



National Audit Office

Report

by the Comptroller
and Auditor General

Ministry of Justice

The new generation electronic monitoring programme

Key facts

5 years

total delay to deployment of new electronic monitoring tags (originally planned from November 2013 and now expected to start at the end of 2018)

£130m

lifetime estimated cost of the programme to obtain the new electronic monitoring service by 2024-25, including £60 million sunk costs incurred to 31 March 2017

**160,000–
220,000**

number of subjects originally expected to be tagged in 2016-17

The actual number is expected to be less than 65,000 in 2016-17

£470 million

expected costs of running the monitoring service, including service payments and contract management, from 2017-18 to 2024-25

2

number of failed procurements for the development of new tags

£4.4 million

net settlement paid by the Ministry of Justice to the former tag supplier, Steatite

**9% (£9 million) to
30% (£30 million)**

savings expected by the Ministry in annual monitoring costs through a new service

10.6%

savings claimed by the Ministry through renegotiating the price of its existing monitoring contract with Capita

5

number of senior responsible owners for the programme since it began in 2011

Summary

1 Since 1999 the government has used contracted-out electronic monitoring ('tagging') services for sentencing and supervising offenders in England and Wales. Electronic monitoring allows the police, courts or probation services to monitor an offender's location and compliance with home curfews. Where appropriate it can provide a cheaper alternative to prison, support the offender's rehabilitation in the community and reduce reoffending.

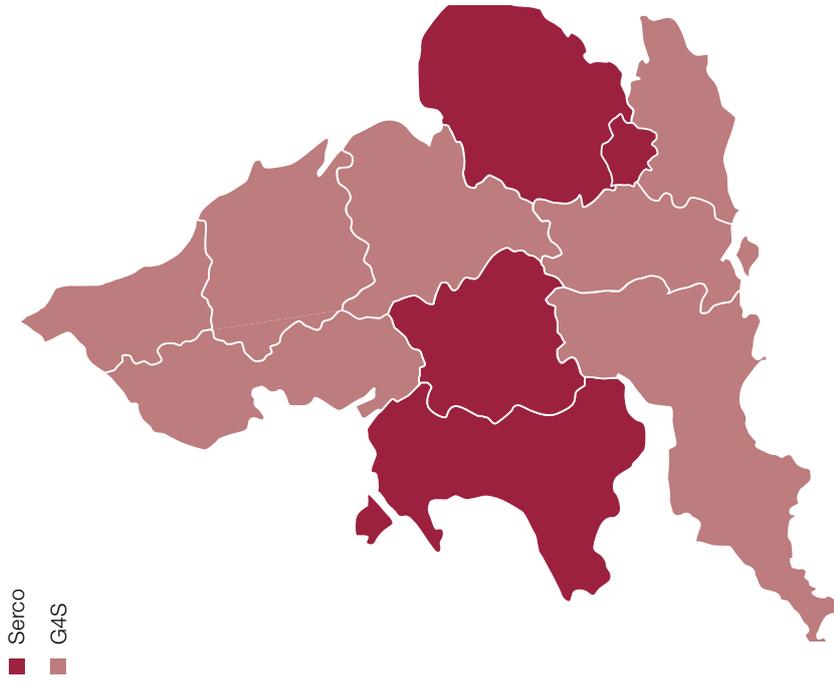
2 Currently there are two types of tags, both usually fitted to an individual's ankle: tags for curfew supervision using only radio frequency (RF) transmission, and tags for monitoring location and movement which combine RF with global positioning system (GPS) technology. The vast majority of cases, around 12,300–14,000 offenders at any one time in 2016-17, are under curfew tagging orders. Curfew tags transmit information on an individual's location only in relation to their home. The information is reviewed by staff at a monitoring centre to check that the individual is complying with their home curfew order. So far, location monitoring tags (with GPS capability) have been used on very few cases, usually fewer than 20 at any time. These allow an individual's location and movements to be monitored wherever they go.

3 In 2011 the Ministry of Justice (the Ministry), identified an opportunity to transform and expand its electronic monitoring service. It sought to reduce the cost of tagging, and also provide wider operational benefits and more sentencing options for the courts. It launched a programme to develop a new world-leading ankle tag, combining both RF and GPS functionality to be used on all tagged offenders. The Ministry also sought to procure the service under a new 'tower' delivery model. This split the end-to-end electronic monitoring service, previously delivered by G4S and Serco, into direct contracts with four different suppliers. Each would supply different elements of the service, with their work pulled together by a contracted integrator (**Figure 1** overleaf).

