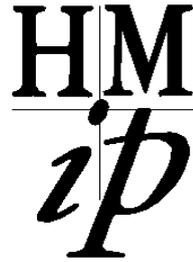




HOME OFFICE

HM INSPECTORATE
OF PROBATION



The Use of Information by Probation Services

A Thematic Inspection in 4 Parts

Part 2:

The Deployment of Resources

A study by HMIP

2000

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1. Introduction

- 1.1 This study is based on work conducted as part of Her Majesty's Inspectorate of Probation's (HMIP) wider thematic inspection on "The Use of Information in the Probation Service".
- 1.2 HM Chief Inspector of Probation (HMCIP) wrote to all Chief Probation Officers (CPO) in December 1999 announcing his intention to undertake an inspection with the following terms of reference:

Aims and objectives

Aims

- To examine how probation services make informed decisions in order to reduce crime and protect the public
- To examine the adequacy of systems developed nationally to support the use of information
- To highlight and promote good practice in the management of knowledge and use of information.

Objectives

- To review the progress made in the implementation of the National Probation Services Information Systems Strategy (NPSISS) vision that:

"Relevant, accurate and timely information should be accessible to all staff, where appropriate, at any location from a single source as an integral part of their working environment"

- To review the extent to which systems are meeting the core information needs of the service, the Home Office and other stakeholders
- To examine, assess and report on the use of information in relation to:

(a) *the deployment of resources;*

(b) *achieving compliance with national standards;*

(c) *contributing to crime and disorder partnerships.*

- To identify aspects of good practice in the collection, collation and sharing of information within probation services.

1.3 The thematic inspection incorporated three separate studies on the use of information in relation to the deployment of resources, achieving compliance with national standards¹ and probation services' contribution to the crime and disorder audits following the Crime and Disorder Act 1998. The studies, of which this is one, were published as separate pieces of work and in advance of the full thematic inspection report. This study was conducted both to provide evidence of the way services used information and because of the intrinsic importance of probation services deploying their resources efficiently and effectively.

1.4 An advisory group was established in December 1999 and met regularly to assist Inspectors and review the work on the full thematic inspection and the individual studies. Membership comprised individuals with knowledge and expertise in the subject matters from the Home Office, probation services and the Crown Prosecution Service (CPS).

1.5 Ten services were selected for the fieldwork that took place in January, February and March 2000.

Hampshire, Middlesex, North Wales, Northumbria, Oxfordshire and Buckinghamshire, Somerset, SW London, Surrey, West Yorkshire and Wiltshire.

1.6 The fieldwork was undertaken in two phases:

Phase one

- all ten services were visited for one day and a sample of case records was read
- all 54 services in England and Wales received a short questionnaire seeking details of their use of information.

Phase two

- specific and detailed documentation was requested from each of the 10 services due to be visited
- all ten services were visited for two days and a programme was devised which enabled Inspectors to examine the adequacy of systems developed nationally by the Home Office to support the use of information and how well the services used information and information systems

¹ The National Standards for the Supervision of Offenders in the Community were first issued in 1991 and have been revised in 1995 and 2000. They set out minimum requirements in relation to the supervision of offenders particularly on assessment, supervision planning, contact levels and enforcement action.

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- during the visits groups of staff and managers, members of the probation committee and representatives of local agencies were interviewed. Inspectors used a standard interview schedule to enable comparative information to be collected across all 10 services
 - on each visit part of the programme focussed on one or two aspects of the three studies, as follows:
 - **the deployment of resources** – Middlesex, Oxfordshire and Buckinghamshire, Somerset and Surrey
 - **compliance with national standards** – Middlesex, North Wales, Northumbria and Wiltshire
 - **Crime and Disorder audits** – Hampshire, South West London, Surrey and West Yorkshire

1.7 Early in 2000 it became clear that the National Audit Office (NAO) was intending to conduct a study into the National Probation Service Information Systems Strategy (NPSISS). Although the terms of reference of this work were different to Her Majesty's Inspectorate of Probation's (HMIP) inspection, there was significant overlap. It was agreed that the two organisations would work together and the fieldwork in Middlesex, Northumbria, Oxfordshire and Buckinghamshire, Somerset and Surrey was conducted on a joint basis.

Cost Controls

1.8 Cost controls in public organisations are an essential tool of management because only activity that can be measured can be controlled and the degree of control is determined by the quality of the measurement. Good cost controls provide:

- information that can be reported as a meaningful indicator of performance
- data that can be used to assess the impact of changes in legislation or operational practice
- indicators of activities that are over resourced and where productivity should be improved
- a standard against which services, teams and individuals can measure their performance
- information to enable managers to deploy resources more effectively
- evidence on performance for ministers and the wider public.

Inspection standards

1.9 Prior to the fieldwork visits a set of standards by which the work being inspected would be judged was devised. These standards which appear in full in Annex 2 were based on established policy and practice expectations. The specific ones which related to the deployment of resources were:

- effective systems are in place to provide information on the cost of service activities, including staff time, and its relationship to the outcomes of the work
- information that is required on the deployment of resources to achieve the service's objectives is available
- decisions on the creation and implementation of policy are made on the basis of consideration of different costed options.

1.10 The findings of the inspection against each of these standards are set out in chapter 3. HMIP has not followed its usual practice of naming services and the findings are illustrated by anonymous references. The study examined four services but on the basis of findings of both thematic and area inspections, HMIP is convinced that the shortcomings identified in this report are to be found in other services and to an extent reflect the weaknesses of the Home Office probation unit's planning and finance systems for the service. In this context, it was felt that it would not be reasonable to name services in a critical way although some named examples of good practice are quoted.

2. *Background*

Cash Limit

2.1 Probation services are funded jointly by the Home Office (80 per cent) and local authorities (20 per cent). A small number of activities (for example probation hostels) are funded 100 per cent by the Home Office. Resources are distributed to areas by means of a cash limit allocation formula which was devised by the Home Office in consultation with probation services and first used in 1992. The purpose of the formula is to enable the Home Office to make an equitable allocation of the total available grant for the coming year. This is achieved by applying several workloads and needs factors. The current factors are:

- **workload factors**
 - » probation orders
 - » community service orders (CSO) orders
 - » combination orders
 - » statutory throughcare
 - » Pre sentence reports (PSRs)
 - » family court welfare work
- **needs factors**
 - » sentencing data
 - » population aged 15-19
 - » average young male unemployed
 - » number of over-crowded household
 - » super-sparsity.

