) perform well in both areas - in our traffic light analysis they did not have a red indicator for any of the following: assaults, escapes, drug testing, security audit, purposeful activity, qualitative data, staff survey or prisoner survey (which looked at decency issues).

12 Age Profiles in PFI and public sector prisons

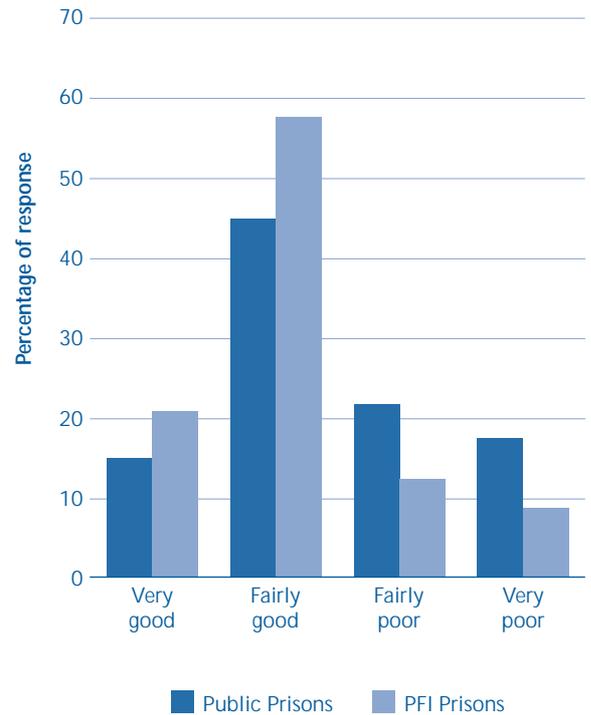


Source: National Audit Office

2.17 We found fundamental differences between the private and public sector in the deployment of staff and in the make up of staff teams in terms of experience, sex and age. Prison Custody Officers (PCOs) in PFI prisons tend to have little or no prior experience of working in prisons and have generally been in their post for much less time than their equivalents in the public sector. There are more women in PCO positions and the staff tends to be younger (Figures 11 and 12). Contractors argued that the development of new staff teams helps to create a positive culture towards prisoners. They also considered that their staff could be used more flexibly, allowing more efficient ways of working. Senior managers in the Prison Service told us that the relative inexperience of staff in PFI prisons had the potential to contribute to security problems if staff were not managed closely.

2.18 We commissioned MORI to carry out a survey of randomly selected prisoners from the prisons in our study, including all the PFI prisons. Our analysis of the results showed that for certain questions there was a statistically significant difference between the responses of prisoners in PFI prisons and those held in public prisons. For example, prisoners held in PFI prisons felt

13 Prisoners' views on the respect shown towards them by staff



NOTE

Figures calculated as a % of Survey size: Public 1073 PFI 761

Analysis: Significantly different, tested at the 5% level, using the two-sample Wilcoxon rank sum test.

Source: National Audit Office

that they are shown greater respect and are treated better than prisoners in public prisons (Figure 13). These findings are broadly supported by research by the Institute of Criminology (Cambridge University), which has attempted to measure the quality of prison life in individual prisons.²⁰

2.19 Other evidence also suggests that PFI prisons do not perform as well on safety. For example, there are relatively high levels of assaults in PFI prisons. Five of the seven PFI prisons had assault rates in the upper quartile for their category of prison in 2001/02 (Figure 14)²¹. In our qualitative interviews, prisoners also expressed concerns about safety issues related to the relative inexperience of staff in private prisons. They included fears about the conditioning of staff by prisoners and the ability of staff in private prisons to challenge prisoners' behaviour. However, escape data are broadly comparable between PFI and public prisons (Figure 15).

20 See, for example, "Measuring the quality of prison life" (2002) Findings No. 174, Home Office.

21 Comparing assaults figures between the public and the private sector can be problematic given that it is generally agreed that prison contractors are subject to a more stringent measurement regime.

14 Assaults as a % of prison population compared against the upper quartile for that prison's function

PFI Prison	assaults % of population	Upper quartile assaults (function)
Ashfield	74.1%	70.3%
Dovegate	4.5%*	4.2%
Rye Hill	4.9%	4.2%
Forest Bank	11.9%	11.2%
Lowdham Grange	1.0%	4.2%
Altcourse	13.2%	11.2%
Parc	9.0%	11.2%

Red indicates that the Prison falls into the worse performing quartile for assaults when compared with prisons of the same function. This is the methodology applied for awarding a red indicator in our traffic light matrix.

* Dovegate did not open until July 2001 and so this figure is based on July01-Mar02 data

Source: Her Majesty's Prison Service

15 Escapes from PFI and Public Prisons

Year	PFI prisons		
	Escapes	Average Population	Rate per 1000
1997-98	0	360	0.00
1998-99	1	1919	0.52
1999-00	1	2261	0.44
2000-01	0	3212	0.00
2001-02	4	4418	0.91

Year	Public prisons (excluding open)*		
	Escapes	Average Population	Rate per 1000
1997-98	32	55681	0.57
1998-99	34	56954	0.60
1999-00	37	56613	0.65
2000-01	19	55853	0.34
2001-02	20	58161	0.34

* Excludes PFI and privately managed prisons

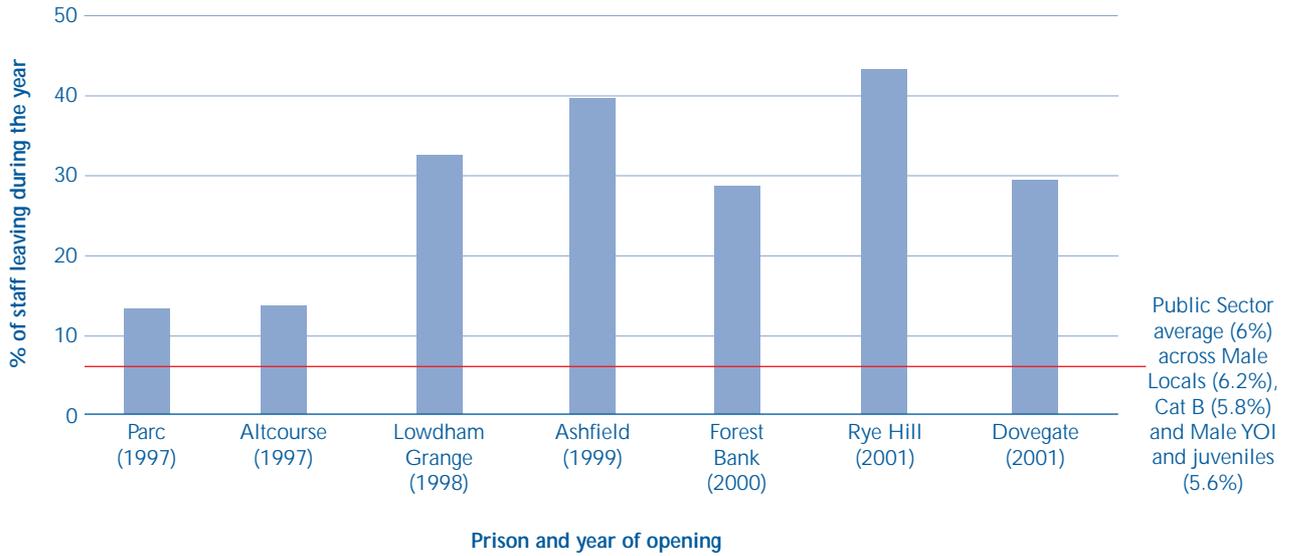
Source: Her Majesty's Prison Service

2.20 There is a very high turnover of staff in most private prisons and in each case turnover was higher than the public sector (Figure 16). Turnover is particularly high in private prisons that have opened recently, reflecting the fact that many new recruits have no previous experience of prisons. In those PFI prisons where we have figures for earlier years, turnover seems to decrease over time. However, PCOs are paid lower salaries than their equivalents in the public sector (see Figure 17) and this is likely to be a factor in the high levels of turnover, particularly in areas of relatively low unemployment.