Figure 1
The change from geographical to functional contracts

Original service: geographical split where G4S and Serco delivered end-to-end electronic monitoring services

Electronic monitoring areas covered by G4S and Serco



New service: four national contracts, each delivering a specific part of the electronic monitoring service

Part of the electronic monitoring service	Supplier
Field service to fit/remove tags, operate the monitoring centre and report incidents/breaches to offender supervisors or police.	Capita
Systems and services integrator to manage and integrate the work of all the suppliers.	To 2016: Capita From 2016: Ministry of Justice
Develop and supply the tags for deployment by Capita field services.	To 2014: Buddi To 2016: Steatite From 2017: G4S
Process and verify data transmitted from the tag and present as information to Capita field services.	Airbus
Mobile network enabling the tags to communicate data to Airbus.	Telefonica

Note

1 Due to the failed development of new tags and the Ministry of Justice only recently appointing a new preferred bidder, the service currently still relies on legacy tags from the original service supplied by G4S Monitoring Technologies.

Source: National Audit Office

4 The Ministry's original aim was to replace the G4S and Serco contracts by April 2013, when they expired. It expected the new tags to be deployed from November 2013. But the programme has faced significant delays, and there have been two failed attempts to procure bespoke tags. As this report was being finalised in late June 2017, the Ministry informed us that it selected G4S as preferred bidder for supplying the new tags, which are already available in the market. The Ministry now expects to deploy tags from the end of 2018, five years later than the original date.

Scope of the report

5 This report examines why the programme has been delayed, and whether the Ministry has learned from its experiences in its current approach.

- Part One describes the use of electronic monitoring in England and Wales and summarises the programme's progress.
- Part Two examines how the ambition of the Ministry's requirements for the new electronic monitoring service, and its limited understanding of the implications, have affected the programme.
- Part Three examines how the Ministry managed the implications of adopting the tower model approach for the electronic monitoring service.

We do not focus on the management of the existing service, which we reported on previously.¹

Key findings

On the Ministry's aims and requirements

6 **The Ministry did not do enough to establish the case for location monitoring tagging using GPS.** There is still limited evidence on the effectiveness of electronic monitoring in the UK. Most experience of location monitoring is based on small numbers of volunteers rather than mainstream offenders. The Ministry assumed there would be high demand for location monitoring from those who sentence offenders but did not run a pilot to test this before launching the programme. It also did not understand the potential financial costs and benefits of expanding location monitoring. There was a lack of external scrutiny early on that would have provided opportunities to further challenge the justification for the programme. The Ministry is only now running location monitoring pilots to test how the use of a GPS tag might affect the behaviour of offenders and the take-up of services by decision-makers such as those sentencing them (paragraphs 2.3 and 2.12 to 2.20).

¹ Comptroller and Auditor General, *The Electronic Monitoring of Adult Offenders*, Session 2005-06, HC 800, National Audit Office, February 2006; Comptroller and Auditor General, *The Ministry of Justice's electronic monitoring contracts*, Session 2013-14, HC 737, National Audit Office, November 2013.

7 The Ministry's bespoke requirements for world-leading tags proved too ambitious. Over time, the Ministry evolved some 900 prescriptive requirements for the new combined RF and GPS tags. They would have to store and send much more location data than existing tags in the market, meet higher data security standards, and prove reliable and robust. They also had to be compact enough to wear comfortably, and not require continual recharging. The Ministry lost confidence in, and parted company with, two successive small and medium-sized enterprises (SMEs) selected to supply the tags (paragraphs 2.4, 2.5, 3.5 and 3.32).

8 The planned timescale for the programme was unachievable. The Ministry initially allowed 15 months after signing the contract for the tags in August 2012 to develop, test, produce, integrate and deploy the new tags. This timetable was further compressed for several reasons. Contracts were not signed until July 2014, because the Ministry discovered that G4S and Serco had been overbilling. This was followed by the two failed procurements for the tags. The new tags are now expected to be deployed from the end of 2018 (paragraphs 1.8, 1.9 and 3.18).

9 Five years after initiation, the programme has not delivered the intended benefits. The Ministry had expected the new programme to reduce annual monitoring costs by 9% (£9 million) to 30% (£30 million). The Ministry has so far (up to March 2017) spent around £60 million and still relies on the legacy service. However, it has claimed price reductions of 10.6% by negotiating with Capita, the new monitoring supplier, which has streamlined the existing operation over time. The Ministry also envisaged that the courts would apply the new tag for more offences and for more offenders, often as an alternative to costlier prison sentences. In its original 2011 business case it projected that between 160,000 and 220,000 offenders would be tagged during 2016-17, although the outturn for the year is expected to be less than 65,000. Besides expanding location monitoring services using GPS, the Ministry expected more use of existing curfew services. Use of this service has, however, declined. The extent to which the projected number of tagged offenders would have otherwise gone to prison, or been deterred from reoffending, is unclear (paragraphs 1.5, 2.17 and 2.21).