2.2 There are three stages in the operation of the formula:

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- the initial application of the workload and needs factors to arrive at an implied formula allocation for each service as a percentage of the total available for distribution
 - an adjustment to reflect differences between areas which are considered to be largely beyond management control, such as superannuation, property and London salary costs
 - an adjustment known as “damping” to lessen the impact on those services faced with large budget reductions from the one year to the next but which also limits the size of increase for services which gain under the formula. Under “damping” the change made to a service’s proportionate share of the total allocation in a given year compared to the previous year is limited to only 10 percent of the change indicated by the formula. However, a further adjustment is made ensure that no service receives less than a certain proportion of its formula share of the allocation (for 2000/2001, 92 percent).

A major review of the formula including the content of the needs element and the damping arrangements was underway at the time this study was completed.

- 2.3 Once a probation service has received its cash limit allocation, it has to prepare a budget for agreement by the probation committee in the first instance and present it to the relevant local authority in time to meet their budget deadline of the end of January or February. In areas where there are a number of unitary or metropolitan authorities, it is normal for one local authority to take the “lead” in this process on behalf of the other areas. Legislation to create a modernised probation service was being considered by Parliament whilst this study was being prepared. The Criminal Justice and Court Services Bill proposes to remove the local authority involvement in the process thus leaving probation services fully funded by the Home Office.

Annual Plan and Key Performance Indicators

- 2.4 The main **outcomes** for the work of probation services are set out in Home Office aim 4:
“The effective execution of sentences of the court so as to reduce re-offending and protect the public.”
- 2.5 The Home Office publishes an “Annual Statement of the Home Secretary’s Priorities for the Probation Service and Associated Action Plans” which set out the main **outputs** for the services’ work for 1999/2000 as:
- supervising offenders effectively to reduce re-offending and protect the public (objective A)

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- providing the courts and others with high quality information and assessment to assist them in sentencing and other decisions (Objective B).

In meeting these objectives probation services are required to achieve high quality, fairness and value for money. In addition, they have a key role in contributing to inter-agency work to reduce crime and the fear of crime.

- 2.6 The Plan for 1999/2000 was published on November 11 1998 (PC 76/98) and the Key Performance Indicators (KPIs) were issued on March 3 1999 (PC 20/99). The Plan for 2000/01 was circulated to CPOs on 19 January 2000 (PC 3/2000) and followed on 28 March 2000 by the Key Performance Indicators and targets.
- 2.7 There has been criticism from the Association of Chief Officers of Probation (ACOP), individual CPOs and HMIP of the late publication of these documents not just in 2000 but also in earlier years. Although the Plans are shared with ACOP in early drafts and do not change substantially from year to year, the late issuing of the Plans and KPIs does undermine the effectiveness and timeliness of local service planning.
- 2.8 The KPIs, of which there are nine, were designed to produce evidence of service performance in areas of activity defined by the Home Office as critical. KPI 7 is specifically related to:
- the unit cost of PSRs and welfare reports
 - the annual unit cost of probation, CS, combination and supervision orders
 - the annual unit cost of automatic conditional release and life licences.

Resource Management Information System

- 2.9 The data for KPI 7 is derived from the Resource Management Information System (RMIS) which was introduced in 1992 under NPSISS to help services in managing their resources by providing information on resource usage and on comparative costs for all the activities undertaken. The scope of RMIS is limited to the 80/20 funded budget items. It uses information on:
- **activity timings** - these used national average figures until the two national activity sampling exercises that were conducted in 1997 and 1998. Local timings have now been incorporated in the system for local use although some technical problems have meant that they have not always been used. KPI 7 is based on national average timings derived from activity samplings
 - **work undertaken** - the data used includes the standard Home Office returns on PSRs, commencement and termination of cases together with other data on activities such as court duty which is provided through self-reporting by staff

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- **costs** - broken into three broad categories:
 - **direct costs** - normally all costs associated with salaries of operational staff
 - **indirect costs** - including administrative and support costs including staff, travelling allowances, CS materials
 - **overheads** - including costs of headquarters, administration and other centralised services.

2.10 The national activity sampling exercises in 1997 and 1998 provided data on a self-reported basis on:

- the supervision of offenders
- the preparation of reports
- other activity such as court work, attendance at meetings etc.

This data was used to provide the basis of average timings that are used within RMIS.

2.11 Information on the time spent on wider activity directed at reducing offending such as attendance at inter-agency community safety meetings was not collected systematically. As not all services included chief officers in the exercise, the contribution made by these staff would not always have been counted even though they probably attended such meetings on the most occasions. This means that not all services have data on the cost of this activity. The study on probation services and the Crime and Disorder audits conducted as part of the wider thematic inspection on the use of information highlighted the importance of the contribution made by probation services. However, it has not been subject to a cost analysis at either local or national level.

2.12 RMIS is a team/cost centre based system that can be used to provide aggregated data for a whole area. The quality of the information produced is dependent on the data inputted. Services have expressed concerns about its use to compare performance between areas because:

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- the local activity timings were based on self reported activity sampling
 - it does not contain any mechanism to “weight” particular local factors such as high contributions to pension schemes² or high office rental costs
 - services may not necessarily input information in a consistent way; guidance aimed at ensuring consistency was issued in 1999
 - RMIS reflects working arrangements in services in the early 1990s and does not easily handle the most recent developments, e.g. specialist teams or partnerships
 - the exclusion of those activities funded 100 per cent by the Home Office may distort the “overheads” element of the system.

A further difficulty is that there have been problems with the arrangements in CRAMS to transfer workload data to RMIS.

- 2.13 Notwithstanding these difficulties, RMIS provides the data for KPI 7 on unit cost. The data is also used by HMIP in its Performance Inspection Programme (PIP) as one of the factors which enables comparisons to be made on cost and value for money both between areas in the same region and with the national KPI targets. During the time the work for this study was being undertaken a decision was taken to withdraw RMIS and replace it in the short term with a simplified calculation of costs for each probation area carried out centrally. A probation circular announcing this decision was being drafted as this report was being completed. In the longer term the Probation Unit intends to develop a more robust and accurate system for unit costs and resource management and it will be important that the findings from this study inform that work.