2.21 A 2002 report by MCG Consulting Group for the Prison Service Pay Review Body examined the pay and employment packages offered within privately-managed prisons. This found that the average basic pay of PCOs in the private sector was £14,500 compared with an average salary of £18,500 for public sector prison officers. Figure 17 compares pay and conditions for prison officers and PCOs.

2.22 There are generally fewer staff per prisoner in PFI and privately-managed prisons than in public prisons. Some private sector Directors and Prison Service Governors we interviewed felt that staffing levels had been set too low in recent bids (Figure 18 overleaf). The issue of safe staffing levels is complicated however, by the difference between staffing levels in bids and indicative levels in contracts, and the actual number of staff in post. For example, Ashfield was understaffed over long periods due to recruitment and retention problems and could not maintain the indicative staffing levels in the contract. This suggests that the problem is not necessarily the numbers of staff which bidders feel are necessary to run prisons but the ability to recruit to this level. Recruitment and retention problems were greater in areas of low unemployment. Ashfield had more trouble recruiting and retaining staff than Lowdham Grange, even though both are run by the same company.

16 Annual Staff Turnover (01-02)



Source: HM Prison Service and Private contractors: Securicor Custodial Services, Group 4 Falck, Premier Prison Services Ltd and UK Detention Services

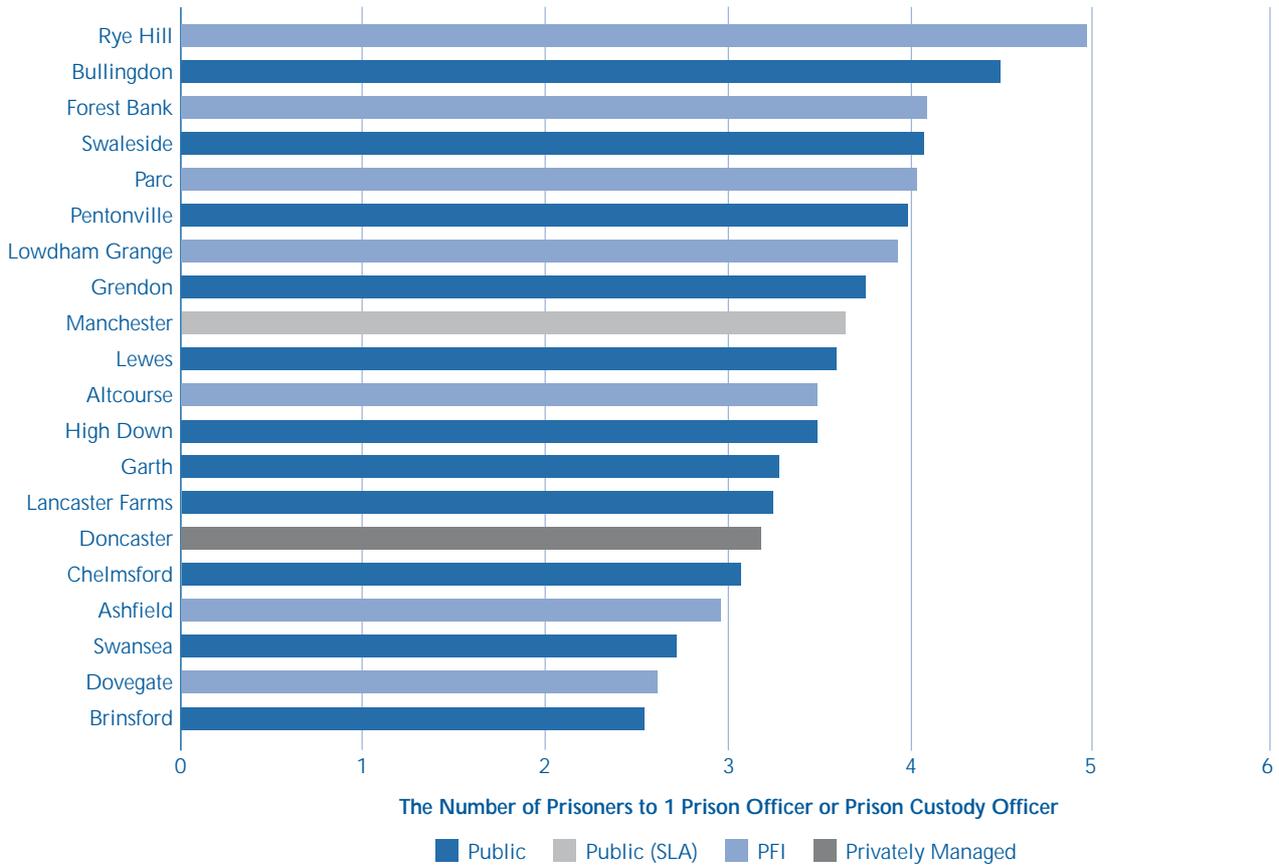
17 Comparison of pay and conditions for Prison Officers and Prison Custody Officers (2001-02)

	Prison Officer	Prison Custody Officer
average basic pay £ p.a.	£18,550	£14,500
pay range	£16,159-£23,110	£11,500-£17,500
average weekly contracted hours	39	40-42
overtime pay	Time off in lieu, or up to 9 hrs a week for 13 wks at £11/hr	None, flat rate or 1.5x
pension	Final salary scheme ¹ - employer contribution rate equivalent to 18.5%	Money purchase scheme. Employer contribution between 2-5%
annual leave (days)	22-30	20-27

1 Public sector prison officers may join the Principal Civil Service Pension Scheme. The employer contribution rate is based on Government Actuary figures in the 2000-01 resource accounts for the scheme.

Source: "The Employment Framework in Privately Managed Prisons", MCG consulting for the Prison Service Pay Review Body, September 2001

18 Prisoner to Staff Ratios



This data was not available for Wolds (a privately managed prison)

Source: Her Majesty's Prison Service and Private Contractors

Current measurement systems do not yet provide a complete picture of prison performance

2.23 The management teams of individual prisons, whether privately or publicly managed, are required to balance potentially competing priorities. The Prison Service's two key objectives are to hold prisoners in a safe, decent and healthy environment and to reduce crime by providing constructive regimes. There can be tensions between these objectives of security and rehabilitation. For example, rehabilitation involves ensuring that prisoners are engaged in purposeful activity (such as education or employment). However moving prisoners around the prison to such activities can increase the risk of assaults, drug dealing or escapes. Prisons are complex entities which suggests that any system which attempts to evaluate total performance needs to be sophisticated. Simply increasing the number of quantifiable measures does not necessarily aid in differentiating between the performance of different prisons. However, the Prison Service has recently developed two systematic approaches (a traffic light rating system and the weighted scorecard) which are potentially effective tools for analysing relative performance.

Assessing the performance of prisons using purely quantitative measures will usually be unreliable

2.24 The weighted scorecard is a management tool which uses a weighting of key performance results in order to allow one prison's performance to be compared to another, regardless of differences in establishments such as the category of prisoner being held. However, the Prison Service told us that its results are not yet sufficiently robust for the ranking of prisons to be published. There is scope for simplifying the scorecard and, once comparable data are available from the private sector, it could be developed into a useful tool to compare performance against KPTs.

2.25 However, performance against quantitative targets does not provide a complete picture of the standards in a particular prison. Senior managers in the Prison Service examine the weighted scorecard in the context of a wide range of other indicators, some of which rely on qualitative judgements. Also, in December 2001, the Prisons' Minister announced a programme of performance testing starting with two under-performing prisons: Leicester and Reading. In selecting the two

19 Rationalising the KPTs used in the Weighted Scorecard

This Table shows the ranking of the 12 Public prisons in our study according to the Prison Service use of up to 48 KPTs. According to a rationalised approach using the 18 KPTs which are most related to the KPIs, it shows that there is little change to the rank positions of the prisons when the KPTs are reduced.

