



## **Punishing costs:**

How locking up children is making Britain less safe

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# Glossary

ASBO	Anti-Social Behaviour Order
BCS	British Crime Survey
CSDD	Cambridge Study in Delinquent Development
DTO	Detention and Training Order
DYRS	Department of Youth Rehabilitation Services, District of Columbia
ECM	Every Child Matters
ISSP	Intensive Supervision and Surveillance Programme
KEEP	Key Elements of Effective Practice
MoJ	Ministry of Justice
NICE	National Institute for Health and Clinical Excellence
PE	Policy Exchange
PRT	Prison Reform Trust
PSR	Pre-sentence Report
SCH	Secure Children's Home
SROI	Social Return on Investment
STC	Secure Training Centre
UNCRC	United Nations Convention on the Rights of the Child
YCAP	Youth Crime Action Plan
YIP	Youth Inclusion Programme
YJB	Youth Justice Board
YOI	Young Offender Institution
YOT	Youth Offending Team

# Executive summary

At a time when we are facing the heaviest cuts in public finances in modern history, the reliance on high levels of imprisonment of children and young people needs to be called into question. Prison is quite unique among public services in that it contributes to social problems. This report outlines a policy that will allow the hundreds of millions currently spent on incarceration to be used more effectively for a safer and more inclusive society.

## Box 1. The main findings of the report:

- Holding a person in a Young Offender institution (YOI) costs about £100,000 a year. The evidence we reviewed, including the impact of custody on crime and unemployment, shows that the costs and benefits add up to at least a further £40,000 of expenses to the state. This estimate includes the public benefits of reduced crime while a person is serving their sentence.
- Custodial sentences could be reduced by 13 per cent with measures that don't require significant new spending or controversial legislative change. Better cooperation between courts and Youth Offending Teams (YOT) and increased diversion from courts can reduce imprisonment and deliver total savings of over £60 million for England or £2 million for some YOT areas.
- Further reductions in the use of custody can be created by allocating custodial budgets between areas based on the occurrence of crime in previous years, and charging local authorities for the custody placements they need. This will encourage local government to take action to end unnecessary imprisonment.
- This policy of budget devolvement should go hand in hand with giving local agencies more power in deciding how they respond to offending. The new budgets can provide the seeds for a justice system with a truly local presence.

## Introduction

At the time of writing, in February 2010, there were 2,195 10–17-year-olds imprisoned in England and Wales. While the past year has shown a welcome and substantial reduction, the rate of imprisonment still remains higher than in almost all other Western European countries. The current levels also greatly exceed those of England and Wales in the recent past: in 2008 three times more custodial sentences were given to children than two decades earlier.

There are several reasons for the exceptionally high levels of imprisonment. Labour's reform of youth justice has created a more rigid response to offending and has drawn individuals into the criminal justice system more easily. At the same time, the length of court sentences has increased. Since 1997, the average length of custodial sentences for several offence groups has doubled.

Another important reason for high levels of custody is the fact that central government bears the entire cost of prison placements. This means that imprisonment can appear to councils like a respite from the duties of dealing with children in trouble. Providing the extra support that would keep children out of prison comes at an additional cost to local authorities – even though custody is the most expensive and inhumane option for society overall.

## Full costs of prison

Providing a prison bed in a YOI has been estimated to cost about £100,000 per year, when all required expenditure is taken into account. While these expenses are overwhelming, our analysis suggests that the long-term costs are higher. Prison is not just another bill for the state to pay: it is a potentially life-changing intervention that has long-lasting consequences for children and wider society.

For this study, we reviewed the available evidence to estimate the full impact of prison sentences on children. We looked at research that compared the life of those sentenced to prison to similar groups that did not receive a prison sentence or the same young people before they were held in custody. Many alternatives to custody have been shown to help reduce offending. If the impact of prison sentences were compared to the outcomes of, for instance, a community sentence that includes rehabilitative treatment the difference would be even more pronounced.

Imprisonment reduces crime in the short term by making it impossible for inmates to offend while they are locked up. The evidence, however, also shows that incarceration makes it more likely that children will keep on offending after they have been released. For many young offenders, being imprisoned reinforces criminality and lengthens criminal careers. Our estimates, based on research done in England, show that the overall reduction in crime brought about by prison is very small.

In addition to hardening criminal behaviour, prison has other long-lasting effects. It may help children deal with problems they have with substance misuse. Time spent in prison however makes it more likely that children will become disconnected from the education system and face more unstable living conditions when they return to their communities. In the longer term, children who have been imprisoned are more likely to be excluded from the labour market and less productive when they work. Despite the massive resources that prisons require, they have many damaging effects on the lives of children who are locked up.

We estimate that the long-term impact of imprisoning children means that additional costs to the state of imprisonment are at least £40,000 per year. This estimate takes into account the benefits of reduced crime while an offender is in prison. Due to the lack of evidence, we were unable to include in these costs some significant outcomes, such as the impact on mental health or the increase in physical harm (Table 2). The actual costs are hence likely to be even higher.

## The vicious cycle of imprisonment

The reliance on imprisonment to deal with young offenders perpetuates itself. Incarceration is incapable of dealing with the causes of offending behaviour among children. Too often it succeeds only in temporarily suspending a life of crime. With continuing crime comes greater fear, more isolation and distrust in communities, and ever more punitive responses.

What makes imprisonment even more of a tragedy are the other possibilities where the same resources can be used in a more humane and effective way. England and Wales currently spend, according to official figures, about £300 million running various types of prisons for young people. As our analysis shows, accounting for the indirect costs would make this figure significantly higher. These funds could be put to far more effective use in dealing with offenders in their communities, or improving disadvantaged areas to reduce crime. The public finances that we devote to maintaining a large prison capacity drain resources from creating a criminal justice system that properly addresses offending, or from working to prevent crime in the first place.

The cycle of incarceration can be broken. We need to find stronger ways to encourage local agencies to take responsibility for dealing with young people in their communities. These agencies need to be pushed to provide high-quality support and alternative sentences of the kind that the current target-driven system too often fails to deliver. When local areas succeed in reducing the

**Table 1: Estimates of the impact of one year spent in a YOI with costs to the state and all other stakeholders (social costs)**

	<i>Effect of imprisonment</i>	<i>Cost to the state</i>	<i>Social cost</i>
Incapacitation	Incarceration averts an average of seven crimes per inmate. One serious crime is averted for every nine inmates.	Saving of £5,000	Saving of £17,000
Criminal career	Increased reoffending linked to imprisonment causes an average of six extra crimes. One serious crime is caused for every 16 inmates.	Cost of £3,000	Cost of £10,000
Reduced chances of employment	15% increase in unemployment.	Cost of £35,000	Cost of £14,000
Accommodation	7% increase in unstable living conditions.	Cost of £1,000	
Reduced income	20% reduction in earnings for those employed.	Cost of £9,000	Cost of £14,000
Family and community contacts	67% of those imprisoned cannot maintain links with family, community and friends.		
Education	Increased participation in education while in prison. The proportion of young offenders disengaged from education and training is 36% higher after release from prison.		

For the following outcomes, our review found evidence that custody has an impact, but the evidence did not allow us to make a conclusive estimate.

**Table 2. Other evidence of the impact of a custodial sentence in a YOI**

Suicides	There were 17 suicides in YOIs in 2004–2008. It is unclear whether these can be attributed to custody.
Violence	One in ten suffers assault from peers. For each three prison sentences there are an average of two incidences of physical restraint, 10% of which result in injury.
Self-harm	More than a third of imprisoned children harm themselves, on average more than twice in a year.
Mental health	Evidence suggests that a custodial environment may damage mental health, although statistical research is inconclusive.
Substance misuse	Clear reductions in substance misuse while in custody. Some evidence of a small reduction in the long term.

need for custody, they should be rewarded with some of the resources that would otherwise be spent on prison places. These resources can further feed into efforts to reduce the need for custody. This report shows how this can be achieved through a policy of devolving budgets for youth custody.

### **The idea of custody budget devolvement**

Both large political parties and the Youth Justice Board have expressed interest in devolving the budgets for custodial places to local authorities. Similar policies have been tried out in the United States, often with good results. For instance, a scheme of fiscal realignment between counties and the state of Illinois reduced the use of central prisons by 44 per cent.

After custodial budgets have been devolved, local authorities would be charged for the places children from their area require in centrally run prisons. This would create an economic case for investing into local support services and dealing

with children on the cusp of custody close to their homes. The charge would reflect the expenditure required to run provide prison places – or ideally also the wider indirect costs of the consequences of imprisonment, as demonstrated in this report.

In return for taking on increased responsibilities, local authorities would be apportioned funds to match their expected need for custody. There are several ways to allocate the funds, but we believe that the most powerful is to use a funding formula based on the amount of serious crime in previous years. This would allocate most resources to the areas where there is the greatest need to work against crime, without penalising areas that have already greatly reduced their use of custody.

If an area were to succeed in reducing its use of custody, either by reducing the amount of serious crime or by reforming the criminal justice process, it would need fewer custodial placements than expected by the formula. This would reward the local authority concerned with a surplus of funds – funds that could be reinvested to further tackle the drivers of imprisonment. This would replace the vicious cycle of imprisonment with a positive one, progressively changing the balance of spending towards a more humane and preventative criminal justice and social policy.

Devolving budgets would have to go hand in hand with giving councils power in spending the devolved resources and shaping the local justice system. Maintaining the current centralised structures and procedures, yet making councils more responsible for delivering results, would risk setting local government up for failure. Ideally, devolved budgets would provide seed money for shifting to a youth justice system with a truly local presence. It could facilitate the creation of a justice system that is more engaged with the people in the area, involving them in solutions such as restorative justice. More resources available locally could also help create new and innovative ways to deal with children in trouble with the law, which would add to our knowledge of what works and under which conditions.

### **Achieving reductions in custody**

There are changes that local authorities can make to reduce their use of custody that do not require heavy financial investment or controversial legislative change to have an impact. Constructive cooperation between Youth Offending Teams (YOTs) and courts can help to make sure that the courts have the confidence to use alternatives to custody and are aware of all the options. YOTs can also work with the police to ensure that minor, infrequent offending is not brought in front of the courts when it is unnecessary. Some areas currently do not make use of all the diversionary options available to them, which has been shown to lead to higher rates of custody.

Our statistical modelling shows the potential such policies could have in reducing custodial sentences. We estimate that changing the relationships between YOTs and the courts and making full use of diversionary options could lead to a 13 per cent reduction in custodial sentences in England. This would create savings of about £64 million in total, with some single council areas having the chance to save as much as £2 million. The total savings that could be achieved through reforms that aim to reduce custody are much higher than this, but these measures are the first step in freeing up resources for more extensive change.

The second important step in reducing the need for custody is providing high-quality alternative placements in the community. 82 per cent of 12–14-year-olds who are sent to prison have never committed a violent offence. Most of these cases would have been better dealt with through supervision in their communities. Giving YOTs sufficient resources to create alternatives that inspire confidence in the courts as well as engagement from the participants will help this happen.

In the long term, local authorities should also create local placements for children who need to be securely held, as alternatives to centrally run prisons. Being close to home would make it easier to maintain the links between children, their families and communities. Having relatively small units with an emphasis on treatment could deliver rehabilitation more effectively than the current secure estate. Providing such placements can be costly. At the same time, the cost-effectiveness of the current use of YOI is partly illusory: their largely damaging outcomes for children create more expenses to the state after the young person has been released.



Reducing the reliance on custody is not just about creating alternatives for children who are already deeply entangled in the criminal justice system. One part of reducing custody is also to deal with low-level offending in a different way. Being drawn into the formal proceedings of courts and criminal records can actually increase the likelihood of reoffending or receiving stronger sentences. This tendency can be mitigated by making sure that children are referred to and get support from mainstream services outside the criminal justice system, such as drug treatment, mental health, and social services. They can also invest in creating a stronger infrastructure for alternative approaches to justice that address minor offending more effectively; for instance, with practices of restorative or community justice, in which the offenders accept responsibility and repair the damage they have done, instead of merely being subject to punishment.

Ultimately resources that are saved from reducing the need for custody are most effectively spent to prevent crime in the first place. We believe that prevention is best delivered by local agencies outside of the criminal justice system focusing on the welfare of children and the development of disadvantaged areas. In the field of youth justice, prevention often takes the form of identifying and targeting individuals whose characteristics make them prone to offend. This focus risks underestimating the importance of some of the central causes of crime: the socio-economic context in which offenders find themselves and the lack of options available to participate meaningfully in society. Criminal justice agencies are unlikely to be able to tackle these. The real promise of devolving custodial budgets is not just to transfer money to better alternatives in criminal justice, but also to support work outside it.

