

# The Operational Performance of PFI Prisons



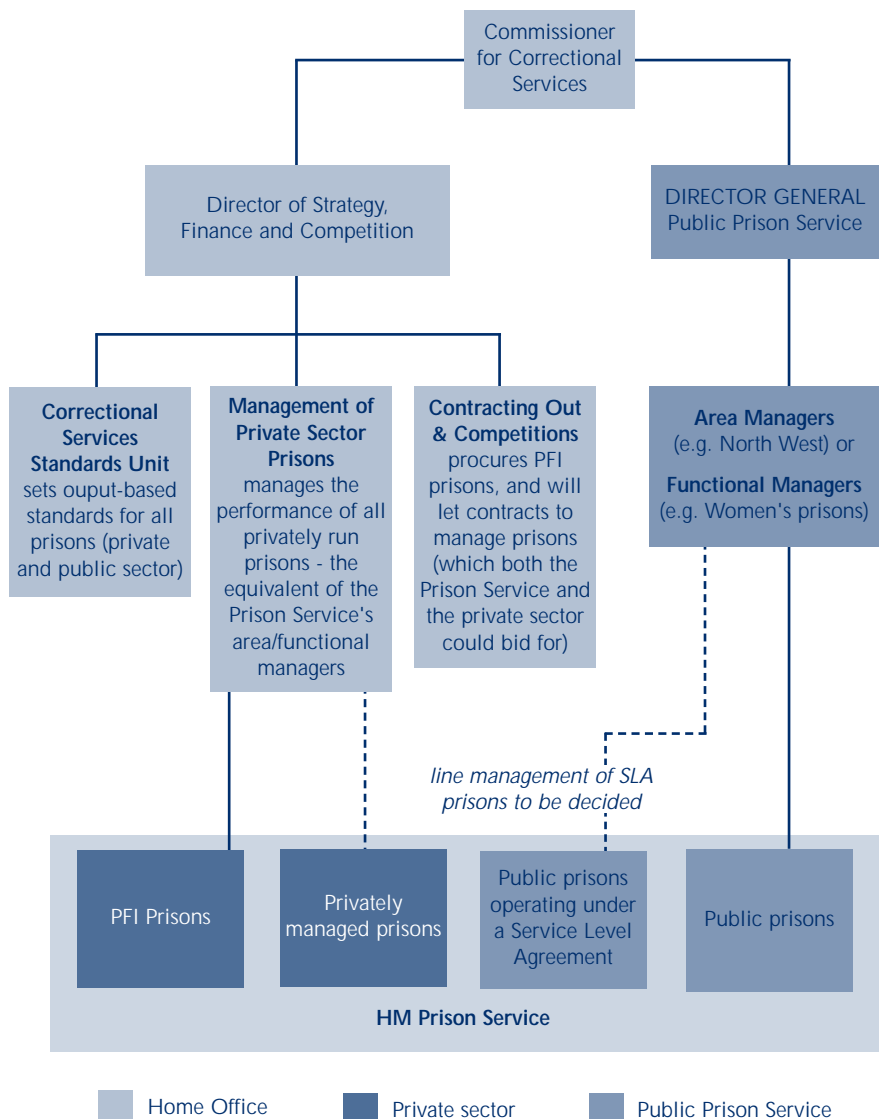
REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 700 Session 2002-2003: 18 June 2003