	Current Prison Service Method		Rationalised approach		Rank Difference
	Use of up to 48 KPTs	Rank	Using 18 KPTs	Rank	
Brinsford	155.3	1	147.5	1	0
Swansea	113.2	2	109.9	2	0
Swaleside	88.0	3	52.2	3	0
Garth	80.4	4	20.6	4	0
Manchester	32.4	5	10.1	7	-2
Pentonville	-2.3	6	12.4	5	1
High Down	-2.6	7	-2.5	8	-1
Bullington	-17.5	8	10.7	6	2
Lancaster Farms	-18.5	9	-18.0	10	-1
Chelmsford	-39.4	10	-16.5	9	1
Lewes	-189.4	11	-198.0	11	0
Grendon	-318.0	12	-336.6	12	0

Source: National Audit Office

prisons for this process, the Prison Service examined quantitative data, such as performance against KPTs, and incorporated qualitative judgements from key figures such as the Area Manager, Her Majesty's Chief Inspector of Prisons and the Board of Visitors²². This enabled the quantitative data to be examined in the context of all the relevant factors while ensuring the process was carried out in a systematic way.

- 2.26 Qualitative judgements are an important indicator of the work being carried out in an individual prison and should form part of any overall assessment. For example, Her Majesty's Chief Inspector of Prisons makes an independent assessment of, among other things, the extent to which the most vulnerable prisoners feel safe. Similarly, the Prison Service has in recent years emphasised its decency agenda which seeks to ensure that prisoners are treated humanely and with respect. As yet, the Prison Service has no means of quantifying this. However, it has commissioned research from the Institute of Criminology (Cambridge University), which is developing a methodology for measuring and comparing the quality of life in individual prisons.²³

The large number of performance measures does not always lead to an increased understanding of individual prison performance

- 2.27 The number of KPTs has increased in recent years. We ranked the prisons according to their performance against those KPTs which directly feed into the Prison Service's KPIs. The ranking was almost identical to that which was produced by using all KPTs (Figure 19). This suggests that there is scope to focus on a smaller number of KPTs and check them regularly to ensure that the data is valid. Although the KPTs which are not linked to Prison Service KPIs may provide information which is useful to Prison Service senior management, the process of comparing prisons would be simplified by focusing on a smaller number of targets and may make it easier to incorporate PFI prisons into that comparison.

22 The Board of Visitors is now known as the Independent Monitoring Board.

23 See Liebling & Arnold (forthcoming) *Prisons and their Moral Performance*.



Part 3

The private sector has brought benefits to the Prison Service

This part of the report shows that the use of the PFI has helped sustain an alternative group of prison providers. These providers have generated an alternative market which, through market testing, has reduced costs and acted as an incentive to improve prison performance. However, there is evidence that recent bids from both sectors may have been negotiated at a price that was so tightly scoped as to hinder the performance of the prison. Furthermore, although the Prison Service has benefited by gaining experience of contract management, the exchange of innovation and good practice between the two sectors appears to be limited.

The Prison Service has benefited through competition with the private sector

- 3.1 Since 1992, the Prison Service has created conditions in which the public sector can compete directly with the private sector for the management of prisons. Competition involving bids from the public sector for the management of prisons first occurred with Buckley Hall and Manchester in 1992/94. Buckley Hall was a public-sector-built prison and Manchester had just undergone a major refurbishment. In 1994, Buckley Hall opened under the management of Group 4 and Manchester, which had been won by the in-house team, was set to operate under a SLA for five years.²⁴ Three other prisons were contracted out to the private sector during this period: Wolds, Doncaster, and Blakenhurst.
- 3.2 In 1999 the Prison Service held open competitions for Doncaster and Buckley Hall when their existing five year contracts came up for renewal. Since then, Wolds, Manchester and Blakenhurst have also been subject to re-competition following the expiry of their contracts and SLA. In all cases, the public sector put forward an in-house bid. This form of open competition is known as market testing. In 2000, the market testing of public prisons was extended to include those prisons which were identified as under-performing. In July 2000, Brixton was the first failing public prison to undergo a market test.

Market testing has improved prison performance and encouraged reform

- 3.3 Market testing has improved the competitiveness of the Prison Service. For example, in 1999 the in-house team beat the incumbent, Group 4, to win the contract to manage Buckley Hall. Two years later, UKDS lost Blakenhurst to the in-house bid.²⁵ In the case of Blakenhurst, the winning public sector bid was 10 per cent lower than the cost of the bid submitted by

UKDS. It was also ranked first in terms of the quality of its operational proposal. When the right to manage Manchester under a SLA was re-competed in 2001, the existing in-house team won the competition against UKDS, Premier, Securicor and Group 4.

- 3.4 An important feature of the public sector bids has been the active participation of the Prison Officer's Association (POA) in the bidding process. For example, the 2001 Manchester in-house bid saw the POA agree to a significant reduction in staffing levels. Prior to the bid there were 934 staff in place although when we visited in July 2002, we were informed that this number had been reduced to 710. It would be difficult to see such a bid being successful without the adoption of flexible staffing structures.

There can be problems with the market testing system

- 3.5 The market testing process has not always gone smoothly. The private sector did not bid for Brixton with Group 4 reporting that they saw limited opportunities to make an impact with the existing public sector staff. An Area Manager commented to us that Brixton was now improving under a new Governor but he thought that the market test had distracted the Prison Service from addressing the prison's underlying problems, meaning that its rate of improvement was slower than it should have been.
- 3.6 Although market testing has brought downward pressure on costs, there are concerns that bids may have been too low for the winning bidder to meet their contractual obligations. In particular, the compliance team²⁶ at Manchester felt the recent SLA had been costed too tightly. They considered that a rigorous monitoring of the contract would lead to the equivalent of financial deductions and a failure to meet KPTs. Her Majesty's Chief Inspector of Prisons has also expressed concerns regarding the staffing numbers at Manchester.

²⁴ The SLA was renegotiated twice, in 1995 and 1996.

²⁵ Premier and Securicor also submitted bids.

²⁶ The team who monitor a prison's performance against its contract.

3.7 Market testing has now been replaced by performance testing whereby poorly performing prisons are publicly identified and given six months in which to improve their performance and identify an action plan for the future. They are then operated under a SLA if the Commissioner for Correctional Services accepts the proposals in the action plan. A failure to improve means the prison faces closure or being contracted out to the private sector.

PFI prisons provided an alternative market for custodial services and benchmarks for comparison with public prisons

3.8 To maintain a competitive market, it is in the interests of the Commissioner for Correctional Services that the private sector remains committed to prison provision. PFI contracts, which are awarded after a competitive tendering process, provide a long-term incentive to the private sector in the form of a steady stream of income over their lifespan, usually 25 years. A privately-managed prison is operated under a contract for a fixed 10-year period.²⁷ After this period, the incumbent has to compete in order to win a further contract. There is a risk that with the recent return of Blakenhurst and Buckley Hall to the public sector, the private sector could become disenchanted with the use of the contract system. As Premier pointed out to us, if a private company finds itself with just one prison to manage because it has lost contracts through market testing, then the company may not think it worthwhile to carry on in the sector.

3.9 The competitive market has been beneficial to the Prison Service as it allows the performance of public prisons to be assessed against that of alternative providers. There is now so much data available on prison performance that it is inevitable that public prisons will be compared to PFI prisons, whatever concerns there may be regarding the accuracy and reliability of the performance measurement systems. Such comparisons occur when prison Governors hold meetings with their senior managers and discuss issues such as their KPT performance and their position within the weighted scorecard. Similar comparisons are made at meetings hosted by the Area Manager. This acts as an incentive for public-sector prisons to improve performance by benchmarking themselves against the best prisons.