Best Value, Better Quality Services and the European Excellence Model

- 2.14 In 1999 the Government published a white paper, “Modernising Government” which focussed on improving performance management in the public sector. One of the key principles was that the right information should be used at the right level with managers using performance and cost information to monitor and improve their organisations. The approach is based on the concept of fundamental review of all services delivered by an organisation over a five year cycle. The four “C”s of Best Value i.e. challenge, compare, consult and compete are strengthened by a fifth “C” – collaboration. The white paper supported the use of the European Excellence Model as a framework for the review process.
- 2.15 In August 1999 the Home Office issued probation circular 54/1999 “Report of the Best Value and European Excellence Model Pilot Exercise”. This considered the pilots that had been conducted in 1998/99 on Best Value and the European Excellence Model in four probation services. It also became clear that (unlike most local authority funded services), probation services were not to be included in

² Contributions to Local Authority Supernannuation Funds vary considerably with most services now paying about 12 per cent. However, some services pay over 20 per cent because of the poor financial status of the local scheme.

the Best Value legislation. The Modernisation Programme Board for the Probation Service endorsed the processes and principles of the Better Quality Services framework and the European Excellence Model. A decision is yet to be made about the timetable for probation services to implement the model.

- 2.16 The European Excellence Model and Better Quality Services both demand information and control over costs as financial information drives business efficiency. The next chapter of this study examines the quality of the information available in probation services and to the Home Office and the way it is used.

3. Findings

3.1 The findings of this study are based on fieldwork undertaken as part of the overall thematic inspection, as described in chapter one:

- ten services were visited for one day and a sample of case records was read in January 2000
- all 54 services in England and Wales received a short questionnaire seeking details of their use of information.
- specific and detailed documentation was requested from each service due to be visited
- ten services were visited for two days and a programme was devised which enabled Inspectors to examine how well the services used information and information systems
- groups of staff and managers, members of the probation committee and representatives of local agencies were interviewed. Inspectors used a standard interview schedule to enable comparative information to be collected across all 10 services.

3.2 In addition the study has been informed by the findings of HMIP's regular area and thematic inspections and by a joint study undertaken in 1999 by HMIP with five other criminal justice inspectorates on "Casework Information Needs within the Criminal Justice System".

Fieldwork visits

3.3 In four of the services visited, Surrey, Middlesex, Somerset and Oxfordshire/Buckinghamshire the fieldwork had a specific focus on the use of information in the deployment of resources. All 10 services had provided information on the deployment of resources in advance of the inspection visits. In addition, the questionnaire sent to all 54 services on information issues, included questions directly related to cost issues. Responses were received from all areas.

3.4 As indicated in chapter two a set of inspection standards relating to the deployment of resources was established. The main findings of the inspection in relation to these standards are set out below.

- (a) effective systems are in place to provide information on the cost of service activities, including staff time, and its relationship to the outcomes of the work*

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- 3.5 The use of RMIS by the services visited was very limited. One service used it to compare unit costs over a period of time so that patterns of expenditure could be identified whilst another examined the data for anomalies. There was little confidence in the system's reliability and strong dissatisfaction was expressed as illustrated by the quotes from senior managers in box 1.

Box 1: RMIS - the views of senior managers

- "it is inadequate and inaccurate...the service does not use it because of fundamental flaws"
- "we collect the information and are in favour of using unit costs but RMIS is not used locally because of its unreliability and the absence of real time information"
- "it is not used to compare the service with other areas because we are not convinced that inputs are consistent between services"
- "no link exists between The Case Record And Management System (CRAMS) and RMIS at present in this service....we send the returns off to the Home Office but do nothing beyond that with it."

- 3.6 The analysis of the replies from all 54 probation areas to HMIP's questionnaire revealed that senior managers used the RMIS information in only six services. A survey conducted by an independent consultant in March 2000 on behalf of the probation unit to establish probation service priorities for investment in information systems and infrastructure facilities revealed a strong demand from local services for software to measure unit costs.

- 3.7 HMIP's area inspections have shown that there have been a significant number of services that have been so dissatisfied with RMIS that they have worked collaboratively to develop alternative ways of measuring unit costs. Two examples known to HMIP are:

- work by Merseyside, West and South Yorkshire on the unit costs of CS and family court welfare reports
- Derbyshire, Leicestershire and Rutland and Nottinghamshire had collaborated to produce unit cost figures on CS, community supervision, statutory throughcare, PSR and family court welfare reports based on figures provided by the Chartered Institute of Public Finance Accountants.

Both exercises were to be commended and in conducting them the services concerned showed they had taken the issue of financial efficiency seriously.

- 3.8 HMIP found that in local services there was little useful management information obtained from RMIS and that data did not exist to:

- examine the actual overall duration of activities
- examine the actual cost of activities.

In addition the lack of a national approach to classifying cases by seriousness using common criteria meant that services could not properly compare workload as opposed to case numbers.

3.9 In 1997 and 1998 national activity sampling exercises organised by the Home Office were conducted in local services over a two week period and based on staff completing time sheets. There was no external validation of the self-reported returns. The experience of the services visited was again mixed as quoted in box 2.

3.10 The activity sampling exercises had been conducted in local services to determine the way that staff time was used but this had been done on the basis of limited sampling using self-reporting. Its value as a basis of determining efficiency or productivity was very limited. The unit cost information that was available was basically calculated by dividing the overall expenditure by the volume of major activities. No mechanism existed to link expenditure to outcomes as a tool to judge efficiency. It is essential that such a tool be developed as soon as possible because managers need to know not only how much an activity costs but how much it should cost at a local level.³ It will also be essential for this information to be available if the principles of Better Quality Services and the European Excellence Model are to be applied in probation services.

Box 2: activity sampling - the views of senior managers

- the results of the first exercise had been incorporated into the service's local resource allocation formula used until 1999. It had participated in the second exercise but had not derived results for use at a local level because of difficulties in the computer interface between CRAMS and RMIS
- the national weightings were used as a "benchmark" on how long an activity took locally
- no use had been made of the data because the service had developed its own local resource distribution model that used weightings based on managerial judgements of what the service *could* afford to spend on a particular activity in terms of staff time
- the data was used as the basis of notional weightings in the local resource allocation model.

3.11 Three of the four services visited had participated in "benchmarking" exercises with other probation services to assess the comparative cost of service activity. These had included CS, the costs of staff sickness and the management of absence, the comparative cost of hostel bed-spaces and some work on KPIs. All these initiatives were commendable and some had tried to link cost with outcomes.