## **Conclusions**

Given the current fears about youth crime and the area's political sensitivity, implementing these recommendations may seem like a tall order. At the same time, research shows that the public does favour rehabilitative options to locking up young people, especially when they are informed of the current levels of crime and the available alternatives. The right response from the political parties would be to take leadership in the issue and to respond by communicating openly about the effectiveness and the costs associated with the criminal justice system and its reliance on imprisonment.

Rising up to this challenge would do a great deal to improve the safety on our streets. We already have the public resources needed to create a more humane and effective justice system. We just need to spend them more wisely.

# Introduction

*'A crisis is a terrible thing to waste.'*

**Paul Romer, 2008<sup>1</sup>**

*'Building more young offender institutions, expanding the number of kids in custody is the equivalent of building coal fired power stations.'*

**Rod Morgan, 2010<sup>2</sup>**

Just as the worst fears about the impact of the global economic crisis seem to be subsiding, we enter a new emergency. All major political parties are now calling for an age of austerity, in which public finances will have to be cut with a strong hand.<sup>3</sup> What began as a meltdown of the private financial system has now developed into a decimation of parts of the public sector.

In the sphere of law and order, talk of crisis has a long tradition. In the past 25 years, the prison population of England and Wales has more than doubled, and talk of a 'penal crisis' has been a constant theme.<sup>4</sup> Levels of crime and violent acts are very close to what they were at the beginning of this wave of incarceration<sup>5</sup> – yet we are locking up more people than ever before.

Both Labour and the Conservatives have committed to funding a further increase in prison capacity. In what are very difficult times for public finances, prisons are one of the very few areas of government spending enjoying an increase in investment. Labour has plans to build five new 'mini-Titan' prisons and four other new sites, increasing prison capacity by 20,000 beds by 2014. Such expansion comes with a price tag of £3-4 billion, in a period when some areas of government are expected to undergo the heaviest cuts in modern history.<sup>6</sup>

The current state of public finances provides an opportunity to reconsider the seemingly inexorable expansion of imprisonment as a means of tackling crime. But it would be all too easy to exacerbate the prison crisis by applying cuts indiscriminately, without considering the bigger picture. Efficiency savings and cost-cutting in prisons, for example, may ultimately increase crime and demand for prison places by reducing the resources directed towards rehabilitating inmates and ending their criminal careers. Cuts in other areas of social policy may also have a negative knock-on effect on crime by undermining preventative work to curtail it.

Large reductions in public spending need to be ameliorated by filling gaps in provision of support and changing the priorities of criminal justice and mainstream agencies. Councils need to be encouraged to deal with individuals at risk of being incarcerated locally instead of relying on sending them to centrally run prisons. Where they are successful, councils should be rewarded with the resources that would otherwise have been spent on prison places. These funds can be reinvested to reduce the need for criminal justice interventions altogether.

Nowhere is the need for such reform more urgent than in the field of youth justice. High levels of child incarceration are currently maintained by a structural imbalance in the financial responsibility for prison places. Because local authorities don't bear the cost of imprisoning children, providing support to keep

them out of custody comes with an additional price. Because of this damaging incentive, investment in crime-reduction initiatives and proper alternatives to imprisonment have not been given the priority they deserve.

This report explains how the situation can be changed for the better by devolving budgets for custodial placements to local authorities. The scheme would correct the incentives local authorities currently face and encourage them to take responsibility for children on the cusp of custody. In return for taking on increased responsibility within the criminal justice system, local authorities would be transferred more resources and more say in how to use them. A policy of devolution could offer a new start for the youth justice system in England and Wales, with a shift towards a more local presence that is more responsive to an area's needs and challenges. In the longer term, it would transfer resources away from the costly and ineffective prison system and into approaches to penal and social policies that make for a safer and more inclusive society.

# The context: custodial expansion

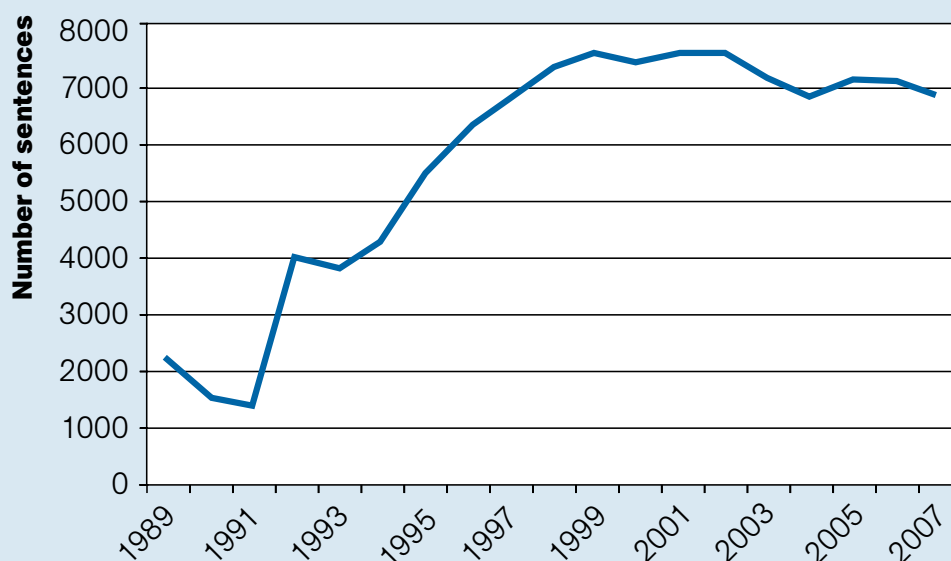
The imprisonment of children in England and Wales has been at a very high level since 1997. In September 2008, there were 2,915 young people in prison – 535 awaiting trial, and 238 serving a sentence.<sup>7</sup> At that time, the number of incarcerated children was three times higher than it had been two decades earlier.<sup>8</sup> The budget for the Youth Justice Board (YJB), responsible for commissioning prison places and monitoring the youth justice system, has grown in line with this trend. Its budget for 2009/2010 is £527 million,<sup>9</sup> more than double its budget for 2000/2001.<sup>10</sup> During the same period (2000–2009) the share of young people committing crimes marginally decreased.<sup>11</sup>

In 2009, there was a positive trend of reduction in the prison population. While the reasons for this are unclear, it is likely to have resulted primarily from a renewed emphasis by the YJB on the issue. The YJB has worked to persuade YOTs and councils to act on the issue.

While this cut in the use of custody is a welcome development, the number of children in prison remains higher than in almost all other western European countries, and higher than it has been in England and Wales in the recent past.<sup>12</sup> There are still large geographical disparities in the likelihood of children from different areas ending up in prison, with those in the deprived areas of larger cities faring the worst. Experts suggest that many children are still imprisoned without posing a real threat to public safety, and there has been no clear reduction in the number of children placed in custody while awaiting trial. Much work is still required to reduce the use of imprisonment further.

The stubbornly high rates of incarceration are explained by a number of factors. One is that a higher number of young people are coming into contact with the criminal justice system than in previous years. At face value, this would appear to indicate an increase in offending behaviour, but it is primarily a consequence of a stronger tendency to draw individuals into the criminal justice system.<sup>13</sup> One part of Labour's legacy has been to treat certain social problems as crimes and

**Figure 1. Amount of custodial sentences for 10–17 year-olds 1989–2007.<sup>14</sup>**



attempt to deal with them through the machinery of law and order. A more rigid response to offending, including the criminalisation of minor deviance through measures such as ASBOs, has widened the range of behaviours that are tackled through the police and courts. The consequences are felt in the expansion of prisons, as young people are now more likely to face a court, get a longer criminal record, and ultimately end up in custody.

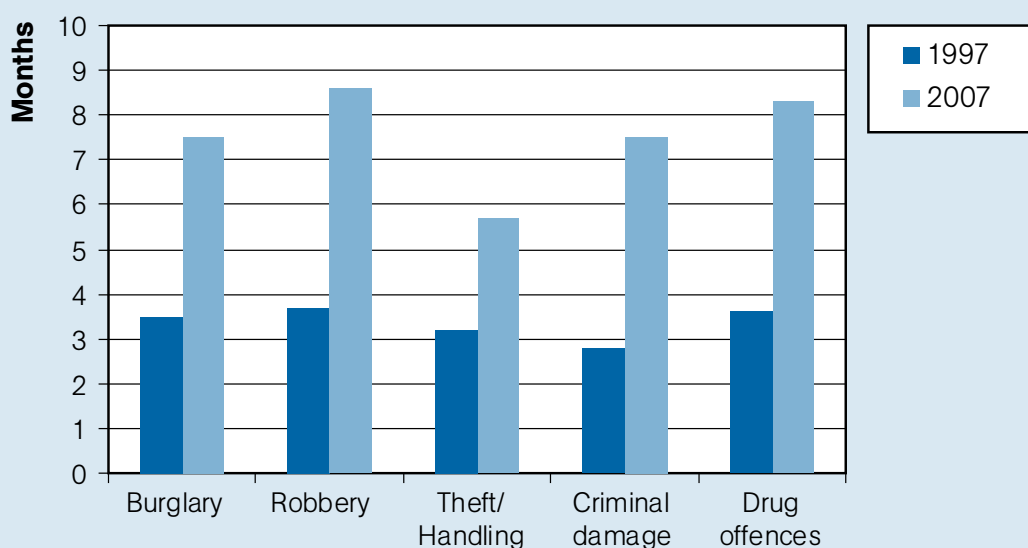
At the same time, the courts are giving harsher punishments than before. The average length of a custodial sentence given to young people for theft, burglary, robbery, criminal damage and drug offences has doubled since 1997 (Figure 2). The number of children held in prison at any one time is driven above all by the number of longer custodial sentences.

One driver for more severe punishment is the disproportionate attention given by the media to high-visibility criminal cases and changes in penal policy. It has arguably contributed to public perceptions that take youth crime to be more severe and sentencing more lenient than they are in reality. It has created a climate in which the government and the judiciary are under pressure to pass harsher sentences, even where it does not contribute to the rehabilitation of the offender. The major political parties have adopted a strategy in which they make use of public concern by trying to establish themselves as the strongest guardians of law and order. Far from taking a strong stand in challenging sensationalist media coverage, the government and opposition parties have tended to reinforce the prejudice that young people are dangerous and malign.<sup>15</sup> There is, however, evidence that public opinion is not as punitive as the political parties appear to believe. The public prefers not to give out tough sentences, as long as there is a response to offending that clearly signals it to be wrong, and the offenders express apology and remorse.<sup>16</sup>

Another crucial reason for continuing high rates of incarceration is that the cost of prison places is carried centrally, whereas most of the responsibility and capability to support young people lies with local authorities. The only exception to this is secure remands to Secure Training Centres (STCs), for which local authorities pay one-third of the cost.

Children who are sent to prison have often been in intensive contact with social services, children's homes, and other services run by local authorities. From the perspective of local authorities, the imprisonment of such children can offer

**Figure 2. Average length in months of immediate custodial sentences in magistrate's court in months for young people aged 10–17 in 1997 and 2007.<sup>17</sup>**



respite for local services and result in cost savings. This can result in the neglect of high-quality support for children on the cusp of custody. The kind of support provided by local authorities ends up being neglected includes the care system (which prevents many children from sliding into crime), community sentences for children who persistently offend, and help in resettling children released from custody.<sup>18</sup>

Even though local authorities do not make the final decisions to imprison children, gaps in provision or poor services at local authority level have an effect on sentencing. The courts are less likely to give custodial sentences if they believe the alternatives in the community are reliable and there is a productive, trusting relationship between the courts and local YOTs. Where appropriate provision of accommodation is not available, children who are considered to have unstable accommodation are more often placed on custodial remand to await trial. Some direct evidence for the negative consequences of the current fiscal arrangements can be found in a Prison Reform Trust (PRT) survey of YOT staff, which showed that two-thirds of YOT staff believed a lack of financial responsibility in local authorities was increasing custodial remand placements.<sup>19</sup>

Local practitioners are motivated by more than just budgetary concerns. Yet the financial incentives of the current system discourage councils from acting to prevent the use of custody, as it carries an additional cost. The target-driven system that attempts to direct the priorities of councils is failing to incentivise the important goal of custody reduction. This report shows how this can be fixed through a policy of devolving custodial budgets.

# A solution: devolving budgets for prison places

*'Crime control today does more than simply manage problems of crime and insecurity. It also institutionalizes a set of responses to these problems that are themselves consequential in their social impact.'*

**David Garland, 2001**

Policies of realigning fiscal relationships to reduce the use of custody have been tried out in the United States. In many US states, it used to be the case that county-level authorities did not bear the cost of capacity in state-run prisons.