Recent PFI prisons are experiencing problems

3.10 In Part 1 we discussed how Ashfield was brought back under Prison Service control for a period of time (Appendix 2) and how Dovegate has incurred financial

deductions due to poor performance. Rye Hill, another recently-opened PFI prison, appears to be suffering from high labour turnover. Hence there appears to be a risk that the price of recent PFI contracts is so tightly scoped as to affect the performance of the prison. Evidence of this is presented in Figure 18 which shows staff/prisoner ratios. For example, at Lowdham Grange (opened 1998, Category B 'training', Premier) there are less than four prisoners per PCO, whereas at Rye Hill (opened 2001, Category B 'training', Group 4) this ratio has increased to five prisoners per PCO. These figures echo the concerns expressed about Manchester (see paragraph 3.6).

3.11 The PFI prisons Rye Hill, Dovegate and Ashfield also appear unable to offer salaries which are sufficiently attractive to meet the staffing levels stipulated in their contract bids. This can have serious consequences for staffing levels, the quality of staff employed and their retention levels. For example, the Controller at Ashfield noted that in May 2002 there was a shortfall of 22 PCOs out of a total complement of 132. An internal Youth Justice Board (YJB) report on Ashfield²⁸ suggested that the poor quality of education at Ashfield was due to the high turnover and quality of staff (10 per cent of teaching staff were leaving each month and approximately half of teaching staff were agency employed). The Prison Service has responded by threatening to penalise private companies who do not meet their contractual staffing levels.

The Prison Service has gained insights into performance management from developing and managing PFI contracts

3.12 The role of the CPU has been to negotiate PFI contracts, monitor their application through the Controller's team and enter into further negotiations when deciding on financial deductions and contract changes. The experience gained has helped in the successful development of SLAs in public prisons. Contracting involves a strong separation of purchaser and provider, giving the purchaser a powerful incentive to demand high performance, good quality evidence of the true level of performance and firm action to improve poor performance. Contracting cannot occur without the specification of and monitoring of delivery against agreed performance outcomes. In short, contracting creates strong incentives for better accountability. The SLA at Manchester incorporates an incentive fund, £200,000 in 2002/03, which will be distributed evenly to staff in the form of a bonus once any deductions have

²⁷ The early privately managed contracts were for five years, but with options to extend for three further three-year periods.

²⁸ Following an unannounced visit on Wednesday 14th and Thursday 15th August 2002.

been made for under-performance.²⁹ The Governor is using this fund to motivate his staff to meet the performance targets specified in the SLA.

Exchange of good practice between prisons generally, and incorporation of innovation from the private sector, is limited

3.13 One argument for the PFI is that it allows the private sector to innovate in the provision of public services. However, there needs to be a mechanism by which such innovation and good practice can be exchanged; if not, it may remain particular to that sector or establishment. Furthermore, the public sector has to be willing and able to accept innovation and change.

There has been a small amount of innovation from the private sector, although this has not always been embraced by public prisons

3.14 PFI prisons are specifically designed to meet operational needs in the contract signed with the Prison Service. Hence, in PFI prisons, there is a synergy between design, build and operation. As Group 4 told us, the ability to design and build a prison to meet contractual operational demands was a key attraction of the sector.

Flexible staffing is the key innovation

3.15 Staff costs account for about 80 per cent of the running costs of a prison. Consequently, innovation from the private sector has often focused on the more efficient use of staff. Shift patterns in PFI prisons allow receptions to open later, visiting times to be more flexible and prisoners on enhanced regimes to eat with their families. This is possible because employee terms and conditions were written with operational flexibility in mind. It would be harder to implement such flexibility in public sector prisons without changing working practices. However, the private sector has been less successful in developing its staff for senior management roles. Directors at private prisons have been recruited from the ranks of experienced Prison Service Governors, rather than internally (despite the fact that contractors have been managing prisons for 10 years). The private sector is therefore benefiting from the experience and skills of former public sector employees. However, the Directors felt the private sector used these skills more effectively by giving them the autonomy to run a prison with minimal interference.

Innovation in design has also been apparent

3.16 Innovation in PFI prison design has reflected the combination of reduced staff numbers and the increased movement of prisoners in a modern prison, for example to and from work and education classes. These innovations include CCTV, modern radio communication systems, clear lines of sight and design features such as a control room at the centre of a spine system of wings. It would be difficult to incorporate such innovations into older public sector prisons. For example, CCTV operates cost efficiently in wide spaces and long corridors, whereas Victorian prisons such as Reading, have short corridors with poor lines of sight, which are now used for moving prisoners.³⁰

3.17 One example of innovation is the key system at Parc. This operates on a physical pin system (as compared to the traditional Chubb system used in most public sector prisons). The pin system is a cheaper means by which to correct a major key compromise (£30,000 compared with £64,000)³¹. However, the pin system has a shorter working life compared to the Chubb system and may be more susceptible to tampering.

3.18 Several of those we interviewed from the private sector said that there was a risk that further innovation by the private sector will be curtailed by the Prison Service having become more prescriptive in their operational demands. For example, the Director at Rye Hill expressed concerns that the private sector was increasingly being told by the Prison Service how to achieve outcomes. As a consequence of this prescriptive approach, the opportunity for creativity was being stifled.

But there are some examples of partnership working

3.19 In some areas, Directors of PFI prisons have taken a lead role in area-wide initiatives. For example, an area drug programme in East Midlands (North) was moved to Lowdham Grange and the contractor converted a workshop to accommodate this. HMCIP also noted that Parc had worked closely with another prison in Wales, HMP Usk, to adopt a programme designed by the Probation Service for sex offenders who are in denial and unsuitable for conventional treatment programmes. Staff from private prisons have also been called to major incidents at public prisons and have worked alongside Prison Service staff. These arrangements have been reciprocated when there have been incidents at private prisons.

²⁹ This would be approximately £280 per employee assuming no monetary deductions due to under-performance and a staffing level of 712 (May 2002 figures).

³⁰ Although it is generally recognised that some of the principles of modern prison design originate from the Victorian prisons, these prisons were built at a time when the movement of prisoners was not deemed necessary.

³¹ These figures compare a major key compromise at Parc, where 95 per cent of the locks have to be changed, with the average cost of 10 major key compromises in public prisons during 2002. However, 67 per cent of prison locks are recyclable; a factor which is not incorporated into the Prison Service disclosure cost figures.

There are systems for the dissemination of good practice between prisons but such good practice is rarely transferred

3.20 We found several means by which good practice is identified and could be exchanged between prisons (Figure 20). One example where we found the system had worked well was in the development by Forest Bank of a modified safer cell design. These cells are designed to reduce the risk of self-harm and had been pioneered by the Prison Service during 1997/98. Forest Bank further modified the safer cell by, for example, incorporating collapsing hanging rails³². However, in general, although systems for exchanging good practice are in place, we found only limited evidence that good practice from the private sector was being incorporated into public prisons.

20 Means by which good practice can be exchanged between prisons

- meetings organised by area managers at which the area manager raises examples of good practice that s/he has encountered during his/her prison visits;
- work swaps by prison officers within the public sector prisons and between public and private sector prisons;
- staff moving from public to private prisons and vice versa;
- good practice bulletins issued by the Standards Audit Unit following their two-yearly audits of prisons;
- Butler Trust;
- Prisons and Probation Ombudsman;
- HMCIP reports.

Source: National Audit Office

Appendix 1

The selection of prisons in our study

Information regarding the twenty-one prisons chosen for this study is presented in **Table 1** overleaf. The prisons selected were the seven operational PFI prisons, the two privately managed prisons and 12 public sector prisons which between them provided the best comparators to the nine private sector prisons. In choosing the 12 public sector comparators, we took into consideration the category of the core prison, whether or not they had Category A prisoners, the size of the prison population and any other special factors. To aid us in this decision-making process, we consulted the PFI contracts, looked at recent work by the Prison Service on costs which identified comparator prisons, and finally, consulted with our reference panel. As a result, **Table 2** overleaf shows how we matched the public and the private sector prisons for our 2002 study.