³ KPI 7 sets targets for expenditure on particular service activities such as the preparation of a PSR but because they are based on RMIS there are likely to be some doubts about their accuracy.

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- 3.12 A number of other probation services not visited during this inspection had participated in “benchmarking” exercises notably Bedfordshire, Derbyshire, Essex, Warwickshire and West Sussex. They had conducted annual exercises since 1996 that had examined employee budgets, the actual cost of administrative and specialist functions, workload and performance indicators. This was an important and valuable initiative.
- 3.13 However, there was considerable potential to develop these initiatives further. None of the services had compared itself with an organisation outside the probation service in either the public or private sector. For benchmarking to be of real value it is important that it takes place with an outside organisation in order that the opportunity to learn from best practice is maximised. Neither the Home Office nor ACOP had issued national advice to assist services on “benchmarking”. HMIP believes there would be merit in the Home Office issuing guidance to probation services on good practice in “benchmarking” early in the life of the new national service being established by the Criminal Justice and Court Services Bill.
- 3.14 In 1999 HMIP undertook a joint study with the other five criminal justice inspectorates on “Casework Information Needs within the Criminal Justice System”. This highlighted the importance of agencies working together to identify problems in the exchange of information.. The implementation of the recommendations of the Narey report to “speed up” justice depends on close inter-agency working on commonly identified problems. Probation services will be at a disadvantage in these processes if they do not have accurate information on costs.
- 3.15 Costing activities can alert managers to those issues outside their own organisation that should be tackled through inter-agency initiatives to reduce overall costs. None of the services visited were able to identify precisely those inefficiencies elsewhere in the system that were likely to be increasing their costs.
- 3.16 All the services visited had well established systems to control expenditure and ensure financial probity and they regularly reviewed their annual plans during the year. However, these processes did not seem to incorporate a rigorous examination of whether outcomes, successful and unsuccessful,⁴ represented value for money.

(b) information that is required on the deployment of resources to achieve the service’s objectives is available

- 3.17 Inspectors examined the use of information in the deployment of resources in respect of:
- the production of the annual plan and the choices made within it between different activities
 - the deployment of staff to achieve the objectives of the annual plan

⁴ Unsuccessful outcomes require careful management as well as those that are subsequently successful. For instance, approximately 20 per cent of CS orders are not terminated successfully but they have still required management and the use of resources.

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- the way resources were deployed in CS as an illustration of the way the service deployed resources in practice.

Annual Plans

- 3.18 **Service A** had a schedule that “aligned the organisational and budgetary cycles”, which had been used since 1997. This provided a helpful framework for a process that began in early autumn. The service considered that it was hindered by the practice of announcing the cash limit in early December followed by the national plan. This concern was expressed by the other services visited in this inspection.
- 3.19 The Assistant Chief Officers (ACOs) said that the local plan was prepared on a “top down” basis with limited use of data. One stated:
“In most years it was an historical budget based on what had been spent in the previous year with an adjustment up or down depending on inflation or the amount of money available to the service as a whole”.
- 3.20 The probation committee members wanted to see more “ball park figures” attached to overall objectives. This view echoed the CPO who considered that information on costs and performance was not meshed together sufficiently. He had been particularly frustrated with RMIS and CRAMS. The senior management group formally reviewed the annual plan every four months. However, the majority of decisions had been made jointly by the CPO and the ACO (finance) and the other ACOs felt that there was scope to bring together finance and objectives issues more closely.
- 3.21 **Service B** had a detailed cycle for developing and reviewing the annual plan. The process began in August with a request to all budget holders for comments on expenditure. The chief officers then prepared an issues paper. Consultation with staff had taken place both formally and through the local NPSISS (internet) network. The CPO had placed a copy of the issues paper on it and invited emailed comments. The service had made considerable efforts to take an overall view of expenditure on priorities although some senior managers commented that there was scope for more linkage between financial and performance information. The probation committee representatives wanted more information on cost and greater discussion on prioritisation. The CPO acknowledged that the service lacked a tool to trace costs so that information essential to planning and operational management was missing.
- 3.22 **Service C** had an established planning cycle that culminated in the submission of the annual plan and budget to the probation committee meeting in January. The finance manager discussed budgets with middle and administrative managers in October. The chief officers had a number of strategy days during the year to review the annual plan but they were hindered by the absence of any meaningful information on costs. The service acknowledged that issues of resources and plans could be more closely linked.

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- 3.23 **Service D** had an annual budget planning cycle that began with a review of the current budget in September. The senior management team followed this with a detailed meeting in October to discuss operational and financial issues making explicit links between the two processes. Broad costings were developed and a draft budget produced before the announcement of the cash limit. The service used a number of different scenarios to develop its operational and financial plans.

Deployment of staff

- 3.24 **Service A** had used a resource allocation model prior to a major restructuring in 1999. The model had used workload data although the service acknowledged that there had still been a large measure of historical precedent. The major restructuring in 1999 followed extensive consultation within the service and a high level of staff involvement. There had been effective use of data relating to workload, risk, LSI-R and SMINs. Severe problems in the recruitment of staff meant that since 1999 decisions about staff deployment had been made pragmatically in response to workload pressures.
- 3.25 **Service B** had used a resource allocation model to allocate probation officer staff between divisions. However, serious staff shortages had led to the recruitment of a large number of non- probation officer staff and this had meant that the resource allocation model had not been used recently. Each division had an establishment of probation officers and approval from the probation committee was required to reduce the number of such posts within a division. Each divisional manager had authority to move posts within their own divisions although the scope to reallocate expenditure to other tasks was limited.
- 3.26 **Service C** had developed a local resource distribution model to allocate staff. The model was updated monthly and was used as a factor to be taken into account when consideration was being given to the replacement of posts. Results were considered twice a year by a standing group to confirm the impact of workload fluctuations on staffing requirements. In the short-term, workload variations were dealt with by the transfer of staff time between teams. The model was impressive and is described in more detail in box 3.
- 3.27 **Service D** used a zero-based approach to ensure that resources followed service delivery need and to avoid the perpetuation of historical anomalies. Notional weightings were used, based on the results of the activity sampling data, and amended to take account of rurality to allocate staff. Trends in workload were taken into account in this process.

Box 3: Service C's resource allocation model identified:

- the proportion of probation officer complement warranted by an individual team's proportion of the weighted workload
- the weighting of different probation officer tasks derived from a formula based on work in a typical team in the service
- travel time calculated using mileage converted into hours.