On the Ministry's approach

10 The Ministry adopted a new high-risk and unfamiliar delivery model to the procurement. The Ministry divided the service into four contracts to reduce its reliance on a single supplier, allow it to swap out suppliers over time and encourage innovation by attracting smaller companies. One of the suppliers would act as an integrator, pulling together the suppliers' work to deliver an end-to-end electronic monitoring service. The Ministry's original 2011 business case recognised that this approach posed the highest risk, due to the challenge of integrating the service. However, at the time it was promoted by the centre of government. In February 2015, the Government Digital Service stated that this tower model was "not condoned and not in line with government policy". This is because of the difficulty in transferring responsibility to a contracted integrator and the risk of buying incompatible parts of systems and services that are then hard to integrate (paragraphs 1.7, 3.2, 3.3 and 3.25).

11 The Ministry failed to anticipate and resolve the implications of its delivery model:

- The Ministry and its first preferred bidder for the tags, Buddi, disagreed about how to handle location data and protect intellectual property. These disagreements led to loss of trust, and after several months the Ministry terminated Buddi's involvement in March 2014, replacing it with another supplier (Steatite) (paragraphs 3.5 to 3.8).
- The Ministry made one supplier, Capita, responsible for integrating the work of all suppliers. But the parties had differing expectations of what this role entailed. The Ministry expected Capita to act like a traditional prime contractor, but Capita had no contractual responsibility for the work and performance of the other suppliers. The parties disputed each others' performance, but settled their differences in June 2016. As part of this agreement, the Ministry decided to bring the integrator role in-house. It is still building the capability needed for ongoing service integration (paragraphs 3.11 to 3.15).
- The contracts did not clearly specify which party would provide the electronic link to transfer data between the legacy tags and a new central data centre. It only became clear after the contracts were signed that no party had made plans to build the link. Agreeing on who was responsible for doing the work and meeting the cost proved a lengthy distraction, until the parties agreed not to proceed with this electronic link (paragraph 3.9).
- Capita designed the data centre to a security level that did not support the electronic link and to a size that did not fit the requirements of Airbus, the supplier that would use it. Capita had worked to the Ministry's original specifications, but the parties did not identify their divergent expectations and reconcile them in good time. The issues became a source of dispute with the Ministry and between the suppliers (paragraph 3.9).

12 The Ministry did not sufficiently adapt its approach to help smaller suppliers manage the pressures of a large and challenging programme. Its attempts to ensure the integration of the service placed proportionately greater burdens on the management teams of smaller companies, who struggled to cope given their much more limited staffing and financial resources. The Ministry's payment arrangements also exacerbated cash flow problems that smaller companies were less able to sustain (paragraphs 3.37 to 3.39).

13 The Ministry's governance arrangements were weak, resulting in slow decision-making and allowing internal disagreements to persist. The Ministry did not consistently fulfil its own obligations on the programme. Until 2016, internal and external reviews noted a lack of accountability to the senior responsible owner (SRO) and unhelpful disunity between operational, technical, commercial and programme staff. The Ministry's decision-making on some critical matters was excessively slow, creating delays of several months on the programme, and preventing suppliers from progressing their work (paragraphs 3.34 and 3.35).

14 The Ministry lacked the capacity and capability to manage the difficulties affecting the programme in the context of competing priorities and wider challenges.

Electronic monitoring, although itself an important programme, had lower priority than some of the Ministry of Justice's other programmes, particularly the concurrent major reforms to probation. The Ministry's limited specialist resources and management attention were further stretched by the discovery and rectification of overbilling in the legacy monitoring service, and the management of an aborted GPS pilot in 2014 (paragraphs 3.25 to 3.27, 3.29 and 3.33).

On the Ministry's response

15 Following internal and external reviews of the programme in 2015 and 2016, the Ministry has taken action to address many of the issues, although significant risks remain. The Ministry decided to persevere with the tower approach, given the time and cost of starting afresh (paragraph 1.10), but has made significant changes to set a more achievable requirement and strengthen programme management.