It became clear that many offenders sent to state prisons could be more productively dealt with in the counties. To fix the overuse of state prisons, many states passed Community Correction Acts in the 1970s and 1980s and began to charge counties for their use of state prison beds.<sup>20</sup>

In more recent years, several states have taken up policies of Justice Reinvestment, which combines the realignment of fiscal relations with targeted reinvestment of prison funds to reduce the demand for custody.<sup>21</sup> Through geographical analysis known as 'justice mapping', areas with the greatest need for additional resources are identified to help guide strategic planning for the prevention of crime and investment in better criminal justice processes, such as improved probation. While the impact of these initiatives remains to be seen, state administrations expect them to help put the brakes on the previously projected increase in prisoner populations.<sup>22</sup>

Both major political parties in the UK have expressed interest in devolving youth custodial budgets to local authorities.<sup>23</sup> The YJB, the body currently responsible for commissioning prison places for young people, is also supportive of the policy.<sup>24</sup> At the time of writing, the YJB was undertaking a consultation process with ministers and councils on how the scheme could be realised.

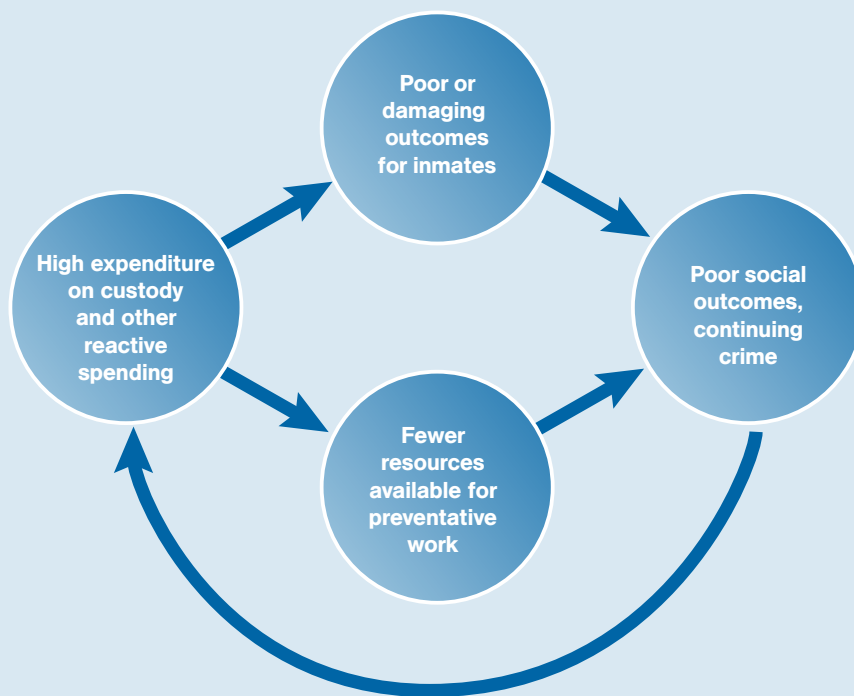
Under the current arrangements, a high rate of incarceration has become self-perpetuating. The high cost of building prisons and maintaining prison places uses up public funds that could be used more effectively elsewhere. This leaves less scope for investment in the prevention of crime or in more productive ways of dealing with young offenders – and therefore increases the likelihood that young people will continue to be sent to prison in large numbers.

Imprisonment as an intervention does little more than temporarily isolate an individual, and it can also contribute to making young offenders' criminal careers longer and more serious. Reoffending adds to the fear of crime in the communities affected, fuelling a sense of isolation and distrust, and leading to ever more punitive responses.

Devolving custodial budgets changes the picture in several ways. First, it corrects financial incentives. Local authorities would be charged for each prison place that is required for children from their areas. With such an incentive, it would make economic sense for councils to invest in local support services for children at the risk of custody. It would also make sense for them to work harder on tackle crime in their areas.

To match increased financial responsibilities, each local authority would receive additional funds, adjusted according to socio-economic need, crime levels, or other criteria. Initially it is likely that councils would spend a large share of their allocations on secure placements for child offenders or on community sentences that provide alternatives to custody. At the same time, they would be encouraged to reform the criminal justice process so that it relies less on the use of prisons.

**Figure 3. How reliance on custody creates a vicious circle of more expenditure and poorer outcomes.**

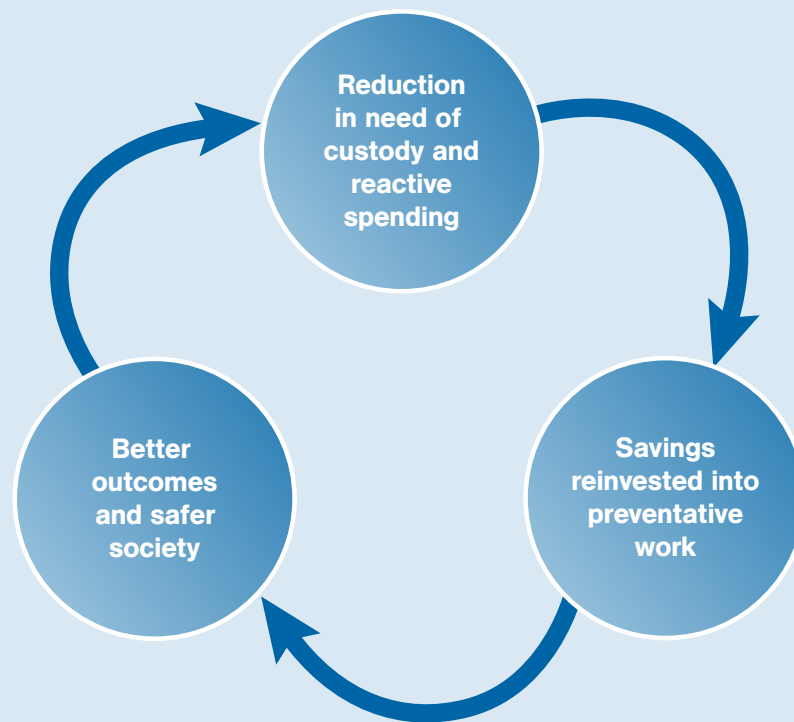


Those that succeed in reducing the need for custody in their areas would be able to reinvest surplus funds in the prevention of crime. Where this works well, it would create a virtuous cycle in which reductions in spending on custody make more funds available to prevent crime. A larger share of public spending would be progressively moved away from responding to offenders that have already become socially excluded and made available to make sure that more young people have a place in society.

Lastly, devolving budgets would help ensure that decisions about the use of resources are made by those that are best placed to make them. It could give local agencies more resources to come up with approaches that they believe best match the local needs and circumstances. It would give local authorities the chance to innovate in a way that a large, centrally controlled entity would not be able to do. It would help establish a criminal justice system that has a strong local presence and a genuine local face, increasing the trust that citizens place on it.



**Figure 4. How a shift from spending on custody to spending on preventative work creates a virtuous circle.**



## **Box 2. Moving from reactive to a preventative public services**

One could call prisons a form reactive spending. Imprisonment as an intervention is used only when a crime has already taken place. It is a reaction that takes place only when problems have already surfaced – and the most effective opportunities to deal with them have been missed. It is more about reducing the harm of a situation out of hand than dealing with its core causes.

The same pattern of reliance on reactive spending can be found in the public sector more widely.

- The overwhelming majority of expenditure around drug problems is reactive in character: dealing with addiction, mental health and and crime. The government spends a total £3.5 billion annually in this way.<sup>25</sup>
- Public expenditure on health is £92 billion each year; only about £3.4 billion on this goes to preventative interventions.<sup>26</sup>
- Benefit payments related to adult mental health problems cost the government £10 billion annually. Only £2 million is spent on activities to promote better mental health.<sup>27</sup>

These figures show the poverty of a political strategy that merely focuses on cutting public spending. Cuts in social support are likely to lead to increases in the need for reactive spending and the liabilities of the state. The currently high levels of reactive expenditure are themselves, by definition, a sign of problems that have appeared, and are unlikely to go away if vital state services are removed.

The focus should not be on just reducing public expenditure, but on moving from reactive to preventative or proactive spending. The process of budget devolvement is one example of a policy to make this happen. The incentives and priorities of practitioners and other stakeholders can be aligned to intervene early and prevent social problems from surfacing. The state's reactive expenditure provides the economic case for investment in such initiatives. Some of the savings created by prevention can be channelled back to maintain the proactive work and create further improvements.

# Savings from reduced imprisonment

*'Given the government's competence in managing the economy is... key to their electability, even those of us who see the issue in terms other than the purely economic must surely acknowledge the importance of pressing home the message that increased prison spending is a form of fiscal mismanagement.'*

**Nicola Lacey, 2008<sup>28</sup>**

## **The full cost of custody**

Providing prison places is extremely expensive. The YJB has responsibility for commissioning placements in the secure estate for young people. It spends about two-thirds of its budget, or about £300 million a year, on prisons. The money it uses on prevention is roughly one-tenth of this.<sup>29</sup>

How much it costs to keep a single inmate depends on the type of secure institution. YOIs are very similar to adult prisons, and hold young people between the ages of 15 and 20. According to the YJB, the cost of a YOI bed was on average £55,018 in 2007/2008. At the other end of the range, a placement to an Secure Childrens Home (SCH) costs £206,184.<sup>30</sup> SCHs have smaller unit sizes and a better staff-to-inmate ratio, which explains some of the difference in price.

It is widely accepted that these estimates don't reflect the full cost to the public purse.<sup>31</sup> The Foyer Federation, which is working on the Young Offenders' Academy in East London, has compiled information about the full running costs of prisons from several sources. According to its research, official costings for YOIs do not include pension costs, insurance, and capital costs. It estimates that the total spending required for YOI places is almost double what the YJB figures suggest, amounting to about £100,000 per year for a bed.<sup>32</sup>

While these costs are formidable, custody should not be regarded as just another bill for the state to pay. As a potentially life-changing event for those detained, it has wider costs and consequences for young people and their communities than the one-off cost of locking up offenders. From the state's perspective, the use of custody will result in some savings, not least through a potential reduction in crime while the offender is locked up. After release from prison, however, the balance is reversed. A young ex-offender who has been imprisoned may require extra support to reintegrate into the education system or the labour market. In the worst cases, released offenders will not only reoffend but also embark on extended criminal careers. Such indirect costs receive little attention but are an important piece in the economic case to reduce incarceration.

There are clear lessons for policies of fiscal realignment from such arguments. The funds made available for alternatives to custody, as well as the price charged for such places, should ideally not just correspond to their running costs. This would lead to a perverse situation in which more is spent to avoid sending children to higher-quality SCHs than is spent on YOIs. Ideally the charge for using such facilities should also reflect the effect that incarceration has on children, and its indirect effect on state spending.<sup>33</sup>

To understand the consequences of incarceration for children, we have done a systematic literature review based on the available evidence concerning the impact of custodial placements in YOIs. We have examined the effects of imprisonment on the occurrence of crime. We have also reviewed the evidence about its effects on other types of outcomes, such as accommodation and family relations. The results

**Table 3: Estimates of the impact of one year spent in a YOI with costs to the state and all other stakeholders (social costs)**

	<i>Effect of imprisonment</i>	<i>Cost to the state</i>	<i>Social cost</i>
Incapacitation	Incarceration averts an average of seven crimes per inmate. One serious crime is averted for every nine inmates.	Saving of £5,000	Saving of £17,000
Criminal career	Increased reoffending linked to imprisonment causes an average of six extra crimes. One serious crime is caused for every 16 inmates.	Cost of £3,000	Cost of £10,000
Reduced chances of employment	15% increase in unemployment.	Cost of £35,000	Cost of £14,000
Accommodation	7% increase in unstable living conditions.	Cost of £1,000	
Reduced income	20% reduction in earnings for those employed.	Cost of £9,000	Cost of £14,000
Family and community contacts	67% of those imprisoned cannot maintain links with family, community and friends.		
Education	Increased participation in education while in prison. The proportion of young offenders disengaged from education and training is 36% higher after release from prison.		

For the following outcomes, our review found evidence that custody has an impact, but the evidence did not allow us to make a conclusive estimate.