It covered all community supervision/licence cases, PSRs and parole reports. However, it excluded work in specialist settings such as prisons, hostels, family court and the practice development team as well as work on community safety and wider inter-agency contacts.

The model was used to allocate resources and was ultimately based on judgements made by senior managers on how long an activity **could take** based on the resources available to the service and its overall responsibilities. As such, it provided an equitable and rational basis for resource allocation.

Community Service

3.28 **Service A** set an overall budget for CS and had mechanisms to ensure that expenditure was monitored. However, there did not seem to be any systematic basis for the calculation of the overall budget. There was also no routine collection of information on the operation of the scheme such as the number of hours worked in work parties supervised by paid supervisors. There seemed to be no direct link between the CS budget and the CS plan and no monitoring of the cost of work party placements. This meant that the staff within CS were operating in a vacuum and were not be able to make judgements about the efficiency of the scheme.

3.29 **Service B** conducted a review of CS in 1998 using "zero based" principles. Since that review the budget had been set on an historical basis with an allowance for inflation. The information used in the process to set the overall budget seemed limited. The budget for sessional supervisors had been determined centrally. In 1999/2000 there had been an overspend that was met by using underspend in the probation officer salaries budget. There was an absence of management information on CS and the link between performance and planning was not strong. The data on workload was regarded as unreliable and divisional managers collected information manually using their own individual systems. This meant that data across the area was inconsistent and not comparable. The service was introducing a new case management system to provide such data in, what it considered, was the absence of effective information from CRAMS and RMIS.

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- 3.30 **Service C** had undertaken an efficiency and effectiveness review of CS in 1999 that determined the staffing levels. Expenditure on sessional supervisors was monitored through ensuring that work party sizes exceeded a required minimum. The budget for these supervisors was largely based on historical patterns of expenditure although the service had adjusted it to take account of the recent requirement to provide holiday pay for staff on permanent contracts. There was scope to increase the use of information to monitor aspects of the scheme in particularly expenditure on sessional supervisors. Although expenditure on CS was carefully monitored the link between the unit's plans and its budget was not explicit.
- 3.31 **Service D** had undertaken a major staffing review of CS in 1999 which led to significant savings of over £100,000 in the budget. It had been accomplished by:
- altering the staffing structure
 - increasing the number of individual placements significantly
 - adjusting office boundaries to make the scheme both more efficient.
- 3.32 CS workloads were monitored through general data. There was careful financial oversight of the scheme although there seemed to be scope to use information systematically to validate the promising early results from the staffing review and to provide further monitoring of efficiency.
- 3.33 In addition to these detailed findings comments were made in a number of areas as set out in box 4.
- 3.34 The ability of services to deploy resources effectively was limited by the absence of accurate information on unit cost as described earlier in this chapter. However, there was scope for services to use the information at their disposal more systematically to link operational and financial planning. The findings on CS clearly indicate that although individual schemes may achieve very satisfactory outcomes in terms of successfully completed orders, there was insufficient use of information to be able to demonstrate that this was being achieved efficiently or cost effectively.

Box 4: Service comments on financial planning

- the comprehensive spending review had been welcomed with its framework of three-year financial decisions. This provided some stability to areas in financial planning even though the cash limit formula meant that there were fluctuations from year to year in the area's share of the overall budget

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- there was a clear wish from both probation committees and chief officers for more indication from the Home Office of its priorities and the proportion of budgets that it would want spent on specific activities
 - the timetable for operational and budget planning was too constrained by the “late” date on which the cash limit and the Home Office national plan were published. There was particular criticism of the late publication of the national plan in January 2000, well after most services would have completed both their operational and financial planning.
 - there was disappointment at the capacity of RMIS and with the problems of CRAMS interfacing with RMIS.

(c) decisions on the creation and implementation of policy are made on the basis of consideration of different costed options

- 3.35 **Service A** was frustrated about the failure of RMIS to provide sufficient data on cost. Even so, both the CPO and the probation committee provided examples, such as the restructuring of the service in 1999, where information on cost and performance had been integrated to assist decision making. However, it was acknowledged that there was scope to develop this further.
- 3.36 **Service B** provided several examples of new developments that had been based on costed options. There was a determination to use the principles of evidence based practice to encourage managers to be able to justify new developments in terms of efficiency and effectiveness. Again there was frustration at the failure of RMIS to provide adequate data.
- 3.37 **Service C** had made significant efforts to cost specific aspects of its work in terms of both direct costs and staff time e.g. the effective practice action plan. Serious doubts were again expressed throughout the service and by the probation committee about the value of RMIS.
- 3.38 **Service D** attempted to develop costs to accompany policy proposals. However, RMIS limited the effectiveness of the process and the probation committee wanted accurate cost data.

Summary

- 3.39 The inspection visits, the questionnaire to all services and the advance information provided valuable evidence that:
- services were disadvantaged by the absence of an effective and accurate tool to measure cost

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- there seemed more willingness to engage with the issue of cost when considering new developments
 - some of the “value for money” studies conducted by local auditors had been seen by the services as very valuable. However, apart from CS they were rarely conducted on key operational activities such as the supervision of offenders
 - the importance of linking all planning and review processes with cost was not sufficiently part of management practice although many of the managers interviewed wanted to develop this aspect; this finding matched HMIP’s finding in the first four regions of the performance inspection programme.
- 3.40 The inspection revealed clear frustration within services about the failings of RMIS. Probation services were not able currently to identify the cost of their activities credibly and accurately although managers were not using the information which was available on cost sufficiently in making operational decisions.
- 3.41 The absence of reliable data and an effective system to provide information on the cost of service activity, including staff time linked to the outcomes and quality of the work is a matter of serious concern to HMIP. A system is required that will:
- provide data on activity costs based on validated real time measurement gathered nationally on a routine basis
 - enable the equitable allocation of probation resources based on risk
 - assist probation committees and managers to judge the efficiency and effectiveness of expenditure on service activity in accordance with the principles underpinning “Better Quality Services”
 - enable the Home Office and HMIP to compare the efficiency and effectiveness of probation areas
 - provide ministers with assurances and evidence that resources are being deployed efficiently
 - provide accurate operational costings particularly of new proposals and “what if” scenarios
 - identify and cost immutable local factors outside the control of the probation service that could be altered through inter-agency co-operation.
- 3.42 It is therefore recommended that:

The Home Office uses the findings from HMIP’s study on the deployment of costs in developing an effective resource management information system for the probation service.