It is important to bear in mind that the prisons chosen for this study were not drawn randomly from the prison estate; hence we take care to avoid using in our report the potentially misleading term 'sample'. In particular, with reference to our traffic light matrix, we emphasise that the rating of performance is relative to those prisons in our study and therefore not necessarily an absolute case with regards to the prison estate i.e. Lancaster Farms, Swansea and Parc are rated joint top in our traffic light matrix but this does not necessarily mean that they are the best prisons in the prison estate.

Table 1: Information on the prisons chosen for our study

Management type	Prison	Year of opening	Average population 2001/02	Core type	Category A security	Special factors
PFI prison	Altcourse	1997	850	male local	yes	
PFI prison	Ashfield	1999	377	closed YOI	n/a	juvenile:YOI 75:25
Public	Brinsford	1991	451	closed YOI	n/a	juvenile:YOI 50:50
Public	Bullingdon	1992	933	Category B (trainer)	no	
Public	Chelmsford	1830	501	male local	no	
Privately managed	Doncaster	1994	1084	male local	yes	
PFI prison	Dovegate	2001	500*	Category B (trainer)	no	therapeutic community restrictions
PFI prison	Forest Bank	2000	1040	male local	no	takes Young Offenders
Public	Garth	1988	613	Category B (trainer)	no	
Public	Grendon	1962	231	therapeutic community	no	takes those who are committed to therapeutic environment.
Public	High Down	1992	714	male local	yes	
Public	Lancaster Farms	1993	499	closed YOI	no	juvenile:YOI 40:60
Public	Lewes	1853	500	male local	no	no YOs since March 2002
PFI prison	Lowdham Grange	1998	495	Category B (trainer)	no	
Public SLA	Manchester	1868 (rebuilt in 1990)	1246	male local	yes	
PFI prison	Parc	1997	920	male local	no	takes juveniles
Public	Pentonville	1842	1175	male local	no	
PFI prison	Rye Hill	2001	591	Category B (trainer)	no	emphasis on rehabilitative programmes
Public	Swaleside	1988	752	Category B (trainer)	no	
Public	Swansea	1861	260	male local	no	
Privately managed	The Wolds	1992	405	Category C	no	

NOTE

* Dovegate was not operational for the full year in 2001/02.

Source: National Audit Office

Table 2: How the public sector prisons are used as comparators to the private sector prisons

Prison	Altcourse	Ashfield	Dovegate	Forest Bank	Lowdham Grange	Parc	Rye Hill
High Down	YES						
Brinsford		YES					
Lancaster Farms		yes					
Garth			yes		yes		yes
Grendon			YES*				
Swaleside			yes		yes		YES
Chelmsford				yes		yes	
Manchester (SLA)	yes						
Swansea						yes	
Pentonville				YES		yes	
Bullingdon							yes
Lewes				yes		yes	

Capitals: Best comparator (if possible to decide)

Lower case: Also a good comparator

*Grendon acts as best comparator with Dovegate's therapy centre

Public sector prison PFI Prison

Source: National Audit Office

Appendix 2

The events behind the Prison Service taking over HMP & YOI Ashfield

Chronology of events

June 1998	Prison Service signs a contract with Premier Prison Services to design, build and manage a Young Offenders Institution (18-21-year-olds). In response to the rise in the juvenile population (under 18-year-olds), the Prison Service renegotiates the category of the establishment between contract signature and opening to accommodate juveniles in addition to the Young Offenders.
November 1999	Ashfield opens to accommodate juveniles on remand, convicted/unsentenced or sentenced, and unsentenced Young Offenders. Premier Prison Services' Director (the equivalent of a public sector Governor) is a former Prison Service Governor.
December 1999	The Youth Justice Board (YJB) contacts Prison Service to alert them that a key element of YJB policy and funding are not in the contract between the Prison Service and Premier.
January 2000	The Prison Service Controller at Ashfield goes on long-term sick leave and does not return. The Deputy Controller acts up into the post until a permanent replacement is appointed in February 2002.
April 2000	The YJB assumes responsibility for commissioning and purchasing all secure accommodation for under-18s, as well as monitoring and setting standards.
October 2000	The Board of Visitors publishes its annual report covering the first seven months at Ashfield. It notes some teething problems and expresses particular concern over the high level of staff turnover.
November 2000	The Director at Ashfield resigns to return to the Prison Service as Governor of Feltham YOI. He is replaced by a private sector Director.
April 2001	Ashfield becomes part of the newly-created Juvenile Operations Management Group (JOMG) at the Prison Service.
May 2001	The establishment is re-roled at short notice to accommodate sentenced Young Offenders previously held at Gloucester. The population of Young Offenders prior to this date had been entirely unsentenced. Prison Service policy requires sentenced and unsentenced prisoners to be accommodated separately.
May-December 2001	Recruitment and retention of staff continues to be a problem. During this period Ashfield operated with an average of 11 per cent fewer Prison Custody Officers (PCOs) than its target staffing level of 148.
August 2001	A hostage situation in the segregation unit is resolved without injury to staff or prisoners.
December 2001	The Director of Ashfield resigns. A Director of Operations from Premier is installed until a permanent replacement can be recruited. First Notice issued from the Prison Service to Premier for failure to provide contracted hours out of cell.
February 2002	A hostage situation on one of the wings is resolved without injury to staff or prisoners. 2nd First Notice regarding insufficient staff to meet Tornado commitments.
March 2002	42 trainees refuse to return to the wing from the exercise yard. The situation is resolved satisfactorily.
April 2002	The Prison Service introduces a new performance measure which specifies the minimum number of staff on each wing. The YJB raises concerns about standards at Ashfield.

April-May 2002	The Director General of the Prison Service makes two unannounced visits to Ashfield. Following his second visit, the Director General imposes Section 88 of the Criminal Justice Act 1991 and appoints a Prison Service team to take control of Ashfield.
September 2002	The Prison Service serves a rectification notice on Premier regarding the Personal Officer Scheme and Anti-Bullying Strategy. This specifies conditions at Ashfield which constitute an event of default under the contract. Premier is required to produce a rectification plan and carry it out within a period of two months. If the event of default is not rectified within the specified period, the Prison Service may proceed to terminate the contract.
October 2002	The Prison Service hands back Ashfield to Premier. A former public sector Governor is appointed as Director.
November 2002	The YJB lifts its compliance failure notice.
January 2003	The YJB issues a second compliance failure notice following renewed concerns about the staffing levels at Ashfield. Second rectification notice.
February 2003	Her Majesty's Chief Inspector of Prisons publishes the report of an inspection held in July. She describes Ashfield as 'an establishment that was failing by some margin to provide a safe and decent environment for children' and said that Premier were 'unable . . . to look beyond the terms of the contract in meeting the needs of juveniles'. In response, the YJB announce they will withdraw sentenced juveniles from Ashfield as soon as alternative placements can be found. This will leave just 40 juveniles on remand.
April 2003	Following a visit, the Prisons and Probation Ombudsman concluded that Ashfield was now providing custodial care of a good quality. However, he also noted that it was at half of its operating capacity but with a full complement of staff.

Indicators of problems

Assaults - There were 279 proven assaults between April 2001 and March 2002 - this represented 74.1 per cent of the average population (**Figure 14**). The level of assaults is higher in juvenile institutions than in other types of prison but this was still a higher rate of assaults than in any other Prison Service establishment.

Control and restraint - The Controller expressed concerns that when force was used, it was not always as a last resort. This is against Prison Service policy. In the first four months of 2002, there were 140 control and restraint incidents compared to 69 in the equivalent period in 2001. There are no equivalent figures available for public prisons.

Lack of policies and procedures - HMCIP and YJB monitors noted the lack of a personal officer scheme, child protection procedures and an effective anti-bullying strategy. Both HMCIP and YJB found young people who were too afraid to leave their cells for education or other activities. We noted a similar lack of procedures in other areas during our fieldwork at Ashfield in July 2002. For example, the staff in charge of the property store did not know the procedures for looking after prisoners' property and a spot check found bags split and property missing. Also, some staff who had been drafted in from other Premier prisons did not have name badges or other forms of identification and in one case a PCO was wearing another member of staff's name badge.