**Table 4. Other evidence of the impact of a custodial sentence in a YOI**

Suicides	There were 17 suicides in YOIs in 2004–2008. It is unclear whether these can be attributed to custody.
Violence	One in ten suffers assault from peers. For each three prison sentences there are an average of two incidences of physical restraint, 10% of which result in injury.
Self-harm	More than a third of imprisoned children harm themselves, on average more than twice in a year.
Mental health	Evidence suggests that a custodial environment may damage mental health, although statistical research is inconclusive.
Substance misuse	Clear reductions in substance misuse while in custody. Some evidence of a small reduction in the long term.

are summarised in Table 1 in the Executive Summary, which is reproduced here for your convenience. The appendices that describe the evidence in more detail are not included in this printed version, but are a part of the full report available at the new economics foundation website.<sup>34</sup>

It is difficult to isolate the specific impact that incarceration has on children because many children sentenced to imprisonment have a number of behavioural problems and social challenges before they go to prison. We used research that compares incarcerated children to how they were before sentence, or compares them to groups of similar children who have not received a custodial sentence. Many alternatives to custody have been shown to help reduce offending. If the impact of prison sentences were compared to the outcomes of a community sentence that includes rehabilitative treatment, for instance, the difference would be even more pronounced.

Not every custodial sentence will result in the same outcomes. The prison population is diverse, and reacts to the time spent in prison in different ways. Our estimates describe the average impact of custody on those who have been imprisoned in recent years. For the effects on crime, the impact corresponds to a custodial sentence of one year. For the other outcomes, we were unable to differentiate between the impact that sentences of different length would have had.

For the outcomes in Table 4, our review found evidence that custody has an impact, but the evidence did not allow us to make a conclusive estimate.

Imprisoning young offenders makes it impossible for them to commit crimes that some of them would have committed had they remained free. We used an estimate of the frequency of offending among imprisoned young people before they were held in detention as a basis for approximating the crimes averted during their time in custody.

There is also evidence, however, that a spell in prison makes it more likely that a person will keep on offending after release. Using some research results about criminal careers, we were able to approximate how many crimes result from an increased likelihood of the children continuing to offend once they have been released from prison. We estimate that a 17-year-old released from prison who continues to offend will, on average, commit a further 145 offences. A custodial sentence appears to increase the risk of this happening by about 4 per cent. When we take into account these long-term consequences, a custodial sentence only slightly reduces the overall occurrence of crime.

The evidence also points to some other damaging effects stemming from incarceration. When children are locked up, many lose links with their families and suffer violence at the hands of other inmates. During a stay in a YOI, children are more likely to be engaged in education and less likely to abuse substances than before their detention. Upon release, however, many lose contact with educational institutions and are increasingly likely to have unstable living conditions.

A record of incarceration also makes it more likely that they will find themselves unemployed for the foreseeable future, and reduces the typical earnings of those that do manage to find a job. The increase in unemployment and the weakening of the productivity of ex-inmates in particular have a large impact on the public purse. One long-term unemployed person can cost the state as much as £230,000. A prison sentence for a child can make this future a reality.

We also considered the deterrence effect of prison, i.e. the capability of the threat of prison to stop some people from offending altogether. The literature on the topic however suggests that the severity of punishment does not significantly reduce the likelihood of offending. Hence the use of imprisonment is unlikely to create additional benefits of deterrence when compared to the use of other types of penalties, such as supervision in the community.

Taking into account these effects adds at least £40,000 to the total cost to the state of a one year prison sentence. This estimate takes into account the benefits of reduced crime while a young offender is in prison. Due to the lack of evidence, we were unable to include some significant outcomes in these costs, such as the impact on mental health or the increase in physical harm. We also chose not to create cost estimates of maintaining contact with families and education, because these are difficult to value and may risk double counting. The figure is hence likely to strongly underestimate the long-term costs to public finances that result from imprisonment.

After the indirect costs are included, the full cost of a year-long prison sentence is about £140,000 – almost three times the official figure cited by the YJB. The results suggest that we need to challenge the assumption that YOIs are much cheaper to the public purse than some welfare-oriented alternatives, such as SCHs. Even though SCHs require more direct spending, they may result in better outcomes in terms of the offending of children and their future prospects

in society. Instead of a focus in the unit costs of such placements, it would be wiser to guide policy by the potential long-term benefits of different alternatives.

The indirect costs £40,000 of YOI placements may not seem large enough to cause concern. Most publicly provided programmes however result in net benefits to society and public finances. Prison is quite unique among the public services as an intervention that, in the long term, actually adds to the troubles of society. The costs associated with prison are even more distressing if we consider the fact that the resources could have been used in a way that cuts reoffending with a strong hand and adds value to wider society. The effectiveness of alternatives to custody have been widely documented.<sup>35</sup> For instance, previous research by the new economics foundation has found that investing into support-focused community sentences for women created £14 of social value for each pound used.<sup>36</sup> Targeted, preventative children's services were found to create up to £9 pounds of social value for every pound spent.<sup>37</sup>

### **The potential for reduction in custody**

Some local authorities oppose taking responsibility for custodial budgets because they perceive the use of prison to be out of their control. It is certainly true that the choices made by a district judge, for instance, can increase custody rates without local authorities having much say in the matter. At the same time, however, the work of the police, YOTs, and various local children's services have an influence both on how likely a child is to face a court, and on what kind of sentence is handed down.

We used statistical modelling to estimate the effect that some changes in police and YOT practice have on the use of custody. We chose some features of local justice that have been shown, in isolation, to lead to a higher prevalence of custodial sentences. Our statistical work considers the effect of these features together and gives an estimate of the extent of change in custodial sentencing that could result, using data from all English YOT areas in the years 2004–2007. The studied changes do not cover all that councils could possibly do to reduce imprisonment; part of the variables represent the first steps that could be taken in this direction.

The first variable we included in the statistical model is the relationship between YOTs and the courts. YOT workers prepare Pre-court Sentence Reports (PSRs), providing information about each child and recommending a sentence. As a measure of the quality of the relationships between YOTs and courts we used the share of cases for which courts followed YOT sentencing advice, excluding cases where the recommendation was a custodial sentence. Previous research has shown that good relations between YOTs and the courts tend to result in less use of custody in sentencing.<sup>38</sup> High-quality cooperation makes the courts more likely to trust the information in PSRs and to have confidence in alternatives to custody that YOTs provide. It can help the courts make better decisions in cases where the offender does not pose a threat to public safety.

There are also differences between areas in how likely it is for children to face the courts. In responding to minor offending, the police and YOTs have the option of several 'diversionary' procedures to deal with crime outside the courts. These include fines, referrals, restorative justice interventions, and police cautions. In some areas, these options for diverting away from court are not applied consistently, and children are more likely to be sent to court.<sup>39</sup> It has been shown that areas that neglect opportunities to divert minor offenders from courts end up making more use of custodial sentencing.<sup>40</sup> The propensity to use pre-court disposals is the second variable included in our statistical model. The case for diversionary procedures is discussed more thoroughly in the section on reinvestment of resources.

We also included in the model the likelihood of breaches in community sentences. There are differences between YOTs in how much they engage with children who have difficulties in meeting the conditions of their sentences. Differences in court behaviour were included with two different variables. These were based on the courts' likelihood to give community sentences instead of 'lower-level disposals' (discharges, financial penalties, and reparation orders), as

**Table 5. The six areas in England with the highest potential for reduction in custodial sentences, with figures that are based on averages from the years 2004-2007.<sup>41</sup>**

<b>YOT area</b>	<b>Rate of diversion</b>	<b>PSR compliance</b>	<b>Average custodial sentences</b>	<b>Total potential for reduction</b>	<b>Potential for savings</b>
Wessex	41%	59%	276	-71	£5.49M
Kent	45%	74%	100	-35	£2.66M
Essex	52%	69%	117	-27	£2.10M
Derbyshire	46%	66%	72	-26	£2.01M
Suffolk	40%	67%	73	-23	£1.81M
Lancashire	43%	73%	138	-16	£1.26M

well as the likelihood to give tougher ‘adult type’ community sentences (Community Rehabilitation and Community Punishment Orders). Previous YJB research has shown that courts which make more use of such orders impose custodial sentences more frequently.<sup>42</sup>

Our statistical model found that the lower rates diversion from court, lower compliance between YOT recommendations and court sentences, and a higher propensity to use of ‘adult type’ sentences were connected with a higher use of custodial sentencing. This confirms that a tendency of a court to give stronger sentences makes some areas more prone to send children into prison. However, out of the variables we considered those describing diversion away from courts and the cooperation between YOTs and courts explained the use of custody better than the variables on court behaviour. Significant reductions in imprisonment can result by improving performance in these two areas of practice.

We estimate that YOT areas in England could reduce the use of custodial sentences by 13 per cent only by improving diversionary policies and cooperation between YOTs and the courts. A reduction of this magnitude would occur if all areas in England improved their performance in both policy areas to the level that would bring them into the 25% best performing areas currently.

In Table 5, we show the areas that, according to our estimates, could most reduce their use of custody through these initial steps. We also show how much these changes could create in cost savings to public finances, using our full cost estimates developed above (£140,000 for a year-long sentence). The figures showed in the table are based on averages from the years 2004-2007, for which data was available.

### **Box 3. Decarceration in Finland**

An example from abroad can show how radical change and a completely different penal policy are possible. Finland in 1950 had 1.9 juveniles per 1000 of the population imprisoned – roughly similar to the current rate in England and Wales, and in a different league to the other Nordic countries. In 2002, it had two young people serving a custodial sentence and eight held on remand. This massive shift was brought about, not least, by strong political will driven by the view that high rates of child incarceration were a matter of embarrassment to the country.

Of course, there are children in Scandinavia who get in trouble with the law and commit serious crimes. In Finland they are mostly held in residential care, or special psychiatric or detoxification units. These are not units to hold criminals per se. Also young people who have been referred by social workers or psychiatric practitioners, in cases where they are deemed to require residential treatment, live in the same facilities. In the Finnish system, relatively little attention is paid to the offending of children – offending is viewed as a symptom of deeper disorders, and the response in cases of crime is not clearly separated from the provision of services to meet child welfare or mental health needs. In both cases, the aim is to further the best interests of the child.<sup>43</sup>

This analysis suggests that the first steps in reducing the use of custody can be achieved without any large, controversial legislative changes. Making sure that all options for diversion away from court are used and promoting better cooperation between YOTs and the courts are initial reforms that offer significant potential to reduce prison populations. Since these changes involve improving the process of already existing services, they can also be achieved without any significant increases in public spending.

A change of this magnitude would reduce the number of custodial sentences imposed each year by about 830. Using our estimates of the full cost of imprisonment, these changes alone would create savings to the state of about £64 million.<sup>44</sup> In the next section we explain how such savings could be reinvested to further reduce the need for custody in each area. If further investment is made into alternatives to custody and the prevention of crime, the potential for reducing imprisonment is much higher. For instance, a similar scheme of fiscal realignment in Illinois brought about a reduction of 44 per cent in the use of state prisons.<sup>45</sup>

# Implementing budget devolvement for custody

*'The first real principle which should guide anyone trying to establish a good system of prisons would be to prevent as many people as possible getting there at all.'*

**Winston Churchill, 1910<sup>46</sup>**

Any process to assess and reward parts of government needs to be carefully assessed. The danger is that its measures will be too mechanistically followed, creating new perverse incentives in place of the old ones. A carefully designed policy of devolvement, in cooperation with its stakeholders, can avert such difficulties. It will help establish a system that functions much better than the current arrangements.

In this section we discuss the details of the process of devolvement: how it should be taken forward, and how funds can be best managed by the local authorities. We believe the principles outlined here will create a policy that successfully works towards the following goals:

First, the overall goals of the policy:

- To discourage the use of custody in cases where it is not the last resort to serve public safety, and to encourage the provision of high-quality alternatives.
- To reform the criminal justice process so that diversion away from the criminal justice system is used where appropriate and an escalation to tougher sentences is avoided.
- To allow the reinvestment of saved resources so that social problems and disadvantage are tackled before they lead to crime.
- To allow public funds to be used more effectively and to encourage the creation of innovative solutions to reduce and deal with crime.

## **Allocating budgets**

A funding formula defines how the budgets used to pay for custodial places are allocated between areas. Where an area is able to reduce its need for custodial places from what is expected, based on the formula, it also determines the amount of resources it will have available to reinvest for other purposes.

There are several options for the funding formula. Budgets could be allocated based on the use of custody in past years, or as equal shares for each area based on population, or according to some measure of need. Using a formula based on need is arguably the most equitable solution, because equal shares for all areas will favour wealthier councils that have less crime and consequently have less need to spend on custodial placements. Using past trends will, in turn, reward those regions that currently perform worst. Using need as a basis of allocation will also promote efficiency, since additional resources are likely to make more of a difference in areas with higher needs.

Some reports that have touched on the topic of devolving youth custodial budgets before have recommended a funding formula based on need that is measured through socio-economic indicators.<sup>47</sup> Measures of the state of the economy or the welfare of children are relevant because they can predict the future occurrence of crime and ultimately the need for custody. An approach based on socio-economic indicators is challenging, however, because the connection between these variables and future criminality would need to be demonstrated and found to be relatively robust. Given the complexity and uncertainty involved in determining measures of all relevant criminogenic factors, building a funding formula based on socio-



economic need is likely to be a politically contested and difficult process. In the worst case, it could also create unwelcome incentives that are counterproductive. If a council is successful in improving the socio-economic conditions of its area, but this does not immediately lead to a corresponding decrease in serious crime, it will receive a smaller transfer of funds but will be financially responsible for the same number of custodial placements.