# executive summary

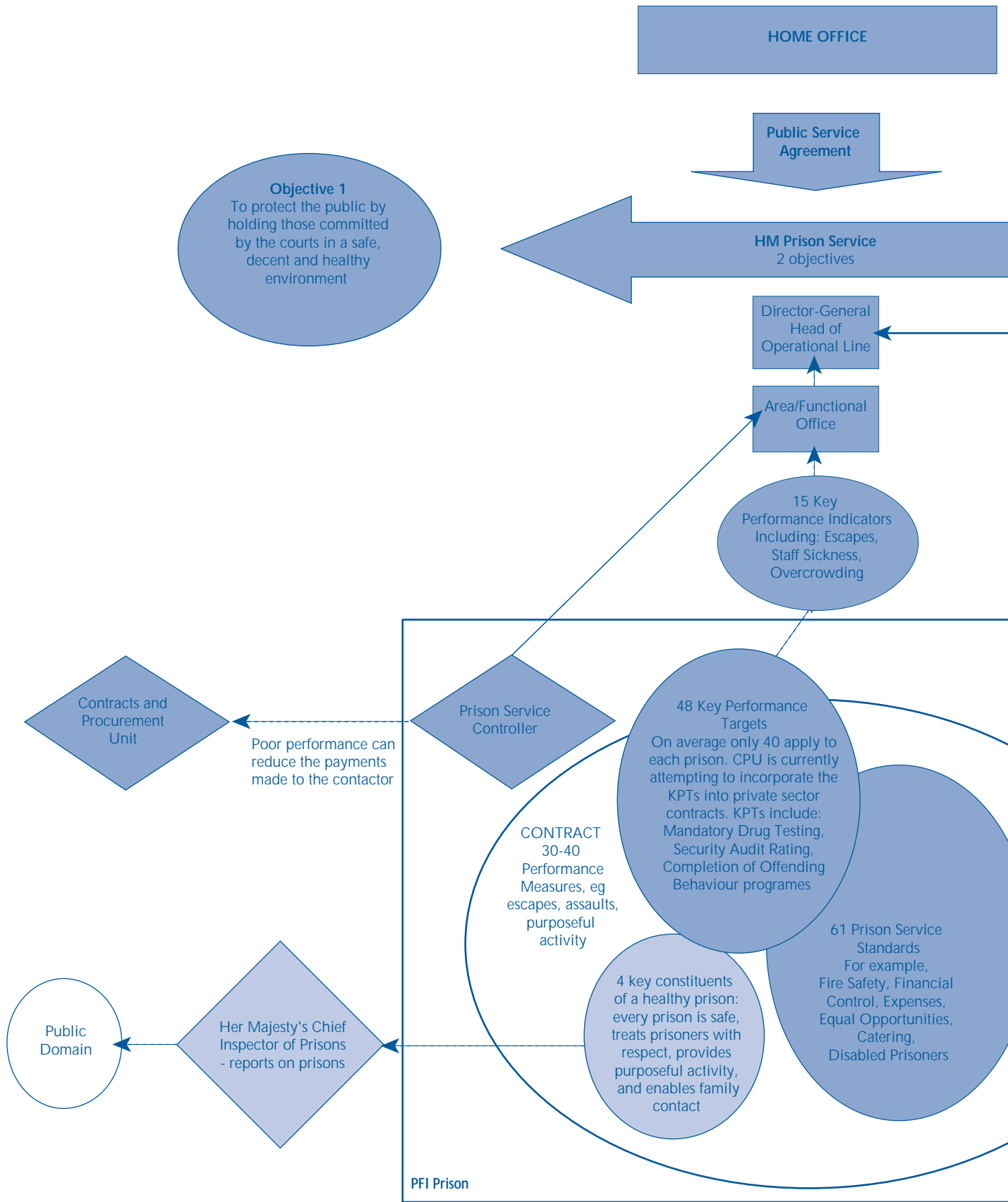


1 The Prison Service, an executive agency of the Home Office, is responsible for holding those remanded or sentenced to custody by the courts in England and Wales (**Figure 1 overleaf**). Custodial services are provided in 137 prisons. The Prison Service became an Agency in 1993, and until recently it 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)**