4. *The Way Forward*

4.1 Chapter 2 explained the basis for the cash limit formula used to divide up the finite probation national budget. The workload data for the cash limit for 2000/2001 used statistics from 1998 related mainly to the number of community orders/licences commenced and the total of PSRs/other reports prepared. However there is currently no nationally agreed consistent mechanism to identify the level of effort required for service tasks. The formula has inherent difficulties including the :

- allocation of resources on the basis of what was done and not on predictions of future demand
- use of volume figures that cannot reflect the seriousness of the offenders supervised either in terms of harm to the public or risk of re-offending.

4.2 Thus it would be possible for the formula to allocate, and the service to spend, a relatively high budget on a workload of low risk offenders. It will be important that the level of risk posed by individual offenders is taken into account in the new needs based cash limit formula.

4.3 The limitations of the activity sampling exercises to date mean that reliable information on the real cost of probation service activities is not available and no information is available on the individual components of those activities. The Comprehensive Spending Review in 1998 indicated that individual probation areas had achieved impressive improvements in levels of efficiency. By comparing real term spending with workloads in 1997/98 it estimated that services had absorbed efficiencies of 22.5 per cent since 1994/95. In addition, the service had taken responsibility for additional work in relation to victim enquiries. The Review did not however attempt to comment on the quality or effectiveness of the work.

4.4 At a national level the linkage between the probation service budget and the preparation of the annual plan is not explicit. Although the plans have each contained a list of priorities no guidance has been provided on the order of those priorities or the balance to be given to each. Probation areas have been expected to make their own choices within a finite budget. There is, however, an expectation from the Home Office that:

- all PSRs requested by the courts will be prepared within the timescale required by the relevant KPI
- all community orders and licences will be supervised in accordance with national standards.

4.5 These demands on a finite budget, based on historical workload data have encouraged some probation committees and senior managers to seek ways to provide supervision within the constraints of national standards but not always their spirit. Area inspections have found that some probation committees have authorised deviations from national standards, a practice which HMCIP has strongly advised against. Alternatively, and more frequently, local practice has emerged that does not provide levels of effective supervision including:

- the use of “reporting only” arrangements for offenders assessed to be at a low risk of re-offending at the beginning of the order even though local sentencers considered that they were serious enough to warrant supervision in the community
- the use of short group work programmes which are unlikely to be effective in reducing reoffending to ensure that large numbers of offenders receive some basic level of supervision
- the non allocation of certain offenders determined by the case type, i.e. short term throughcare.

4.6 Some services have developed local systems using workload formulas to direct resources to need. The model used by **service C**, quoted in chapter 3, was an example of such an initiative. If such initiatives could be combined with real time measurement, managers would be able to begin to provide direction on how long an activity should take. If this was pursued within an appropriate framework that balanced the resources available with the tasks to be undertaken it would provide a more rational basis for long and short term planning and operational management at a local and national level.

4.7 In costing activities three factors are fundamental – time, volume and staff cost. Within the probation service there are serious difficulties in relation to:

- **time:** RMIS uses average timings based on the activity sampling exercises. There are doubts about the reliability of activity sampling data to compare the time taken to complete an activity between individuals/teams/divisions or areas. To really focus on the costs of a process this data is essential particularly in an organisation like the probation service where over 75 per cent of expenditure is on staff and the majority of the work is “face to face” with offenders. Whilst there will always be variations in the time taken by staff to perform similar duties, unless it is measured management cannot set and promote “norms”
- **volume:** the national cash limit formula does not differentiate between the seriousness of individual cases but only between the categories of orders/licences. Some services “weight” high-risk cases in local resource models. The potential of OASys (the system for assessing offenders currently being developed by the Home Office for use in prison and probation services) to provide data on the level of risk of harm would provide information to improve resource allocation on a local and national basis. It would also improve cost management by identifying those cases which require more intensive supervision and are likely to cost more to supervise

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- **staff cost:** greater clarity in identifying the most serious cases should enable the service to deploy its most expensive resources more effectively.

4.8 There are examples of public services which have developed systems to identify costs in terms of money and staff time. One case study based on the CPS is reproduced in Annex 1.

4.9 The findings of this study indicate that probation services need a model which uses unit costs and relates them to the overall work of the service. Some initial thoughts based on this study suggest that such a model would need to:

- differentiate outcomes from outputs
- focus on those measurable activities i.e. outputs that relate directly to outcomes
- identify inputs that can be measured and which are capable of distinction in terms of the seriousness of the work being undertaken
- have the potential to identify both efficient and inefficient processes.

and should enable:

- probation committees and senior managers to compare unit costs/activity between divisions/teams/individuals within the constraints of the service's own structure to identify and promulgate efficient and effective processes
- benchmarking exercises between services
- HMIP to make judgements on efficiency, effectiveness and value for money
- the allocation of resources at a local and national level
- the development of a framework to underpin operational and budget planning with a mechanism to prioritise objectives and link them to the allocation of resources.

4.10 In taking forward the recommendation made in this report it will be important that the Home Office probation unit, explores with HMIP, the Central Probation Council and ACOP how such a model might be best developed and piloted in probation services as part of the modernisation programme.

Summary

4.11 Poor management and higher costs are intimately related. Although there are a number of KPIs related to costs set by the Home Office for probation services, it was apparent from this study that probation services do not have an effective system for the management control of costs. The absence of an effective system for measuring costs contributes to this but there is also a general inability to

link performance with unit costs. Furthermore, although some unit cost data was produced, it had been arrived at by dividing expenditure by output providing no indication of effectiveness. The scope for comparing services in terms of efficiency was very limited because of the lack of credibility of RMIS.

- 4.12 This study has made one recommendation to assist services and the Home Office in the deployment of resources to achieve the greatest efficiency, effectiveness and value for money:

The Home Office uses the findings from HMIP's study on the deployment of costs in developing an effective resource management information system for the probation service.