Lack of supervision and control - During an unannounced visit senior Prison Service staff noted that there were few controls over where prisoners were and some young people were not being supervised.

Failure of the Incentives and Earned Privileges (IEP) scheme - This scheme allows prisoners to earn privileges through responsible behaviour and participation in work and other constructive activity. YJB monitors found that the IEP scheme at Ashfield was not explained to the prisoners. The Controller noted that staff were not trained in the scheme, it was inconsistently applied, decisions were arbitrary and there were high numbers of prisoners on the basic (lowest) regime.

Physical accommodation - The Controller and Area Manager noted that cells and bedding were dirty and that mattresses did not have covers.

Poor quality education - YJB monitors found that 'there are doubts about the quality of education sufficient enough to question its value'. Similarly, the Director General of the Prison Service found 'virtually no evidence of any learning taking place in the whole of the [education] department'. There were high rates of turnover among staff and half of the staff were temporary employees.

Performance measure	Points per incident	No. of incidents	Actual points
Failure to release on correct date	20	1	20
Assaults against staff and/or others	20	26	520
Assaults against prisoners	20	56	1120
Incident of concerted indiscipline	15	1	15
Incident of hostage taking	5	1	5
Incident of self-harm resulting in injury	1	42	42
Incident of drugs other than Class A	1	13	13
Tool/implement loss	1	1	1
Failure to ensure staffing levels	10	63	630
Visits not starting within 30 minutes of visitor arriving	1	22	22
Total		226	2388

Source: *Controllers' reports*

Performance points in 2002

During 2002, HMP Ashfield accrued 6362 performance points (Figure 9). Against contract, this translates into a financial deduction of £331,121 (3 per cent of the annual payment). During the period of our fieldwork April-June 2002; the Controller recorded 226 incidents totalling 2,388 performance points. These are detailed above.

Further costs to Premier

The Prison Service reduced the number of available prisoner places and removed all the Young Offenders from Ashfield after May 2002. The YJB removed 91 juveniles in August 2002 and is now planning to withdraw all remaining sentenced juveniles. This will reduce the unitary payment to the contractor. The Prison Service told us that Premier are also required to meet the cost of the public sector team and the final amount of the deduction from the unitary payment had not been finalised. The Prison Service estimates that it will recover a further £266,000 in respect of Ashfield's performance in years 2 and 3 of operation.³³

The cause of the problems

We spoke to key stakeholders from the private and public sector about the problems at Ashfield including all former Directors of the prison, staff and young people at Ashfield, senior staff from Premier Head Office, the Juvenile Operations Manager, senior Prison Service staff, the Youth Justice Board, and Her Majesty's Chief Inspector of Prisons. A number of common themes emerged.

Staffing

This was the single most important contributory factor to the problems at Ashfield. There were two distinct but related problems:

Unsafe staffing levels - Premier's original bid was based on four PCOs per wing - the Prison Service negotiated this figure down to three PCOs per wing. However, the prison failed to meet these indicative staffing levels. In the year prior to the Prison Service's intervention, Ashfield had a target number of 148 PCOs but the prison operated with an average of 11 per cent below this target. After the Prison Service's intervention, Premier used staff from their other prisons to increase the numbers but at the end of May 2002, there was still a shortfall of 22 PCOs (17 per cent) out of a total complement of 132.

Lack of experienced staff due to high turnover - Problems associated with understaffing were exacerbated by high staff turnover. Between April 2001 and March 2002, 115 staff left Ashfield - this represents a turnover rate of 47 per cent. The Prison Service and YJB both noted that middle managers were very inexperienced and new staff were being trained by PCOs who had only been in post themselves for six weeks.

It is clear that staff terms and conditions were a major contributory factor to the staff shortages and high turnover at Ashfield. Newly-appointed PCOs at Ashfield start on £15,250 per year compared to a range of £16,159 to £23,000 (as shown in **Figure 17**) for a prison officer at a public prison. PCOs work a longer working week and the occupational pension scheme is less generous than that offered in the public sector. We were told by staff at the prison that better paid jobs were available locally.

There was also a high turnover of Directors at Ashfield. In the two and a half years before the Prison Service intervened there were three Directors. The relative stability at Ashfield in the first eighteen months (when there was only one Director) suggests that the prison's subsequent problems were partly caused by the frequent changes in management.

³³ At the end of the first year of operation, the Prison Service fined the contractor £50,047 as a result of penalty points.

Contractual and governance arrangements

A SLA sets out the arrangements under which the YJB purchases secure accommodation for juveniles from the Prison Service. In most cases, the Prison Service provides this accommodation directly. At Ashfield, the Prison Service effectively sub-contracts the provision of juvenile accommodation to a private contractor, Premier. The relationships between the Prison Service, the Youth Justice Board and Premier, and the mechanisms in place to facilitate them, are therefore very important.

The YJB funds the JOMG of the Prison Service through a payment mechanism which involves two elements: a block payment for a total number of places available and an additional payment for each night each place is occupied. Under the contract between the Prison Service and Premier, the contractor is paid on the basis of available prison places rather than the number of places that are actually occupied. However, the YJB was established after the contract with Premier was signed.

The SLA sets out standards for juvenile facilities. The contract between the Prison Service and Premier contains basic standards to be met and a performance measurement system linked to the payment mechanism. There are inconsistencies between the SLA and the Prison Service/Premier contract. The standards in the SLA are based on input measures whereas the contract performance measurement system is based on outputs. For example, at the time of our study, the SLA specified that on the wing for new prisoners there should be two staff on duty at night, whereas the Ashfield contract did not.³⁴ Therefore, the YJB paid the Prison Service for places to be provided to a standard which was not required under the Prison Service's contract with Premier. The YJB use input-based standards in order to ensure that they contract and account for the use of their funds.

The monitoring arrangements are also complex. The YJB monitors Ashfield under its SLA with the Prison Service but the Prison Service contract with Premier makes no reference to the remit and responsibilities of the YJB. Therefore, although the contractor's performance at Ashfield is monitored regularly by both the Prison Service and the YJB, the two bodies assess performance under different arrangements and against different standards.

The YJB deals with the operational part of the Prison Service. However, up until March 2003, the Contracts and Procurement Unit of the Prison Service was responsible for the contract and its monitoring. There was no governance system in place which covered the different parts of the Prison Service, the YJB and Premier. The problems with regulation and control were a contributory factor to the poor quality of the service provided by Premier. The creation of the Commissioner for Correctional Services seeks to address this weakness (Figure 2).

In August 2002 Premier suggested the setting up of a Joint Management Board which brought together the various stakeholders to seek consensus and allow Ashfield's senior management to deliver improvements. It met on two occasions during November and December 2002.

Conclusions

Design and purpose

It is clear that building design should flow from its purpose, the two are directly linked. Significant changes of purpose/population, without a corresponding change in design increases the risk of operational difficulties.

Contract structure

A commercial structure which has the primary customer receiving 25 per cent of the service and another customer 75 per cent of the service and on a fundamentally different basis (though different SLAs) was inappropriate and inflexible. This failing created a poor contract structure and frustrated customers.

Communication

There should be clear and consistent reporting lines, critical to establish the macro principles for any contract structure from inception. This has been one of Premier's major learning points from the situation at Ashfield.

³⁴ This is one of a number of inconsistencies that has since been addressed by an amendment to the contract bringing it in line with the SLA.

Appendix 3

The problems of comparing PFI and public prisons

There are three broad areas where structural differences exist between public and PFI prisons. First, the contractual payment mechanism for PFI prisons ensures a consistent level of funding over a 25-year period with a degree of protection against the effects of inflation. In comparison, public prisons have to compete with each other, and other demands on public expenditure, for resources on a three-year cycle. Although the element of inflationary risk which is passed to the contractor, particularly wage inflation, means that it is not possible to state with any degree of certainty that they will be funded more generously than public prisons in the long term, their funding streams will be easier to predict. This makes it easier for private contractors to plan ahead than Governors of public prisons working with annual budgets.