Setting a more achievable requirement

- The Ministry is running pilots to test how the use of location monitoring using GPS affects the behaviour of offenders and decision-makers such as sentencers, and how best to implement location monitoring in practice. However, the number of tags used in the pilots may not be high enough to produce robust quantitative evidence on the impact on reoffending or likely demand for monitoring. By the beginning of April 2017, 97 people had been tagged – far fewer than anticipated. This is against a backdrop of declining curfew tagging (paragraphs 2.16, 2.20 and 2.21).
- The Ministry has changed its approach to buying tags that are already available in the market, rather than requiring suppliers to develop a bespoke tag. It also no longer intends to use GPS-enabled tags on all tagged offenders, procuring instead separate curfew and location monitoring tags. This is a pragmatic approach but represents a marked departure from the Ministry's original aims. It also reduced its number of requirements for the tags. The Ministry considers that a tag that is already available in the market will meet all its major requirements (paragraphs 1.10, 2.8 and 2.10).
- The Ministry is setting a new baseline for its programme plan and timeline. It expects to start deploying the new tags from the end of 2018 and to complete the transition six months later (paragraph 3.22).

Strengthening programme management and capability

- The programme now has stable and cohesive leadership, and the Ministry is refreshing the governance structure. It remains to be seen how far this will lead to more timely and effective decision-making (paragraph 3.36).
- The Ministry has resolved disagreements with suppliers, resulting in a £4.4 million settlement with the former tag supplier, Steatite, and a broadly break-even settlement with Capita for its monitoring contract (paragraphs 3.15 and 3.32).
- The Ministry has established an organisation-wide project delivery function. It also intends to establish a central resource pool for its major projects to draw on. However, on electronic monitoring, it has not yet fully secured all of the specialist staff needed to manage its increased responsibilities for technical integration and ongoing service integration and management. Once this capability is in place, it will need to be sustained in the face of financial pressures and competing priorities such as the major prison and courts reform programmes (paragraphs 3.28 and 3.29).

16 Following a review in March 2017, the Infrastructure and Projects Authority assessed that the programme team had been reinvigorated and that delivery confidence had improved. Although it found significant issues, these appeared resolvable and, if addressed promptly, should not present a cost or schedule overrun. The review concluded that the main remaining issues related to successfully engaging stakeholders in the programme, and developing the Ministry's ongoing service integration and management function (paragraphs 1.11, 2.12 and 3.28).

Conclusion on value for money

17 The electronic monitoring of offenders plays an important role in supporting rehabilitation in the community and as an alternative to prison. The Ministry has so far failed to achieve value for money. It pursued an overly ambitious strategy that was not grounded in evidence, and failed to deliver against its vision. The case for location monitoring using GPS is still unproven and a new service will now not be operational until the end of 2018 at the earliest, five years later than planned. Having abandoned its original plan to develop a bespoke, world-leading tag, the new service will now be much closer to what was in place before the programme started.

18 The Ministry has chosen to improve its existing multi-supplier approach rather than restart the programme from scratch. This was deemed the 'least bad' option, taken to avoid further delay and costs. It has learned from its previous failings, and has begun to make necessary improvements. But major risks remain. Achieving an effective new monitoring service without relying on a contracted integrator will require the Ministry to be much more closely involved than before in integrating the end-to-end service. It will have to build its technical and programme management capabilities quickly to perform this expanded role effectively.

Recommendations

The electronic monitoring programme

- a** The Ministry should ensure that, whatever its progress in making available new GPS-enabled monitoring services, it actively promotes appropriate take-up by the courts of established curfew tagging services.
- b** The Ministry should use the results from its current pilots and from national roll-out of location monitoring services to develop a robust evidence base on the effectiveness of the new GPS-enabled tags and inform future decisions.
- c** The Ministry should keep sufficient technical and programme management capability in place for the remainder of the programme.
- d** The Ministry should avoid expanding the programme to incorporate additional uses for monitoring until the core services of curfew and location monitoring are in place.

Commercial and programme management

- e** The Ministry should ensure that when approving programmes:
 - it has a robust, well-evidenced business justification for developing new applications for technology before starting procurement, in particular whether there is good evidence of demand, and whether the operational implications for justice agencies are sufficiently understood; and
 - it clearly understands the complexities of delivering the programme, in particular interdependencies with other programmes and how the management resources will be secured.
- f** The Ministry should build on its establishment of a Ministry-wide project delivery function to:
 - develop a long-term strategy to build up SRO and programme delivery capabilities, in particular project management and systems integration; and
 - develop a clear understanding of the capacity demands of its programmes, so it can identify the impact on programme delivery arising from changing priorities or new programmes.
- g** The Ministry should learn the lessons from its separation with two successive SMEs, both through its own programmes and also through engagement with the Cabinet Office to:
 - understand where best to use SMEs in future procurements; and
 - adapt its procurement and programme management processes to match the capacities of SMEs to comply with them.