We believe that the most promising option is to base the funding formula on the past occurrence of crime from an area. The funds devolved to each local authority would correspond to the amount of crime in each authority's area in the past years. Such a formula would effectively capture the expected demand for custody in an area, yet it would also be simpler than using socio-economic indicators.<sup>48</sup> It would provide a reward for those areas that are able to reduce crime relative to previous years.

The central challenge in an approach based on measures of crime is choosing which crimes to include in the funding formula. Essentially, a normative stance needs to be taken on what types of crime are sufficiently grave to warrant custodial sentences.<sup>49</sup> This should, however, not be an insurmountable issue as the UK has already made commitments to providing a threshold for custodial sentences. The United Nations Convention on the Rights of the Child (UNCRC) has been ratified and is binding for the UK Government since 1991. Article 37(b) of the agreement requires that the imprisonment of children 'shall be used only as a measure of last resort and for the shortest appropriate period of time'.<sup>50</sup> The instructions produced by the British Sentencing Guidelines Council reflect this very principle. According to the Sentencing Guidelines for Youth, prison placement should be only used as a 'measure of last resort', which means considering 'whether the offence has resulted (or could reasonably have resulted) in serious harm', as well as the 'risk of serious harm in the future'.<sup>51</sup>

What could such a formula look like, then? We can look to the state of California as an example; it has a system of charging counties for state prison places. The price of a prison place varies on a sliding scale, based on the type of offence in question. For instance, violent or sexual offenders can be imprisoned with a small cost at county level, whereas the county will have to pay a lot more if it does not deal with minor offences locally (Table 6).

An approach with a similar effect to California's scheme would be to devolve budgets based on a 'sliding allowance'. The number of expected custody placements, and hence the amount of funds transferred to a council, would be based on the frequency of serious crime that often results in custodial sentences. Less serious crimes would be included in the formula but with a smaller weight – the reverse of the sliding fee in California. The relative weight of different types of offences in the formula could be based on legal minimum or maximum sentence lengths. All custodial placements would still be charged the same amount. Such a formula would encourage councils to work to reduce the use of custody for less severe crimes.

**Table 6. The monthly fees for incarceration for different offences in California's sliding fee system.**<sup>52</sup>

<i>Typical offences</i>	<i>Monthly charge to county</i>
Murder, manslaughter, sexual offences, kidnapping, carjacking, armed robbery, arson, drug selling	\$150
Assault with a deadly weapon, robbery, residential burglary, sexual battery	\$1,300
Carrying a concealed firearm, commercial burglary, battery	\$1,950
Technical parole violations, minor offences and misdemeanours	\$2,600

When properly designed, a funding formula based on crime levels could also create an additional incentive to reduce the amount of crime. This would happen if the formula were based on information from an earlier period; for instance, the previous year. An area with 10 serious offences in the previous year, for example, would be expected to need 10 custodial places and would be allocated the corresponding amount of funds. If an area were able to reduce the number of serious crimes by one, and consequently also its need for prison places, the funding formula would end up allocating more to the area than it needs to pay for. As a result councils would be allowed to keep the savings and reinvest them to further improve safety in their areas. This has the potential to create a virtuous cycle in which initial improvements are amplified by gaining additional resources for further work.

With such a formula, central government would give up any cost savings that result from reductions in custody use from the first devolvement period. The central government would be transferring funds for a while as if crime were at the same level as before, even when local authorities had been able to reduce crime. From the central government perspective, this may seem like a bad deal. But it may ultimately make good economic sense to set up and operate a devolvement policy in this way, if it leads to better outcomes over the longer term. Experience from similar policies in the United States – such as the 44 per cent reduction in custodial sentences in Illinois – suggests that this is the case.

### **Addressing potential problems**

The final decision to imprison someone is taken by the courts. If local authorities were to hold the budgets for providing custodial placements, they would face the risk of having to overspend because they don't directly control the need for custodial placements. This means that the role of the judiciary is a challenge for the acceptability of a devolved budget policy, but it is also, in part, an advantage. If custody ceased to be 'free of charge' as far as local authorities were concerned, they would have a strong incentive to reduce its use – even for serious offenders who pose a threat to public safety.

Since councils cannot directly decide whether or not to use custody, they cannot act on this incentive. A situation in which savings are created by cuts in custody that threaten public safety is therefore unlikely to take place. Moreover, the additional financial risk faced by local authorities under a devolved budget policy would be relatively small in comparison to current levels of local authority spending. The risk could be further mitigated by stronger sentencing thresholds to ensure that custody is used only as a last resort.

Another issue with transferring responsibility for the cost of custody is that it would increase the volatility of local authority expenditure. This is especially true because of the high degree of variance in expenditure requirements related to custody. Measures of serious crime can vary by as much as a third year on year between local authority areas, and the number of custodial sentences imposed in a single authority area can double or halve within a year. In the worst case, fluctuations such as this could end up undermining the very investment in crime prevention that the system is trying to bring about.

One potential solution to the problem of volatility is to expand the accounting period over which the scheme functions to several years. This should even out most of the volatility. It would be possible, for example, to check every three years whether an area has used custody more than expected, and to charge or refund any difference.

A longer time perspective is crucial for preventative work as well. One challenge in preventative programmes is the long time span before results materialise. An investment in the young children of today may reap its rewards only after a decade. With this in mind, it is crucial that the government makes a commitment that any devolvement scheme introduced would be maintained for a longer period. Without the security of a long-term commitment from central government, councils would invest less in preventative work. We have seen this with budget devolvement elsewhere, such as in regeneration, where reporting periods are so short that they discourage any risk taking.

Adapting to new responsibilities can be made easier by having a transition period in which the policy is implemented incrementally. The temporary transition phase could at first use a funding formula based on historic use of custody in previous years, which reduces the size of financial adjustment for local authorities. This temporary phase would give councils an incentive as well as sufficient time to prepare a change in their institutions and culture, before a funding formula based on measures of crime is introduced. The transition phase could also be limited only to Detention and Training Orders (which are not typically given for the most severe offences), or it could start with certain areas as pilots for the scheme.

### **Making justice local and innovative**

In an area as politicised as criminal justice, there is pressure to ensure and demonstrate both that spending is effective and that public safety is being protected. In the youth justice sphere, this pressure has led to a system that is heavily directed by central government. We believe that the devolvement of custodial budgets should go hand in hand with moving decision-making power to local authorities. The justice system as a whole can become more responsive and effective at local level if local authorities are trusted to develop their own approaches to secure residential places, the criminal justice process, and the prevention of crime.

The YJB has committed itself to evidence-led choices of interventions and maintaining effective practice at the local level. To guide practitioners in their work, they have produced the Key Elements of Effective Practice (KEEP) manuals on a range of topics, which are backed by research on what types of interventions and delivery have been found to reduce reoffending. These are supplemented with information and evidence from pilot studies of interventions and administrative arrangements.

The quality of YOT work is assessed according to indicators derived from both KEEP and the National Standards documents. The idea of quality embodied in these documents has a focus on process and coherent implementation: It tries to ensure that the practices that have been found to be effective are followed and delivered successfully in each area. It makes sure that the needs of young offenders are consistently assessed with risk-based tools such as Asset. Based on such assessments, practitioners are expected to select and properly enforce structured interventions that have been designed to target the identified needs.

While evidence-based policy is an important goal, the system it creates can have some unwelcome consequences. Many commentators say that the machinery of public policy has become too 'managerial', with local practitioners having too little discretion and a mode of work that is driven by fulfilling targets.<sup>53</sup>

Another issue with the current mode of evidence-led policy is that research about what works in one place or situation cannot be used to inform interventions elsewhere without qualifications. The effectiveness of an approach depends on having suitable conditions. This brings into play factors that can vary between areas, such as the socio-economic background of offenders, their levels of motivation, and whether they perceive local agencies to be supporting or merely controlling them.<sup>54</sup> Additional important conditions include the willingness of the local community to support an initiative and the challenges presented by local economic conditions. The quasi-experimental methods preferred by the YJB to assess the effectiveness of interventions are generally not sensitive to such contextual features.<sup>55</sup>

Because of such limitations in centrally directed policy, we believe that the budgets devolved for custodial places should not be ring-fenced or connected with a stringent, centralised reporting framework. Because of the additional financial responsibility for custodial places, councils would already be incentivised to deal effectively with young offenders. In many cases, it is local practitioners who have the best understanding of what type of interventions and administration are required in their areas, and are able to choose the most effective approaches. A system in which responsibility is pushed to the local level without the appropriate means to act on it would be likely to end badly.

Devolving power to the local level should not mean that policy is not directed by evidence, or that local agencies are not held accountable for their performance. What is needed is a process of evaluating practice that does not micro-manage to the extent that it constrains the capabilities of practitioners. Rather it should show which parts of the local operations are effective, and which approaches are delivering the best results for each local authority area.

Some principles that are useful for such a model of evaluation can be found in the methodology of Social Return on Investment (SROI). Its evaluations are based on measures of outcomes (the goals of the work), rather than focusing on the process or the outputs delivered. It also recommends engaging the recipients of the service and other stakeholders to identify what its most important effects are and devise indicators to measure impact together with them. In this way the assessment captures what really matters to people. The process of the work and what makes it effective are described in a 'theory of change'. The information contained in such a theory can help to understand the conditions in which certain approaches thrive – and whether these can be replicated elsewhere. For a more detailed description of SROI and how it can be used to manage the use of local resources, see the guide published by the Cabinet Office and guidance on the Sustainable Commissioning Model.<sup>56</sup>

More freedom in the use of resources will also facilitate innovation. At present local practitioners have little scope or support to test adapted or new approaches. The key for reforming the system to deliver better outcomes is not to identify a set of interventions and push them from the centre to the whole system; it is to allow experimentation and enable new insights to be shared and built upon. By having local practitioners experimenting with new options, it is possible to learn what programmes deliver good results and under which conditions, in a way that would not be feasible by changing the national system as a whole. This would change the role of local agencies from merely implementing a single form of effective practice to themselves contributing to the body of knowledge about what works, in the circumstances of their own areas.

We believe that a national body, such as the YJB, should take responsibility for collecting research results on effectiveness and monitoring work. It could function along similar lines to the National Institute for Health and Clinical Excellence, which works in quality assurance and assessment of effectiveness in the area of health. The body chosen to play this role could act as an intermediary to facilitate the sharing of promising ways of working between areas – for example by building networks between practitioners and experts and by helping them to engage in dialogue. Communicating results in an accessible format to the wider public would also support a more transparent political discussion on the topic of crime, including which types of intervention best deliver on public safety.

There are further benefits in having justice initiatives that are local. Devolving more decision-making power to the local level would help encourage local practitioners to assume more responsibility for those entangled in the criminal justice system. Local solutions can also help change the attitudes of local people towards criminal justice. A study by the Audit Commission in 2003 found that services with a local presence and local face invoked more trust and confidence – which are crucial for the criminal justice system to function effectively.<sup>57</sup> A justice system that does not feel distant also stands a better chance of persuading local people to get involved in its functioning and to participate in interventions, such as restorative justice or peer panels.

# Reinvesting resources

*'They shall beat their swords into plowshares and their spears into pruning hooks.'*

The Book of Micah, Hebrew Bible<sup>58</sup>

Deciding on an equitable and effective way to allocate custodial budgets is one challenge. Another is how local authorities can make use of resources to reduce the need for custody. In this section we have not provided too many concrete, detailed proposals of what types of services would function best – we believe this should ultimately be decided by local agencies according to local needs and circumstances. Instead, we outline some of the principles that might help steer local authorities away from the pitfalls that are maintaining higher levels of the use of custody in the current system.

Earlier in this report we showed how diversion away from the formal criminal justice system and the development of high-quality relationships between YOTs and the courts could reduce custodial sentences by 13 per cent. Such changes have the potential to deliver savings of £2 million in some single local authority areas. Facilitating good communication between YOTs and the courts, and working with the police to make sure all diversionary options are explored, are therefore positive first steps that can be taken to reduce the use of custody. These first steps have the potential to produce significant initial savings that can be reinvested locally, establishing a positive cycle that delivers further reductions in imprisonment and makes more funds available to deal with crime constructively.