A related issue is that the contract system makes it difficult to erode the agreed standards. For example, the unitary charge in PFI prisons contains an element for ongoing maintenance. Many public sector Governors told us that this was an area which was often cut when there were other demands on budgets. Similarly, changes in the criminal justice system which may have effects on prisons will have to be considered within the contractual framework for PFI prisons and all cost implications carefully assessed. Public prisons, which do not operate under a SLA, are more likely to be expected to reallocate existing resources and balance competing demands. There is a similar effect with the current overcrowding of prisons. Under a contract, overcrowding automatically raises the revenue stream on a marginal cost basis. In the case of non-SLA public establishments, there is an expectation that the prison's core funding is sufficient to operate beyond their certified normal accommodation levels and up to operational capacity³⁵. This highlights the flexibility of non-SLA prisons but also the pressures they are under when dealing with overcrowding and changing priorities.

Second, PFI prisons are all modern buildings often based on new designs. The Prison Service estate includes prisons built in different periods and to radically different designs. For example, prisons such as HMP Chelmsford and HMP Pentonville were built in the early Victorian period to hold large numbers of prisoners on each wing and this dominated prison design for most of the 19th century. Although a number of establishments, such as army barracks, were converted from their original use, new prisons were not built

again until the 1950s. The new prisons were radial prisons based on smaller cell blocks. Prisons built in the 1960s consisted of rows of corridors and are generally considered to be poorly constructed. The most modern prisons managed by the public sector, such as HMP Bullingdon and YOI Lancaster Farms were built in the late 1980s and early 1990s. All new prisons built since 1997 are now managed by the private sector.

The age and design of the prison can have a detrimental effect on the extent to which individual prisons can meet current Correctional Services priorities. For example, HMP Pentonville performs very poorly relative to other local prisons on purposeful activity and particularly poorly when compared to local³⁶ PFI prisons. However, Pentonville opened in 1842 and was not originally designed to offer activities to prisoners. There are no workshops and few spare areas where activities can be offered to prisoners without compromising security. Furthermore, the corridors are cramped and not designed for moving large numbers of prisoners around the prison. However, Swansea, originally constructed in 1859, was one of only four public sector prisons to gain a green indicator in the traffic light matrix. Hence maintenance and refurbishment may have a larger impact that the age of the prison per se. Finally, modern PFI prisons use technology such as CCTV and more up-to-date radio equipment which is not generally available to prison officers working in the public sector.

Third, in attempting to provide a full value for money comparison of PFI and public prisons it is necessary to compare their respective costs. There have been a number of recent attempts to analyse the components of the unitary charge paid to PFI prisons and compare it with the costs of public prisons. Academic research has highlighted the inherent difficulties of evaluating the comparative costs of prisons and this is a problem in other countries.³⁷ For example, there can be disagreement over how Head Office costs should be accounted for. The most recent cost per prisoner place figures in the Prison Service Annual Report are provided on a resource account budgeting basis compared to previous years when they were provided on a cash basis. They are not therefore comparable with previous years. The costs in the annual report for PFI prisons include an element for the capital repayment of the prison; they are not therefore comparable with the figures for public prisons.

³⁵ However, when a public non-SLA prison's operational capacity is increased there is a greater expectation, but no guarantee, that they will get additional funding.

³⁶ Prisons which take prisoners directly from local courts; they are designed to hold prisoners for a short period of time.

³⁷ see, for example, McDonald, D.C. et al., *Private Prisons in the United States: an assessment of current practice, 1998.*

Appendix 4

Scope and methodology of the National Audit Office's examination

1. We examined whether PFI prisons were bringing operational benefits to the Prison Service by assessing PFI prison performance against their contracts; their relative performance against public sector prisons; and whether the presence of the private sector (which is predominantly PFI) had brought benefits to the Prison Service as a whole.

Methodology

Examination of contracts

2. We examined each of the PFI contracts along with information relating to penalty points incurred during the operational performance of the prison in relation to these contracts. We also looked at the privately-managed prison contracts and the SLA in operation at Manchester.

Visits to prisons

3. We undertook visits to 23 prisons. Of these, 21 formed the basis of our study and two (Feltham and Reading) were used as trials for our proposed methodology. Each visit lasted a day and incorporated semi-structured interviews with key members of staff such as the Governor/Director, Head of Personnel, Head of Regime Monitoring, Controller, and the Compliance Officer. We also met and talked with prisoners and carried out a survey of prison officers. A Prisoner Officers' Association (POA) circular had alerted its members of our visits and so we met with union leaders at the prisons if they so wished.

Surveys of prison officers and prisoners

4. We developed a Prison Officer questionnaire that sought to obtain views on key issues such as safety, security and decency. These questionnaires were distributed to randomly sampled Prison Officers during our prison visits. The survey return was 90 per cent.
5. The prisoner survey was undertaken by MORI. They randomly sampled 2,000 prisoners from PFI, privately-managed and public prisons. The survey population differed in comparison with the prison officer survey by the inclusion of Feltham and Reading and the exclusion of Lancaster Farms and Bullingdon. We discussed the methodology and results of our surveys with Dr Alison Liebling and Mrs Linda Durie of the Institute of Criminology, University of Cambridge.

Semi-structured interviews

6. Apart from semi-structured interviews on the day of our prison visits, we also interviewed Area Managers and Managing Directors from Premier, Securicor, UKDS and Group 4.
7. We also held meetings with Martin Narey (then Director General of HM Prison Service), Phil Wheatley (then Deputy Director General of HM Prison Service), David Kent (then HM Prison Service Central Procurement Unit), Brian Caton (General Secretary of the Prison Officer's Association), staff from the Planning Group (HM Prison Service), Stephen Shaw (Prisons and Probation Ombudsman for England and Wales) Anne Owers (Her Majesty's Chief Inspector of Prisons) Nick Fry (Head of Prison Contracting at the Youth Justice Board) and Mike Gerrard (Partnerships UK).

Further sources of information

8. We are grateful to Professor Richard Harding for peer reviewing a literature survey 'Lessons from Abroad'.

External reference panel

9. We held three meetings of an external reference panel. At the first meeting we discussed and agreed the overall direction of the study. At the second meeting we reported back on progress and at the final meeting we discussed our findings and the presentation of information in this report. The members of the panel were:
 - Phil Wheatley - Deputy Director General of HM Prison Service (Director General from March 2003)
 - Mike Newell - President of the Prison Governors' Association
 - Patrick Carter - Non-executive Director on the Strategic Board for Correctional Services, Home Office
 - Frances Crook - Director of the Howard League for Penal Reform
 - Alison Lieblich - Director of the Prison Research Centre, Institute of Criminology, University of Cambridge

Appendix 5

The Traffic Light System for comparing prisons

The Prison Service has been developing a system to compare the performance of prisons using both quantitative and qualitative data. Each prison is scored on a green, amber and red basis for a variety of criteria, in order to identify those prisons that are under performing. It is this system that identified Liverpool and Dartmoor in April 2003 and Reading and Leicester in December 2001 as 'failing' prisons. For this study, we have generated a similar traffic light system but incorporated two surveys into our results. MORI undertook one, investigating prisoners' perceptions of safety and decency and the other was a survey of prison officers we carried out during our field research.

The categories we selected for grading in our traffic light matrix included: escapes and absconds, Prison Service Standards rating, security rating, a qualitative rating based on Her Majesty's Chief Inspector of Prisons reports, Area Manager reports and the reports from the Board of Visitors, assaults, Mandatory Drug Tests (MOTs), purposeful activity and the staff and prisoner surveys. A summary result appears in the Executive Summary and a more detailed table appears in Figure 10.

We outline below, in general terms, the methodology adopted for deciding which prisons acquired a red indicator for each of the categories we selected for our matrix.