5. Annex 1: A Case Study - Activity Based Costing in the Crown Prosecution Service

- 5.1 In addition to the fact that one member of the advisory group was from the Crown Prosecution Service (CPS), the CPS was also visited as part of the work on this study. This annex is based on material provided by their Costing team, Internal Resources and Performance Branch and the CPS Inspectorate (CPSI).
- 5.2 As an organisation CPS has many similarities to the probation service, including:
- a budget of approximately £300 million p.a. comparable to the £371m for the probation service in 2000/2001
 - a national organisation with a central HQ and 42 local areas – a structure similar to the national probation service that will be established by 2001
 - a considerable number of professional staff, supported by administrators
 - a place in the wider criminal justice system where it is not in total control of its own costs (e.g. court delays, poor quality police files).
- 5.3 As CPS will testify, there are considerable problems in devising a suitable system for local distribution, particularly to 42 areas of widely differing size and within tight overall budget constraints. Such systems are difficult and time consuming to construct. Inevitably there will be a number of “winners” and “losers” falling out of the revised analysis with the result that the system is unlikely to attract universal approval from staff and managers. However, in November 1995, after consideration of various alternatives, a project was commissioned to develop Activity Based and Unit Cost models to enable the CPS to:
- determine the costs of inputs and outputs
 - improve understanding of those costs and their inter-relationship.
- 5.4 The project was taken forward within the CPS in two ways:
- Consultancy Services (now known as Management Audit Services) developed a series of branch based activity timings across all Magistrates and Crown Court processes
 - Internal Resources and Performance Branch developed Activity Based and Unit Cost models that demonstrated relative performance across all branches within the CPS.

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- 5.5 The remit of the CPS Inspectorate is being broadened following the Glidewell report and will progressively include management arrangements. The Inspectorate will have recourse to Activity Based Costing analysis to highlight the efficiency and effectiveness of management and operational performance in the CPS.
- 5.6 Activity Based Management (ABM) is an internationally recognised approach to costing implemented by many organisations in both the public and private sectors, to measure costs and improve processes. ABM can assist staff to understand what resources are consumed and outputs produced by each activity and process and also provide an all-embracing planning, monitoring and control system that enables managers to make better and more informed decisions. Ownership of the information can enable resource managers to learn about their processes and continually improve activities and those processes. The basis of ABM in the CPS is activity timing casework processes and modelling capabilities provided through their Corporate Information System (CIS).
- 5.7 Activity Based Costing (ABC) is a linked world-wide system that produces accurate staff cost for each activity which takes place in a work process. Within the CPS, it measures the prosecution process from advice, review and case preparation, through to presentation and disposal. It breaks down each prosecution activity into its constituent parts to measure the staff effort required using a variety of conventional measurement techniques. This enables staff costs at appropriate levels to be attributed to all activities within the prosecution process. It depends on totally accurate recording of activities by each area to be resourced, which can be a culture shock for any organisation not used to such rigour. The recently concluded CPSI thematic review has identified significant weaknesses in the CPS system of recording case outcomes and in its operation. This is a severe limitation on the extent to which ABC can accurately reflect the differing resource implications of the full range of CPS casework.
- 5.8 ABC is designed to provide CPS with:
- a standard against which areas/branches can compare their performance
 - the identification of resource intensive activity, which can be targeted for improvement
 - information which can be translated into meaningful performance, for example unit costs
 - information to support local managers in achieving more effective deployment and management of their resources
 - information on staff costs and timeliness to inform Joint Performance Management (JPM)⁵ initiatives
 - a tool for assessing the potential impact on the CPS of changes in legislation, or other changes to the prosecution process

⁵ Joint Performance Management is the name given to inter-agency working that originated with the Police and CPS to improve file quality and timeliness, to reduce avoidable discontinuance and Crown Court acquittals. The techniques that involve reviewing data handling arrangements, identifying the issues and reviewing progress are now being used elsewhere in the criminal justice process to improve efficiency and effectiveness. The initiative is closely linked with the Narey reforms that are designed to speed up the progress of cases through courts.

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- an assessment of staffing requirements in direct relation to workload and a tool to distribute resources between areas/branches/offices equitably.

5.9 ABC in CPS seeks to provide an objective basis for determining the appropriate levels of staff to deliver core business by ensuring that the CPS has the appropriate number of prosecutors, caseworkers and other levels in each branch. Subsequent benchmarking activities through ABC can assist with the identification of good practice and more efficient working methods to generate efficiency improvements. It provides local managers with a greater understanding of the costs and efficiency of their business processes/practices. Continued use of Activity Costing at the local level also guides managers in deploying their staff more effectively to meet workload fluctuations as well as giving them information about costs and timeliness associated with JPM initiatives.

5.10 The foundation of activity cost modelling in CPS is in-depth analysis of the business processes and timings attributed to those processes. The analysis for CPS has been undertaken by a team from the Management Audit Services that has developed a series of timings covering the core business of processing branch casework. Since the beginning of the project, baseline data for the model has been gathered from a total of 30 branches (33 per cent of the total) and timings have been based on analysis of 10,550 Magistrates' and 3,600 Crown Court cases. The project team used experienced seconded staff, both legal and administrative to ensure that timings reflect current procedures and practice.

5.11 The starting point of ABC/ABM is detailed examination of the prosecution process which involves:

- constructing workflow process charts showing the worksteps
- ensuring workflows complied with instructions and were efficient/ effective
- discussion, quality assurance and agreement of the flowcharts by those who undertook the processes in the branches visited.

Each workstep is then timed using standard work measurement. Three techniques are used:

- **Predetermined administrative data systems (PADS)** – internationally recognised timings for basic activities such as writing, filing, keyboard input
- **Analytical estimates** – experienced Crown Prosecutors provided estimates of time required for actions such as review and court attendance
- **Observation, timing and activity sampling** undertaken by the team to validate estimates, particularly court times

Having established each workstep, they then conduct a file analysis to see how often they each workstep occurs. National average timings have been developed to time each key performance indicator using data from both inner city and rural areas. Twenty key timings related to casework processes are produced each year following rolling analysis in CPS branches.