## 1. Secure placements

Custodial places are currently commissioned by the YJB. This is likely to remain so for the near future, as alternative organisational structures for commissioning secure placements at a regional or local level do not exist. Maintaining central commissioning can be helpful if we are to ensure a controlled reduction in the number of prison placements used. A budget devolution policy should be connected with a broad commitment to reduce the number of centrally provided prison places. The central commissioner can maintain a national picture to guide a steady reduction in the supply of prison places, potentially aiming to close some YOIs altogether.

In the long term, local authorities should be encouraged to develop and commission their own custodial placements, either on their own or in regional alliances. This would open up the possibility of creating smaller, more local prison units that help maintain the connection between children and their families and communities. It would also make it easier for each prisoner to establish contact with organisations and agencies from his or her home area – the kind of contact that helps ex-offenders return to their homes and reintegrate into their communities. The development of more humane and rehabilitative custodial regimes is being held back by the large numbers of children who are sentenced to custody, and the large commitment of public resources this requires. Reducing the heavy reliance on placements in central prisons will help pave the way towards a different custodial regime.

Local authorities should also create specialist secure placements that offer a better environment for rehabilitation than the current YOIs. The current institutions, like adult prisons, use a large share of their resources to merely maintain security. Facilities such as residential schools or mental health units for children are promising alternatives. There is already legal provision for allowing children to serve custodial sentences in more welfare-oriented settings,<sup>59</sup> although in practice these powers

have never been exercised. One option to give local authorities more scope to push for alternative modes of secure residential care would be a system in which the courts could decide to send children to secure accommodation when they are a threat to public safety, but local agencies would determine what type of placement is appropriate.

It is important that local, more rehabilitative secure estate is developed, but even local custodial accommodation should only be used in moderation. Secure placements should be reserved for cases where there is a real threat to public safety if someone is not detained. Several studies have shown that rehabilitative interventions are significantly less effective in coercive settings.<sup>60</sup> In spite of this evidence, custodial sentences are currently being handed out in part because of a belief in their rehabilitative effect.<sup>61</sup> Having better prison places for children available should not be allowed to reinforce this trend.

Some commentators have voiced concerns that giving commissioning power to local authorities might have the opposite effect to the one intended: councils might attempt to cut costs at the expense of a reduction in the quality of the available prison services.<sup>62</sup> Because local authorities would bear the cost of a prolonged spell in custody under devolved budgeting, they would have an incentive to provide the types of prisons that reduce the risk of reoffending after release. However since this incentive would only work in the long term, there could be a temptation for local government to make some short-lived financial gains. To guard against this, the performance and long-term costs of services needs to be made visible. For example the Sustainable Commissioning model can ensure that decisions to use resources are not driven just by unit costs, but the wider value created by services.<sup>63</sup> It evaluates different options based on the social, economic and environmental outcomes that they produce. What is important is not how an activity can be delivered with the lowest cost, but how the desired outcomes can be reached with the most efficient use of resources.

#### **Box 4. Decision-making and smaller prisons in Washington**

In the District of Columbia in the USA, decisions about where to place children convicted by a court are in the hands of the local administration. Staff of the Department of Youth Rehabilitation Services (DYRS) construct an individual development plan for each child in consultation with the child and his or her family, victims, community members, and social work/mental health professionals. Based on the severity of the crimes committed, and the needs and strengths of the child, the DYRS decides whether a placement in the community or into secure care is appropriate.

The DYRS has also decided to construct new secure facilities. It is doing so with an emphasis on therapeutic work, openness to the community, and making sure each unit is a suitable size. The new secure placements being established are based on a model from Missouri. The buildings will consist of six independent living units hosting ten people each. It is part of the Missouri model that young people work together in these small groups. The staff involved are professional counsellors, not guards. The young people are assigned coordinators who maintain connections with home, including some home visits. The member of staff who has worked with a child during a secure placement continues to work with that child after release to help overcome barriers in reintegration. This approach may not be the cheapest, but it has been found to reduce the likelihood that children will need to return to custody.

For more details see <http://www.mysiconsulting.org/>

## 2. Alternatives to custodial sentences and remand

According to research by Barnardo's, 95 per cent of the children aged 12–14 who are sentenced to custody have never been convicted a serious offence, and 82 per cent have not committed violence against another person.<sup>64</sup> It is clear that for many of these children a sentence served in the community would be more humane and appropriate.<sup>65</sup>

The YJB has been active in developing alternative sentences for persistent offenders, such as the Intensive Supervision and Surveillance Programme (ISSP). YOTs already have a duty to provide these. The courts are hesitant, however, about making use of such alternatives unless they perceive them to be of sufficient quality and to have appropriate levels of security. This hesitancy can limit the use of non-custodial options.<sup>66</sup> YOT targets for educating young people serving community sentences, reducing their substance abuse, and providing mental health services are typically not being met. This suggests that there is room for improvement in these areas.<sup>67</sup>

When providing community interventions, YOTs should be supported to go beyond statutory requirements and try to develop innovative approaches to dealing with young people on the cusp of custody. More can be done to engage with the young offenders to help them meet the requirements of their sentences. With additional resources made available at the local level, and an incentive for local authorities to spend these resources effectively, there would be more opportunity for this to happen. Local practitioners should monitor young people that are sent to prison and try to understand what kind of support could have prevented them offending. This will allow them to better target those that are close to being sent to custody.

As with the creation of new prison facilities, an expansion of investment into alternatives in the community can create unintended results if not managed properly. The availability of improved provisions at local level can encourage what is called 'up-tariffing': not using them as alternatives to custody, but to deal with minor offenders, while still locking up the same number of people. There is indeed some evidence that this has happened with the ISSP. The typical offences for which ISSPs have been given have not been serious, suggesting that they have replaced some of the less-intensive community sentences instead of diverting young people from custody.<sup>68</sup> The problem of up-tariffing should be recognised by YOTs as they organise sentences and advise the courts. Having appropriate incentives for reducing the use of custody should mitigate the problem.

Another way to reduce the use of prisons drastically is to limit remands to custody. In 2009, there were typically about 500 children held in prison at any one time – which was about one in five children there. The number of children imprisoned in this way has increased significantly in recent years, with a 41 per cent increase since 2000.<sup>69</sup> This has gone hand in hand with a reduction in the use of accommodation provided by local authorities, which tends to be the best option for children on remand.<sup>70</sup>

One of the central reasons why the number of children held on remand is growing is a loss of confidence among some courts in the supervision provided

### Box 5. Custody panels

Custody panels are a very promising approach to coordinating support services so that the use of prisons is reduced. These panels involve representatives from YOTs, children's services, and the voluntary sector. They review every case and try to see whether there is any action that could be taken to avoid custody, giving feedback to those working on it. The panel also collects information and data, and supplies these to all agencies trying to improve their practices. A pilot in North Hampshire managed to achieve a 42 per cent reduction in the number of children sentenced to custody in one year.<sup>71</sup>

by local authority accommodation. Providing remand facilities is expensive, but the local authority typically has to pay for only one-third of the cost of custodial remand. Making sure that incentives are not distorted in favour of a single option will help increase the local provision of remand accommodation. In a survey by the PRT, two-thirds of YOT officers believed that local authorities paying the full cost of custodial remand would reduce the numbers of young people incarcerated.<sup>72</sup>

### **3. Developing an effective response to minor offending**

It is crucial that any newly devolved resources are not focused only on dealing with children who have already become deeply entangled in the criminal justice system. Reducing the use of custody is not just about providing better prison or remand facilities and more intensive sentences in the community. The functioning of the other parts of the criminal justice system can drive the demand for such interventions. This should be acknowledged in the design of the devolvement process, and local authorities should also create the necessary infrastructure to deal with low-level offending in a way that does not run the risk of unnecessary escalation towards tougher sentences.

New Labour's reforms have tended to draw more young people into the criminal justice system. The options for police to caution young people before they are brought before a court have been curtailed. Measures such as ASBOs have made relatively minor offences into potentially criminal cases. A child who repeatedly appears in court is liable to face an increased risk of a stronger sentence. When the assessment of a young person identifies a high risk of reoffending, the level of intervention will be increased accordingly. Once options for action within the criminal justice system are exhausted, the threshold for giving more intensive community sentences (and ultimately custodial penalties) is lowered.

Formal proceedings within the criminal justice system can also help perpetuate over-reliance on stiff sentences simply because they don't deal with the causes of offending effectively. For some, receiving a criminal record can help to cement criminal tendencies and behaviour. There is evidence that contact with the police and courts often reduces the likelihood of desisting from crime in the future.<sup>73</sup>

One way to reduce the use of custody is to create an infrastructure that deals with lower levels of offending by diverting youth offenders away from the criminal justice system. This should not mean inaction in the face of unacceptable behaviour, but proactively engaging with its causes. One aspect of this is to make sure that offending children are referred to and get support from mainstream services outside of the criminal justice system, such as drug treatment, mental health, or social services.

The creation of YOTs, bringing together professionals from a wide range of agencies, was meant to make it easier for young offenders to connect with appropriate forms of support. In some areas this has functioned well. In others, however, YOT workers have struggled to mobilise resources from other agencies, or felt that it was unclear who should be responsible for responding to certain cases.<sup>74</sup> Developing the cooperation between YOTs and other agencies, as well as ensuring that the mainstream agencies have the capacity to take up urgent cases quickly, is certain to reduce the caseload of the justice system.

There are also alternative approaches to justice that address minor offending more effectively than the traditional criminal justice system. Practices of restorative or community justice are based on the offenders accepting personal responsibility and repairing the damage they have done, instead of merely receiving punishment. These forms of justice also involve the victims and the wider community in the process, creating a new way of engaging people with the justice system.

The principles of restorative justice are already used in parts of the youth justice system, and the YJB has committed to 'placing restorative justice at the heart of the youth justice system'.<sup>75</sup> But the use of restorative interventions remains piecemeal. There are very few dedicated restorative justice practitioners, and the



## Box 6. Peer panels in the UK and the United States

Adverse peer pressure often contributes to youth crime. The idea of peer panels is to turn that influence around so that it works to keep young people on the right track.

If a young person is arrested for a non-violent offence in Preston, Lancashire, he or she might not be brought in front of the court or given a police warning. If offenders accept that they are guilty, they may be brought in front of a panel of volunteers from the local area, including children of their own age. The victims of the crime may also be there. The people running the panel are trained to discuss the harm that has been caused, and how it might be recompensed. The offender may be asked to apologise or repair the damage – in some peer panels, offenders are even asked to pay back to the community by volunteering for the panel itself.

Peer panels fit with an age-old principle: communities can and should play a role in administering justice. The system is managed by professionals, but the interviews and hearings are all delivered by local people who express an interest in taking part. It is one good example of an approach of co-production, blurring the distinction between professionals and recipients to such an extent that non-professionals are empowered to help run frontline services themselves.<sup>76</sup>

In the right circumstances, a peer panel can be effective in reducing offending behaviour. The orders given by the panel feel more legitimate to young people as they come from their own peers, who know well the world in which children are living. By giving children the chance to make a positive contribution through their volunteering, these panels can help to undo the stigma and division associated with offending. Peer panels also help to create a peer culture in which children feel that they can talk about the consequences of their actions freely. In the United States (where there are over 50 youth courts), the peer panel in Jefferson County has been found to result in a 7 per cent reoffending rate, in contrast to the 30 per cent observed in the traditional criminal justice process.<sup>77</sup>

training of YOT staff to run restorative panels is relatively shallow. The numbers of victims attending restorative justice panels are low, as is the level of public awareness about this kind of work.<sup>78</sup> A strong investment into restorative justice practices could mainstream the approach and make it a more integral part of the youth justice system. This could lead not only to higher satisfaction levels among victims of crime, but also to positive results for the offenders engaged in the process. Practices of restorative justice could be adopted in places such as schools and residential care homes for diversionary purposes, to avoid contact with the criminal justice system where there are better ways to address offending behaviour.

Local authorities could also try out new approaches to community and restorative justice. One example that is currently being explored is peer panels. These function like a restorative conference that brings together the young offender and victims or representatives of the local community, together with young people that have been trained to facilitate sessions and decide on restorative actions. Such panels have a history of use in the United States, and are currently being piloted in Preston, Lancashire (Box 6).

### 4. Reinvesting into prevention

The contact between young people and the public services has a strange feature: public resources and supportive attention from practitioners often become available only after a child commits a crime. The criminal justice system functions like 'a gateway to social spending',<sup>79</sup> when it should really be the last resort – used only when other options are exhausted. Public resources can deliver the best results if social problems are dealt with before they escalate into criminal behaviour.

Prevention in the field of youth justice has been heavily influenced by what is known as the risk factor paradigm, a principle that has guided both the YJB's investment into early intervention and the design of activities that seek to prevent reoffending. Risk factors are features that have been associated with a heightened risk of criminal activities – things such as lacking parental supervision, hyperactivity or impulsivity, and peer influences.<sup>80</sup> The assessment and identification of such factors is meant to guide the selection of cases that require attention, as well as the appropriate type of intervention.