Escapes

A red indicator was allocated to any prison that had an escape or abscond during the period 2001/02.

Standards rating

Prison Service Standards are instructions from Prison Service HQ which set out the national requirements for a prison. The Prison Service Standards Audit Unit visits each prison every two years to measure its compliance with these standards. It does not monitor every area but focuses on the standards most closely associated with the Prison Service's strategic priorities (such as drug strategy and education). The Unit allocates an overall rating for the prison of either: superior, good, acceptable, deficient or unacceptable. We would have given any prison that received a deficient or unacceptable rating a red indicator in our traffic light matrix, although as it turned out, the prisons in our study were rated acceptable or above.

Security rating

A similar scoring system is used for the security audit and we gave any prison that received a deficient or unacceptable rating a red indicator in our traffic light matrix.

Qualitative data

We combined together three qualitative assessments of prison performance: Her Majesty's Chief Inspector of Prisons reports, the Area Manager reports (internal) and the reports from the Board of Visitors. For each prison, each report was assessed against 17 criteria, such as healthcare, education and race relations. Each of these assessments was then scored, where data permitted, and aggregated to give an overall assessment. A final aggregation took place across the three reports for each prison to determine whether that prison should be awarded a red indicator.

Assaults as a percentage of population, mandatory drug testing and purposeful activity

The methodology adopted for assaults, MDTs and purposeful activity allocated a red indicator if the prison in our study scored in the worst performing quartile for prisons of a similar category such as male local prisons, Category B prisons, YOIs and juvenile centres. This allowed for variances associated with different categories of prisons; for example, assaults are generally higher in juvenile centres than in adult prisons. As an example, the upper quartile for male local prisons for purposeful activity (pa) was 17.6 hours per week (h/w). Hence Manchester, with an average pa of 19.7 h/w, did not score a red indicator, whereas High Down, which has an average pa of 15.9 h/w, did score a red indicator.

Prison Officer survey

Following the methodology employed at the Institute of Criminology (Cambridge University), the mean scores of the survey responses from Prison Officers were calculated for each prison, for each question in the survey. These mean scores were then broken down into quartiles. Those prisons appearing in the worst performing quartile were marked with a red indicator. The survey questions were then separated into

those questions that focused on 'safety' issues (such as 'do you feel safe in prison?') and those questions which dealt with non-safety issues (such as 'are you satisfied with your career prospects?')³⁸. We then totalled the number of red indicators for each prison for each of the two categories. Those prisons appearing in the 'worst performing' quartile for each category were then marked with a red indicator in our traffic light matrix.

Prisoner survey

The methodology applied to the Prisoner survey was similar to that adopted for the Prison Officer survey, whereby the survey questions were separated into those questions that focused on 'safety' issues (such as 'do you feel safe in your cell?') and those questions which dealt with non-safety issues (such as 'how easy is it to see a doctor?'). Again, after aggregating the red indicators applied to the mean scores for each question, an overall red indicator was applied to those prisons which appeared in the worst performing quartile.

Final overall ranking

The prisons in our matrix were then split into three categories according to the number of red indicators they had scored. Those prisons ranked as 'green' had, at most, two red indicators and were regarded, comparatively, as the better performing prisons within our study. There were four PFI prisons in this category, the two privately-managed prisons and four public prisons. Parc, Swansea and Lancaster Farms, were the only prisons not to receive any red indicators at all. Lowdham Grange was the only prison in the green category which received a red indicator on the degree to which prisoners in our survey felt safe.

Five prisons received three or four red indicators which we therefore chose to identify as amber overall. These include the two PFI prisons which opened most recently, Rye Hill and Dovegate. Dovegate was identified in a recent rating system by the Prison Service as an establishment about which they had significant concerns. However, in a recent meeting, the Prison Service informed us that they felt there had been improvements in the performance at the prison in recent months.

Six prisons received five or more red indicators which we therefore chose to identify as red overall - indicative of being the worst performing prisons in our study. These included one PFI prison - Ashfield - and one public prison currently operating under a SLA, Manchester. There were four other public prisons within this category. The results show that compared to the public prisons in our study, PFI prisons can be found across the spectrum of prison performance.

Points of interest

The traffic light matrix combines qualitative and quantitative data in an intuitively sensible way in order to make overall performance comparisons between the prisons in our study. These prisons were not randomly selected from the prison estate but were chosen for specific reasons of comparability i.e. those public sector prisons which were deemed the best comparator prisons to the PFI prisons. A prison that is awarded an overall red indicator in our matrix should be seen in the context of underperforming in relation to the other prisons in our study and not necessarily underperforming in the prison estate as a whole.

The quantitative data used in this methodology was from the 2001/02 period, whereas the qualitative data ranged from September 2000 to May 2002. It was necessary to widen the time period for the qualitative data in order to incorporate a sensible number of prison inspection reports. Too short a period and the number of reports available would be small, too long a period and the comments within them run the risk of being out of date.

³⁸ We grouped four questions in the Prison Officer survey together to produce one joint result. These four questions were concerned with line management issues and we felt they were too similar to warrant being included four times in the traffic light analysis.

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Glossary

Baseline	A threshold, indicating the minimum number of penalty performance points a contractor can incur before they have to begin paying performance deductions from the annual payment.
Benchmarking	The process of comparing the method, time or cost of an operation, service or product against those of other organisations, preferably thought to be the best in the field.
BoV	Board of Visitors - An independent monitoring board for each prison.
Category A	That category of prisoner posing the highest security risk. There are also Category B, C and D prisoners.
Commissioner for Correctional Services	A Permanent Secretary in the Home Office with responsibility for Prisons and Probation in England and Wales.
Controller	A public sector employee based in the PFI prison who monitors the performance of the prison against contract.
CPU	Central Procurement Unit within the Prison Service. From March 2003 the Section dealing with the contracted prisons, the Office of Contracts and Competitions, reports to the Commissioner for Correctional Services.
First Notice	Served on the Contractor notifying them of a contractual failure which, if it continues or recurs persistently, may result in the termination of the contract.
Group 4	A private contractor.
HMCIP	Her Majesty's Chief Inspector of Prisons, independent of the Prison Service.
Juvenile Centre	For 15-18 year olds sentenced by the courts.
KPI	Key Performance Indicator - measures whether the Prison Service is meeting its objectives.
KPT	Key Performance Target - measures a prison's performance against planned activities.
Local prison	A prison whose primary aim is to serve the local courts.
Market testing	The re-tendering on the market of services to test the value for money of that service.
OBP	Offending Behaviour Programme - a course which seeks to change a prisoner's erratic or aggressive thinking behaviour.
PCO	Prison Custody Officer (working in privately managed prisons).
POA	Prison Officers Association. A trade union for public sector prison officers.
Private Finance Initiative	A policy introduced by the Government in 1992 to harness private sector management and expertise in the delivery of public services, while reducing the impact of public borrowing.
Penalty Performance Points	Points for failing to reach an agreed standard as stipulated in the contract.
Premier Prison Services	A private prison contractor.
Quantum	A PFI contract to update HM Prison Service's IT infrastructure.
Securicor Custodial Services	A private prison contractor.
Section 88	Under Section 88 of the Criminal Justice Act 1991, the Secretary of State can appoint a public sector Governor to run the prison.
Service Level Agreement	(SLA) An agreement with a public sector prison which operates in a similar way to a contract with a private contractor.
Standards Audit Unit	A Prison Service team which monitors a prison against the 61 Prison Service Standards.
Tornado	Advanced control and restraint training schemes.
Training prison	A prison whose primary aim is to provide a long term regime for sentenced prisoners.
UKDS	UK Detention Services (a private contractor).
Weighted Scorecard	A management information tool which uses a weighting of key performance results in order to allow one prisons performance to be compared with another.
YJB	Youth Justice Board - an executive non-departmental government body.
YOI	Young Offender Institution for 18-21 year olds.