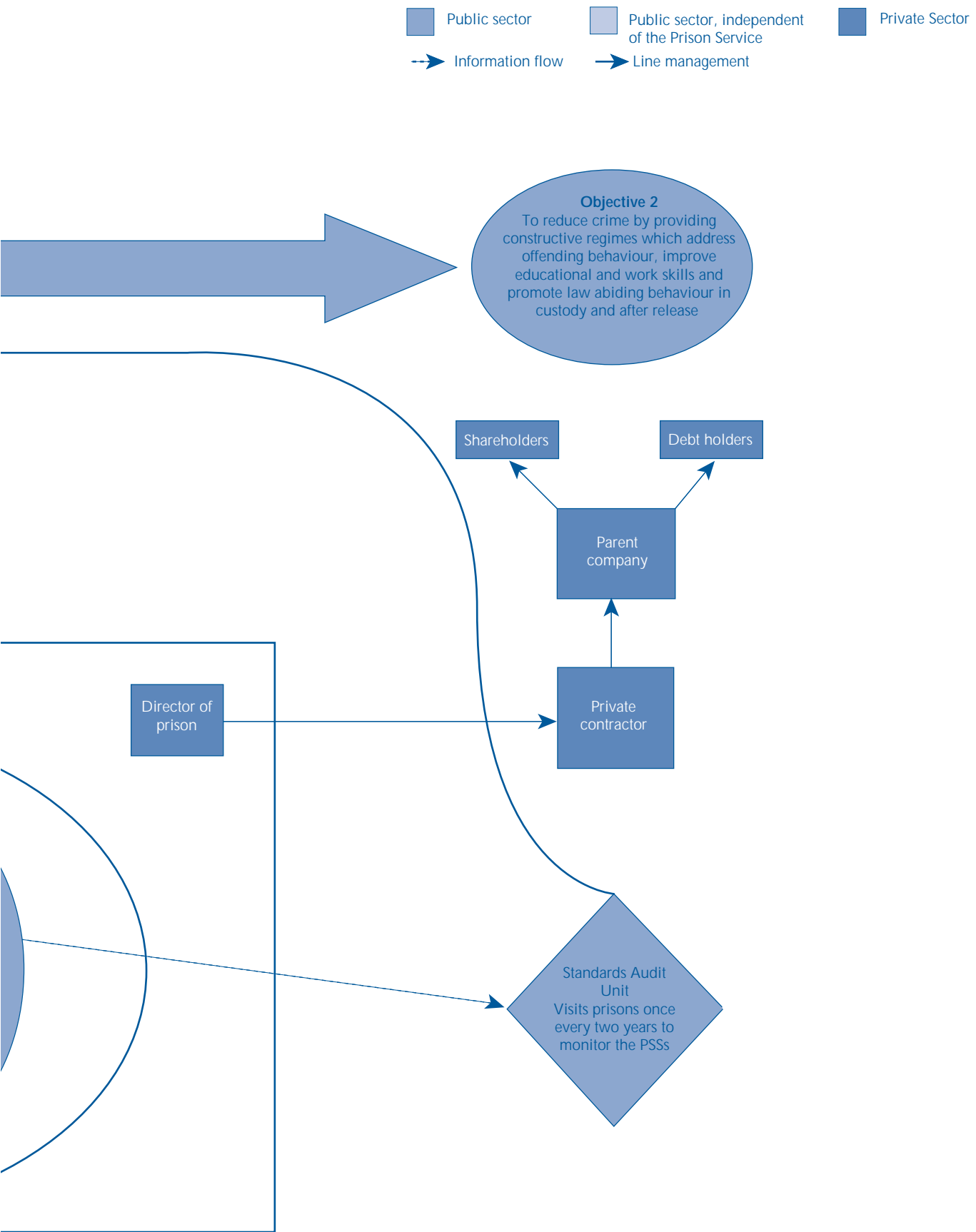


1 Reporting lines and information flows between the Prison Service and PFI prisons



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 Accommodation: 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 Accommodation: 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 Accommodation: 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 Accommodation: 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 Accommodation: 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 Accommodation: 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 Accommodation: 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