The response to these risk factors is often guided by another principle – that of responsabilisation, which involves challenging people to take responsibility for their actions and behaviours.<sup>81</sup> Individuals and families are given support to help them address problem attitudes and behaviour, so that they can manage the causes of their offending themselves. Examples of the kind of support provided include cognitive behaviour therapy and parenting classes offered to individuals at risk. Some critics have viewed responsabilisation as pinning the blame for crime and the burden of tackling it on families and offending individuals.<sup>82</sup>

The emphasis on risk has practical consequences. The preventative work that is done through the youth justice system tends to work by targeting potential offenders who risk assessment has identified as likely to pose a danger in the future. Singling out children can, in the worst case, produce counterproductive results. It can label children as deviant and dangerous, which can create damaging expectations on the part of the authorities and the children themselves and make a criminal career seem more attractive.<sup>83</sup> Potential recipients may be deterred to make use of preventative services if they are seen to be only for the ‘failing’ or ‘struggling’ individuals and families. Some preventative interventions that bring many disadvantaged children together may create the wrong type of peer pressure. A further problem is that a focus on dealing with risk factors can easily result in the creation of new funding silos that soak up scarce resources.

The risk-based approach to prevention may also suffer from a limited reading of what causes crime. At a time when the government is not inclined to embark on ambitious social and economic reforms, it is convenient to see the root of problems, and hence the target for prevention, in the supposed deficiencies of individuals and families. It is important, however, to set the risk factors in a wider context, in which the factors themselves often are effects of other social and economic causes. For instance, poor parenting, lack of self-control and drug abuse result in part because of poverty and increasing economic inequality. Interventions should not only require individuals to adapt, but should also seek to change the environment they find themselves in.<sup>84</sup>

This argument is forcefully made in research by US criminologists in Pittsburgh. They found that connections between risk factors and youth offending materialised as predicted in relatively wealthy areas. In poorer areas, however, the connections broke down, and even ‘less risky’ children were frequently offending (Table 4). This suggests that the part played in criminal behaviour by the kind of area people live in has been strongly underestimated in current preventative policy, and that interventions focusing on the deficiencies of individuals and families can only go so far in preventing crime.

Criminal justice agencies are not best placed to deliver changes in these more fundamental causes of crime. That is why we believe that a significant part of devolved budgets should be transferred to local bodies with a different remit, such as Children’s Trusts or local strategic partnerships for the development of localities. In its most effective form, the devolvement of custodial budgets should not result only in better-funded alternatives within the criminal justice system, but also to support work outside of it.

**Table 7. Percentage of boys in Pittsburgh that have committed serious crimes by neighbourhood type and number of risk factors.<sup>85</sup>**

<b>Number of risk factors</b>	<b>Neighbourhood socio-economic status</b>			
	<b>High</b>	<b>Medium</b>	<b>Low (private housing)</b>	<b>Low (public housing)</b>
0	3.4	13.7	13.6	51.3
1-2	32.8	37.5	38.1	53.1
3-6	56.3	60.3	72.9	83.9

Instead of simply singling out individuals who appear to be 'risky' and dealing with their deficiencies, local bodies should work to improve the welfare of children and the areas in which they live as a whole. This may in fact lead to a better targeting of resources: when characteristics of risk start to manifest, opportunities for early intervention have often been lost already. Some research also shows that the promotion of positive experiences and viewing children as assets are part of what makes services effective.<sup>86</sup>

This is not to say that targeted prevention for those on the brink of criminality would not be necessary. For instance, the UK has only one single residential drug treatment centre for children, in Middlegate. Even this centre came very close to closing, and had only one resident at one point in 2009. The low use of the service has been blamed above all on considerations of cost by local councils.<sup>87</sup> Residential treatment may not be the best option for many children involved in substance abuse. It is clear, however, from the very high prevalence of drug-addicted children among those being imprisoned that investment in treatment for drug abuse is woefully inadequate. As in so many cases with preventative services, the drive to cut costs happens at the expense of the other parts of the public sector that have to deal with the consequences and pick up the bill.

# Conclusions and recommendations

Spending public resources to imprison children is making society less safe. The evidence we have reviewed for this report shows that spending time in prison makes it less likely for children to be reintegrated into education, to have a stable home, and to find a job later. It also makes it more likely that they will continue their criminal careers after they have been released. Despite the massive investment of public resources it entails, a sentence to prison or time spent there waiting for a trial is harming the lives of many children.

Providing a prison bed in a YOI costs about £100,000 per year. Based on the evidence reviewed in this report we estimate that the costs associated with dealing with the long-term consequences of imprisoning children and young people are at least a further £40,000. This estimate takes into account the benefits of reduced crime while a person is incarcerated, and does not include some likely negative impacts for which the evidence was not conclusive.

What makes the high levels of imprisonment even more of a tragedy are the other opportunities where the same public resources could have been used. Prison is quite unique among public services as an intervention that, in the long term, actually adds to the troubles of society. A large part of the hundreds of millions of pounds invested in prisons for young people could be used in a more humane and effective way to deal with young offenders in the community, or to improve disadvantaged areas to reduce crime. We are locked into a vicious cycle in which a large proportion of the resources we spend on children do little more than isolate them from positive contact with society and entrench criminal behaviour.

This report has outlined a policy of budget devolvement to change the way we deal with children who break the law and to channel some of the funds that are currently spent on prisons into other initiatives. We recommend the following:

- Local authorities should be charged for the centrally commissioned prison places that children from their areas require. The charges imposed should reflect the expenditure required to run the prisons, but ideally also indirect costs stemming from the negative consequences of imprisonment. Making councils bear the cost of custody will create the economic case for taking responsibility for young offenders, so that they receive the support they require and custody is used only as a last resort.
- Funds should be transferred to local authorities according to the expected need for custody in each area, using a formula based on the amount of serious crime in past years. This will create an additional incentive for councils to tackle crime in their areas. If councils are able to reduce serious crime, and consequently their need for custodial places, they would be allowed to use the savings created for other purposes. In a temporary transition phase, local authorities should be devolved funds according to their use of prison in previous years. This would provide them with an incentive to change while giving them some time to prepare for a reduction in the use of custody.

- There are some changes that local authorities can make to reduce their use of custody that do not require heavy financial investment or controversial legislative change. Good relations between YOTs and the courts can make sure the courts consider and trust alternatives to custodial sentences. YOTs should be encouraged and resourced to maintain high-quality communications with magistrates and court staff. Councils should also work more closely with the police and YOTs to ensure that young people are not prosecuted for minor or infrequent crimes when this is not appropriate. They should also make certain that cases that don't need to be processed through the criminal justice system receive attention from mainstream services, such as substance abuse or children's services. In the research we present in this report, we estimate that improving these two fields of policy could reduce the use of custody in England by 13 per cent and create total savings of over £60 million.
- The second step in reducing the need for custody is providing high-quality alternative placements in the community. YOTs should be given sufficient resources to come up with innovative approaches that go beyond statutory requirements in dealing with children on the cusp of custody. The work of supervision needs to both create confidence in the courts and engagement from the participants. Local authorities can also significantly reduce remand for custody by providing sufficient accommodation and specialist facilities for those awaiting trial.
- Local agencies should recognize that a rigid response to minor offending drives the use of custody, and seek to reform justice practice. Being drawn into the criminal justice system sometimes sets young people up to fail and can increase the likelihood that they will reoffend, which adds to the demand for custodial places. This tendency can be moderated by making sure offenders get support from mainstream services and by improving diversionary practices such as restorative justice. Local authorities should make sure that restorative alternatives are resourced and extensively used, or try out new approaches such as peer panels.
- Resources that are saved by reducing the need for custody are spent in preventing crime from happening altogether. At present, prevention often takes the form of identifying and targeting children with the highest risk of offending. While targeted support is often needed, it can also single out and label children as dangerous or create unhelpful funding silos. Instead of just targeting deficiencies, prevention efforts should also aim to improve the lives of children and the neighbourhoods they live in as a whole. This kind of work is best delivered by agencies that are not part of the youth justice system and that aim for wider positive outcomes for children.
- Ultimately, local authorities should create local placements for children who need to be securely held, as alternatives to centrally run prisons. Being close to home will make it easier for children to maintain links with their families and communities and will help them reintegrate after they have been released. Relatively small units with an emphasis on treatment could deliver rehabilitation more effectively than the current secure estate. Providing such placements can be costly. But it is important to note that the assumed cost-effectiveness of YOJ prisons is not all that it seems – there are additional indirect costs to society and the public purse associated with the damage that imprisonment often does to the long-term prospects of children.
- Devolving budgets should go together with giving local agencies more power to decide how to respond to youth crime. Maintaining the current centralised structures while increasing the responsibility of local authorities would increase the risk that they face. New resources made available to deal with crime should not be ring-fenced or tied to a limiting centralised reporting framework. Instead the funds should be allocated with an encouragement for local authorities to innovate and to test new approaches. This can lead to more knowledge about what types of interventions best work in the local context. Local authorities could still be held accountable and evaluated with evaluations that focus on the results and outcomes of their work, leaving the process of how they are delivered open.

Devolving custodial will go a long way towards creating the conditions that will help councils deal better with young offenders and supply them with more resources to improve the safety of their areas. It should however be supported by legislative change and a wider commitment to a reduction in prison capacity and a gradual closing of some of the YOIs. In accordance to the international agreements that the UK has ratified, sufficiently strong thresholds should be established for custodial sentencing to ensure that it is used only as a last resort to serve public safety.

These changes may seem like a tall order in the current climate of fear about youth crime. Public perceptions about the youth justice system and criminality do need to be taken seriously. This will require political parties to take leadership on the issue and communicate openly about the costs and implications of current criminal justice policy. It is important to convey that most offending is neither violent nor serious, despite media portrayals to the contrary, and that responding to it rigidly by drawing more people into the criminal justice system does little to end it. It should be emphasized that our neighbourhoods have become safer, not more dangerous, and the priority of placing public funds into law and order on the expense of other core public services should be debated. The counterproductive results, large costs and longer term implications of an agenda of maintaining high levels of imprisonment should be made known to the wider public.

Research shows that the public does not favour locking up young people for crimes that are not serious, especially if they understand the background from which the offender comes from and the alternatives of supervision in the community.<sup>88</sup> This suggests that the majority, if properly informed about its ramifications, would not choose to vote for continuing the current reliance on imprisonment.

Whenever high-visibility events have raised public concern about youth crime, all parties have pursued strategies of being 'tough on crime' to appear like the true guardians of public safety. In the current situation, moving away from this competition of ever stronger responses to crime seems to risk electoral defeat. The criminologist Nicola Lacey has come up with a bold proposal to break the current deadlock. She proposes a cross-party commission, that would generate an expanded debate on penal policy, drawing in a wide range of experts and stakeholders from the public.<sup>89</sup> This could contribute to a better informed public discourse on youth justice. If all major parties would sign up to the commission's conclusions, it would also moderate the upward pressure to more punitive responses in electoral competition. Something similar was proposed in Lord Carter's review of prisons, which recommended a Sentencing Commission to create a better sentencing practice.<sup>90</sup>

Rising up to this challenge would do a great deal to improve the safety on our streets. We already have the public resources needed to create a more humane and effective justice system. We just need to spend them more wisely.

# Appendix 1. Crime-related costs and benefits of Young Offender Institutions

This appendix focuses on four consequences of custody that are related to crime and the function of custody as punishment. These are the specific and general deterrence effect and the incapacitation effect, through which custody placements affect the occurrence of crime; and the retribution effect, which reflects the value of prison as a retributive expression of justice. We estimate the specific deterrence and incapacitation effects of one year's custodial sentence, and the general deterrence and retribution effects of the existence of custodial sentences in the criminal justice system. The wider consequences of incarceration are discussed in Appendix 2.

## Specific deterrence effect

The specific deterrence effect is the extent to which punishment deters its recipient from future criminal behaviour. It is different from general deterrence, i.e., the effect that the threat of punishment has in preventing potential offenders offending in the first place. Specific deterrence means the effect that a certain punishment has on an individual's reoffending after punishment has been administered. A negative specific deterrence effect suggests that punishment will increase the probability of future criminal behaviour by the person in question.

A considerable amount of research has attempted to estimate the size of the effect for custodial placements. The great majority of this research on the impacts of custody has taken place in the United States. A full empirical solution to the debate is unlikely because, as a rule, the justice system incarcerates the most difficult cases. This creates a 'selection effect': The individuals that end up in prison are likely to have characteristics that make them prone to committing serious and frequent crimes. Individuals receiving more lenient sentences, in contrast, will have more protective factors against committing crimes to begin with. Because of this, the frequency of offending after release will reflect not only the impact of different sentences, but also the disparities in the initial circumstances of the offenders. Hence reconviction figures for different sentences cannot be directly compared.