5.12 The process focuses on work undertaken in CPS branches, excludes HQ costs, general administrative or capital expenditure and takes into account:

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- **Indirect work costs** – the time that is undertaken in a work situation that is unavoidable but does not assist the process of completing your job e.g. telephone messages for other people
 - **Relaxation allowances** – as a key assumption is that performance should be accompanied by regular periods of rest, recovery and refreshment. The CPS uses guidance issued by the Treasury that set it at 12.5 per cent for direct work and 5 per cent for indirect work.
 - **Travelling time** – based on the particular constraints of each branch’s geography
 - **Absence** – covering annual leave, maternity, training and a level of sickness geared to an acceptable efficiency level approved by the Treasury. For the CPS this means that their staff will not be available for 40 of the potential 250.5 days in a working year.
- 5.13 The integrity of the ABC data is the key element in retaining the accuracy of timings and their value as a management tool, which is why all timings are continuously reviewed and updated to reflect changes in procedures and working practices. It is vital that ABC follows the business process to ensure it captures the correct elements.
- 5.14 CPS Activity Costings are derived from three sources of information:
- timings of activities involved in the prosecution process
 - the application of workload volumes from caseload outcome data (performance indicators)
 - personal payroll costs for all staff in branches level involved in the prosecution process.
- 5.15 Thus to determine the cost of review of a certain type of case, the CPS might calculate that:
- a lawyer takes an average 15 minutes to review each case
 - there are 1000 cases to review each year
 - the lawyer has a payroll cost of 30p per minute.
- The activity cost of reviewing the total caseload is therefore, 5 minutes x 1000 cases x 30p/min = £4,500. Within the probation service similar calculations could be made for the cost of specific activities such as the preparation of a PSR etc.
- 5.16 Using the activity timing data, the CPS have created activity cost models to show for each CPS branch and geographical area:
- the amount of time expressed in minutes and consequential staff profile required to carry out the work
 - a comparison between the time and staff required and the actual staff in post
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- the payroll costs of the staff required to carry out the work
 - a comparison between the payroll costs necessary to carry out the work and the amount of money currently devoted to payroll costs.

5.17 Importantly, the CPS links the ABC and activity costing data with its Corporate Information System to allocate resources. The activity cost models produce figures relating to the number of posts required in each grade to deal with the caseload handled in each branch. The figures are otherwise described as “should take” posts and have two uses. They can be:

- compared directly with the number of staff actually in post in branches
- converted into a monetary “should take” cost to allow comparison with the actual payroll expenditure of a branch.

They are able to take into account in the payroll calculation factors such as different payments to pension schemes, higher allowances in London etc. The eventual use of ABC by organisations to inform resource allocation is as much an art as a science. Judgements still need to be made about the relevant costs falling to areas that are not covered by ABC analysis, the impact of local factors and the capacity of local teams to respond to changing workloads.

5.18 The data obtained enables benchmarking to take place. Benchmarking branch activities through ABC identifies good practice and more efficient and cost effective working methods that can generate wider efficiency improvements. It provides local managers with a greater understanding of the costs and efficiency of their business processes / practices. It also helps to prevent each branch “re-inventing the wheel” in their pursuit of efficiency and effectiveness. Two basic approaches are used for benchmarking in the CPS:

- **The ABC scorecard** – which is based on data obtained by the ABC team in critically examining and analysing CPS performance in the Magistrates and Crown Courts. This data is used annually to provide indicative timings that convert to costs to drive the CPS Corporate Information System used to distribute resources to areas. Every ABC submission is based on actual performance in branches, meaning that the data is accurate. To assist managers the ABC team produces a scorecard of averages based on actual performance. This sets average standards by which the performance of a branch can be measured
- **ABC Lite** to compare costs – this is a simple Lotus notes/Excell spreadsheet geared to current salaries by grade. By typing in a small number of elements from a case, it is possible to automatically calculate the indicative costs and time spent per case apportioned by grade.

Summary

5.19 The CPS is committed to continuous improvement and ABC is only one of the tools being used to drive efficiency. It is also fair to say that ABC/ABM are still in their relative infancy in CPS and all the benefits of the system are not yet fully appreciated within the organisation. Whilst not all the elements of the CPS approach may be relevant to the probation service, ABC/ABM does provide a potential and publicly recognised framework for the probation service that could:

- enable more awareness of cost
- allow greater comparability between services
- provide the basis for a system to allocate resources using a standard system at both a national and local level.

6. *Annex 2- Inspection Standards*

- 6.1 The thematic inspection on the “Use of Information in the Probation Service” used the following set of standards. Each of the three studies undertaken as part of the thematic focused on the particular and relevant aspects of the standards.

NPSISS

1. Relevant, accurate and timely information should be accessible to all staff, where appropriate, at any location from a single source as an integral part of their working environment

Core information needs

1. Services meet the requirements of the data protection act 1986
2. Effective systems exist, and are used, to provide the probation committee with comprehensive and timely information on the performance, workload, outcomes and costs of the service in the context of local and national circumstances
3. Staff, at all levels of the service, receive appropriate information that is used to improve both individual and corporate performance
4. Effective systems exist to provide operational information including that required to manage the risk of harm presented by offenders, and that it is used appropriately
5. Effective systems are in place to enable the service to respond fully, accurately and promptly to the Home Office’s regular requests for information and statistical returns, and the service responds accordingly
6. The service is able to respond appropriately to requests from stakeholders and other interested parties for information

Achieving compliance with national standards

1. Effective systems are in place, and are used, to monitor regularly the performance of the service against national standards
2. Effective procedures exist to ensure that managers examine the performance of staff in relation to compliance with national standards
3. Effective mechanisms exist to enable staff to know whether individual cases are meeting the requirements of national standards
4. Services are able to use the local guidelines relating to the fair, vigorous and effective enforcement of community orders and licences

The deployment of resources

1. Information that is required on the deployment of resources to achieve the service's objectives is available
2. Effective systems are in place to provide information on the cost of service activities, including staff time, and its relationship to the outcomes of the work
3. Decisions on the creation and implementation of policy are made on the basis of consideration of different costed options

Crime and Disorder

1. Services are contributing to the statutory crime and disorder partnerships, in accordance with the requirements of the Home Office guidance manual
2. Effective information systems exist that demonstrate how the probation service contributes to the process of developing and implementing strategies for reducing crime and disorder.

Glossary of abbreviations

ABC	Activity Based Costings
ABM	Activity Based Management
ACO	Assistant chief officer
ACOP	Association of Chief Officers of Probation
ACPO	Assistant chief probation officer
CPC	Central Probation Council
CPO	Chief probation officer
CPS	Crown Prosecution Service
CRAMS	Case record administration and management system
CS	Community service
CSO	Community service order
HMIP	HM Inspectorate of Probation
HMCIP	HM Chief Inspector of Probation
PIP	Performance inspection programme
PO	Probation officer
PSR	Pre-sentence report
PSO	Probation services officer
Q&E	Quality and effectiveness
RMIS	Resource management information system