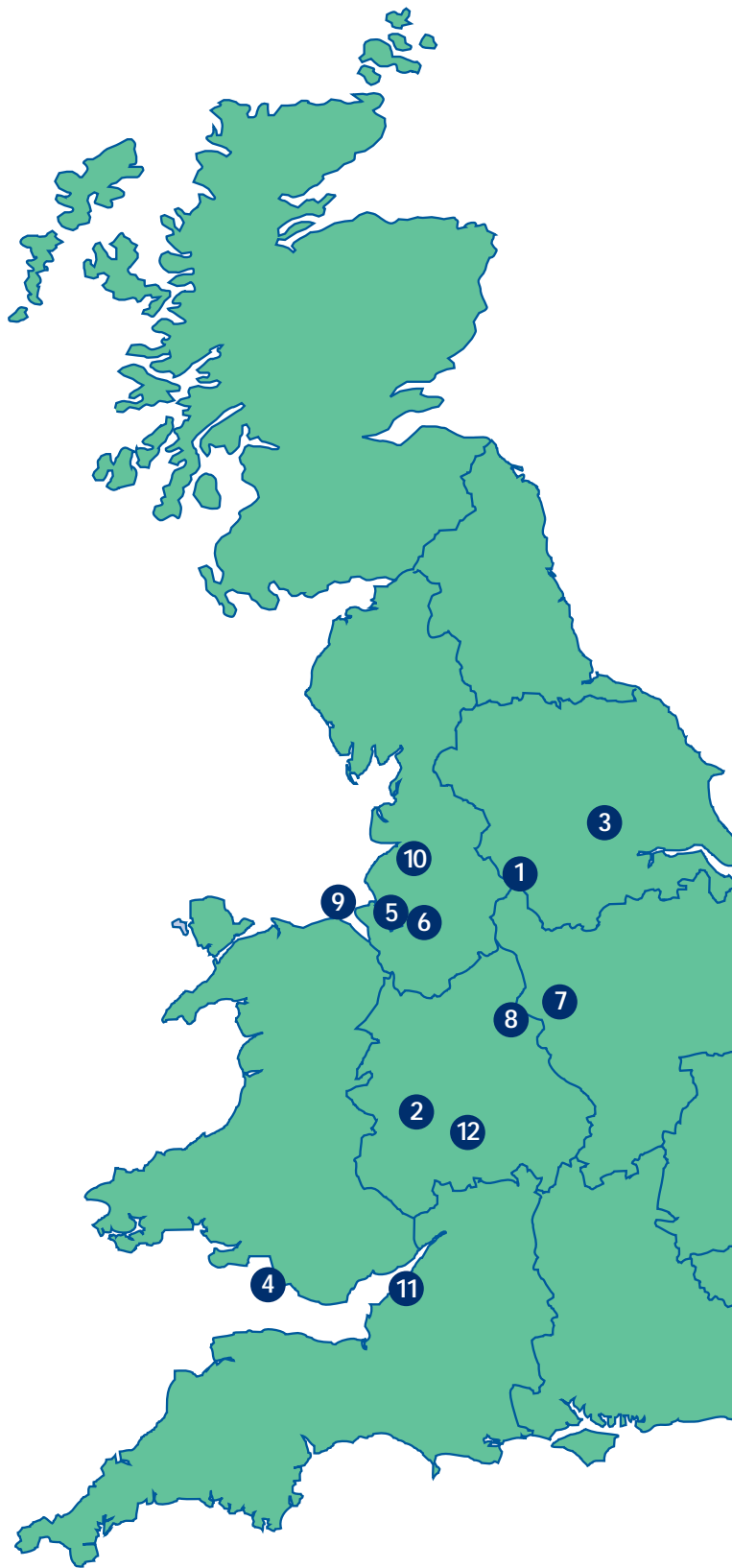
Date opened: 9 July 2001

Certified Normal Accommodation: 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 Accommodation: 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 Accommodation: 350

Average Population 2001-2002: 380

Closed female training prison.

## 11 Ashfield

Pucklechurch,  
near Bristol

Contractor: Premier

Date opened: 1 November 1999

Certified Normal Accommodation: 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

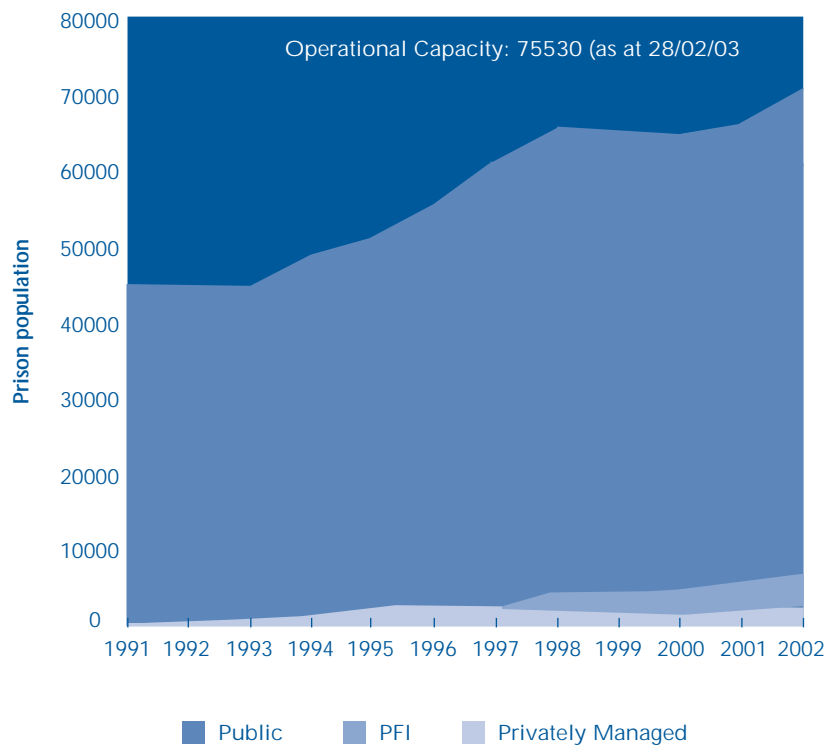
Certified Normal Accommodation: 600

Average Population 2001-2002: 590

Category 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)<sup>1</sup>. 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.

<sup>1</sup> 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. Controllers<sup>2</sup> 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.<sup>3</sup> 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)

<sup>2</sup> Correctional Services employees based in the PFI prison who monitor the contractor's performance.

<sup>3</sup> 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 expensive<sup>4</sup>.

- 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.



<sup>4</sup> 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 Standards<sup>5</sup> 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

<sup>5</sup> 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.