One body of research makes use of data about the background variables of offenders and constructs expected reconviction rates based on statistical models. The models approximate the tendency of people with certain characteristics to offend, regardless of the sentence they receive. The difference between the expected and actual reconviction rate reflects the effect that a given sentence has on reoffending, i.e., the specific deterrence effect. One central difficulty in this approach is that there may be differences between offenders that are not reflected in the data, and therefore are not factored into the expected reoffending rate. These unobserved differences still have an impact on both the sentences given and the actual reoffending rate. This problem of unobserved differences can be mitigated by statistical methods but can still create bias in the results.

Some studies take a quasi-experimental approach, comparing the effects of incarceration with the types and lengths of community or custodial sentences imposed. Such studies typically try to reduce the selection effect by carefully choosing comparison groups with similar characteristics. In comparison to community sentences, custodial sentences are found to have a negative effect on the whole.<sup>91</sup> One potential source of bias is that community sentences often have a stronger rehabilitative component, which means that the observed difference does not just reflect the effect of prison. A further issue is 'differential attrition': the fact that the most difficult cases drop out of community programmes through breaching and end up in custody before finishing a community sentence.

A small number of 'natural experiment' studies exist, in which the justice process assigns groups of offenders to different types of sentences – even though they are otherwise equivalent.<sup>92</sup> The results of such studies seem to vary widely. It is worth

noting that a review study found that quasi-experimental studies typically yield more negative estimates about the effects of custody. This would suggest that the construction of control groups in these studies was not perfect.<sup>93</sup>

A number of meta-analyses systematically bring the results of this research together. They select only the studies that meet high standards, and apply statistical techniques to the results to estimate their combined reliability. In a review of a number of such meta-analyses, Lipsey and Cullen find that:

*As might be anticipated, none of the meta-analyses of studies of this sort found mean recidivism reductions for correctional confinement. ... Those summarizing studies of incarceration compared with community supervision, or longer prison terms compared with shorter ones, all found that the average effect was increased recidivism. ... In sum, research does not show that the aversive experience of receiving correctional sanctions greatly inhibits subsequent criminal behavior. Moreover, a significant portion of the evidence points in the opposite direction—such sanctions may increase the likelihood of recidivism.<sup>94</sup>*

All systematic reviews on prison sentences studied by Lipsey and Cullen found a negative specific deterrence effect. This effect is likely to be larger for young people, for whom the coercive environment is arguably less suitable than it is for adults (for evidence of this see Appendix 2).

Not much evidence exists about the specific deterrence effect for children incarcerated in England and Wales in particular. The YJB is currently conducting the study *Young People, Interventions and the Secure Estate*, which will analyse the effect of custody on reconvictions and other outcomes. We believe that the best estimate currently available is from the Ministry of Justice (MoJ) study on the reoffending of juveniles. The MoJ used a statistical model to predict a reoffending rate for individuals receiving different types of disposals, based on information from the Police National Computer on variables such as age, ethnicity and previous offending history and sentences.

For instance: in 2007, the actual reconviction rate from custodial sentences was 75.3, whereas the rate expected based on the model was 71.3.<sup>95</sup> The average difference between the actual and the predicted reconviction rate for the years 2000–2007 is 3.9 per cent.<sup>96</sup> The MoJ model has some methodological shortcomings; for instance, the range of factors it considers is quite narrow and so it probably fails to capture some important differences between offenders. As the 3.9 per cent increase in offending after release is in line with the wider literature and meta-analyses done on the topic, we will use it for this study.

### **Modelling the offending career**

If a person is more likely to continue offending after release from prison, how many crimes would he or she commit in the future and at what cost? We created a profile of an average offender who has been released from a custodial sentence and continues to offend. To simplify the calculations, the model focuses on a person released at the age of 17.

The first step is to estimate the number and types of crime that would be committed. According to MoJ statistics, the average frequency of crime for those released that keep reoffending is 4.7 convictions within a year, for the cohort of 2007. Information on just one year after release is naturally undesirably short, but no better figures were available. The MoJ also gives information about what types of crime young people are convicted of. It presents a distribution of convictions among different categories of crime for the cohort that received any sentence in 2007. The corresponding figures are not available for individuals released from custody in particular.

For ex-inmates, the MoJ statistics give only a figure on the severity rate: the proportion of crimes classified as severe among all convictions. For the model, we started from the distribution of crime types for all reconvicted and adjusted this to take into account information on the severity rate for those discharged from custody. The share of serious and other crimes was changed so that the model had the



severity rate that matched that of offenders released from custody. The relative shares of all crimes within the groups of crimes classified as serious and non-serious were maintained. The result gives an estimate of the prevalence of different types of crimes for those released from custody.

The next step is to estimate how the likelihood of offending and the frequency of conviction will change as a person grows older. For this we used the results of Farrington *et al.* from the Cambridge Study in Delinquent Development (CSDD).<sup>97</sup> The results of that study give approximations of the likelihood for someone offending at 17 to stop later, and how many times such a person is likely to be convicted each year if he or she continues offending.

The CSDD study reports changes in the share of different types of crimes, but these do not fit well with those given by the MoJ. Because of this, we have used the results of the study only to adjust the likelihood and frequency of offending over the years. The distribution of offending between different types of crimes is assumed to stay the same over the years. This is not optimal, as in reality the severity of crimes tends to escalate as repeat offenders get older, while their frequency decreases.

Furthermore, it is worth noting that the Farrington study had a sample that was representative of the male population in general. Yet the prison population is likely to commit more serious crimes and for longer than the population represented in the study. The criminal career created for the model is consequently likely to be biased towards a shorter and less serious criminal career than that of the actual prison population. We will assume that people end their criminal careers at the age of 50, as no data is available for the time after that age.

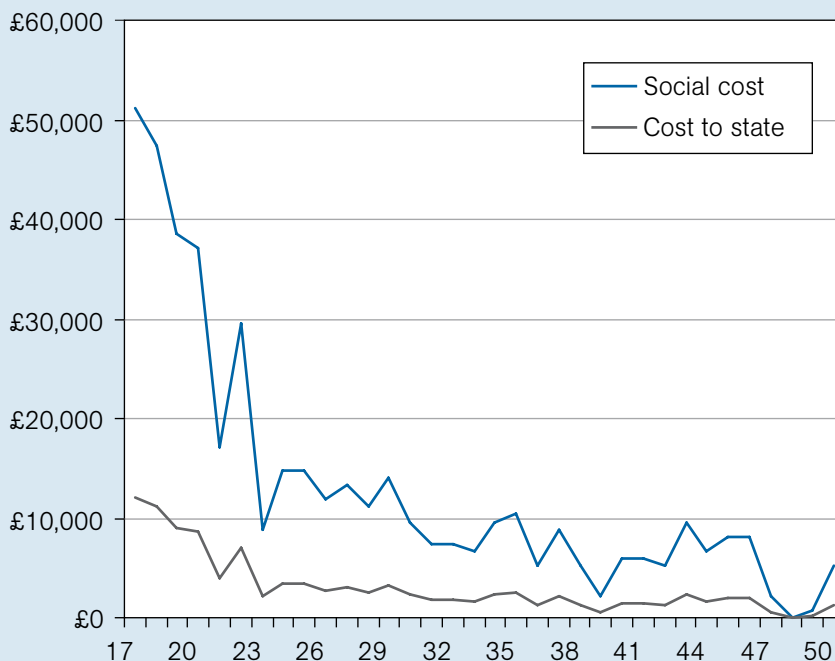
The final step is to adjust for differences between recorded and actual offences. We corrected for the difference between recorded crime and actual crime using estimates of police detection rates based on reports by victims. The British Crime Survey (BCS) gives estimates of the difference between actual occurrence of crime and the numbers of various crimes leading to conviction.<sup>98</sup> These range from 10.4 per cent to 93.7 per cent. We used the detection rates for different types of offences to calculate the likely amount of actual offences based on estimated convictions. The weighted average detection rate for the offences young people are engaged in is 28 per cent. This means that the 4.7 convictions that were observed for young people in the year after their release can be estimated to reflect about 17 actual offences.

With this information available, the number of offences for each crime category (c) and age (y) can be calculated with the following equation:

$$\text{NumOffences}_{c,y} = \text{ConvictionShare}_c \times \text{ConvictionsCCSD}_y \times \frac{\text{ConvictionsMoJ}_{y=17}}{\text{ConvictionsCCSD}_y} \times \text{OffendersActive}_y \times \text{DetectionRatio}_c$$

- ConvictionShare is the share that one category of crime (c) represents among all the offences that a person is convicted of. This is based on the MoJ statistics,<sup>99</sup> adjusting to the severity rate for those released from custody. The share for each crime is held constant over all the years.
- ConvictionsMoJ is the average number of convictions per offender released from custody, based on the MoJ statistics. This is divided by the average number of convictions based on the CSDD data, to get a ratio that adjusts for the higher frequency of offending observed for those released from custody.
- ConvictionsCSDD is the average number of convictions at a certain age (y) for an offender, based on the CSDD data.
- OffendersActive is the share of offenders that were still active in a certain age group (y), relative to how many were active at the age of 17. The figures are from the CSDD study.
- DetectionRatio is the likely volume of offences in a certain category of crime (c) that are committed for each conviction. The figures are based on the British Crime Survey (BCS).

**Figure A1. Changing social costs and costs to the state over the offending career of individuals (age 17 to 50). The costs in the graph are not discounted.**



Based on this model, we estimate that a person that is offending at 17 after being released from prison will commit on average about 145 crimes. Out of these crimes about 1.7 are serious crimes (homicides, sexual crimes or serious violent offences). Given that a prison sentence is estimated to increase the likelihood of continuing to offend by 3.9 per cent, this translates into an average of about 5.5 crimes caused, out of which about 0.06 are serious.

### Estimating the cost of crime

To estimate the costs associated with crime we made use of research by the Home Office from 2005.<sup>100</sup> The Home Office estimates of the cost of crimes distinguish between homicide and serious violence, the former naturally being much higher. The MoJ data we used for the share of different types of crimes does not make this distinction. The cost for the MoJ's records of serious violence were set to be the mean between the cost of serious violence and homicide, with a weighting based on their relative share of overall crimes.<sup>101</sup> In the report, we give figures on the cost to the state as well as the full social cost of crime (including the damage to victims and the cost of support given to them, and the cost of preparation against it). The state costs include the costs to the criminal justice system as well as potential health care costs, as these are approximated in the Home Office report.

To calculate the costs of a full criminal career we used the following equation for each type of crime (c):

$$\text{Cost}_c = \sum_{y=17}^{50} \frac{\text{OffenceCost}_c \times \text{NumOffences}_{c,y}}{(1 + \text{DR})^{y-1}}$$

- OffenceCost is the cost for a certain type of crime (c) as given by the Home Office report.
- DR is the discount rate used to adjust for costs that are incurred in the future. We used a discount rate of 0.035, in accordance with HM Treasury guidelines.<sup>102</sup>

The distribution of costs incurred from offending over time is shown in figure A1. The total discounted cost of an offending career is estimated to be about £335,000. Of

this amount, the discounted costs to the state are about £80,000. It is worth noting that these estimates are considerably smaller than some other estimates of the costs of criminal careers.<sup>103</sup> This is likely to be because the data that estimates the frequency of reoffending that we used is likely to have a conservative bias. Given the estimate of prison increasing the likelihood of a criminal career by 3.9 per cent, the cost of the negative specific deterrence is estimated to be £13,000, or about £3,000 to the state.

### **Incapacitation effect**

When a convict is locked away, he or she won't be able to commit crimes, apart from those that take place inside prison. Incarceration will hence cut crime at least for the period during which an inmate is in custody. This change is called the 'incapacitation effect'.

There are two main approaches to estimating the size of the incapacitation effect. One set of studies focuses on areas on the aggregate level and tries to find systematic connections between the level of imprisonment and changes in criminality. Such an approach can typically not distinguish between the incapacitation effect and the general deterrence effect, i.e., the fact that higher imprisonment levels can deter individuals from taking part in crime altogether. The studies have typically found a negative connection between the use of custody and crime.<sup>104</sup>

The second method focuses on individuals and their expected rate of criminality if they are not incarcerated.<sup>105</sup> This can be estimated on the basis of knowledge from criminal career studies and measures of rates of reoffending. In this study, we have followed the second approach, as this allows us to have separate estimates for the general deterrence effect and the incapacitation effect. This approach is also easier to apply given the statistical information at hand.

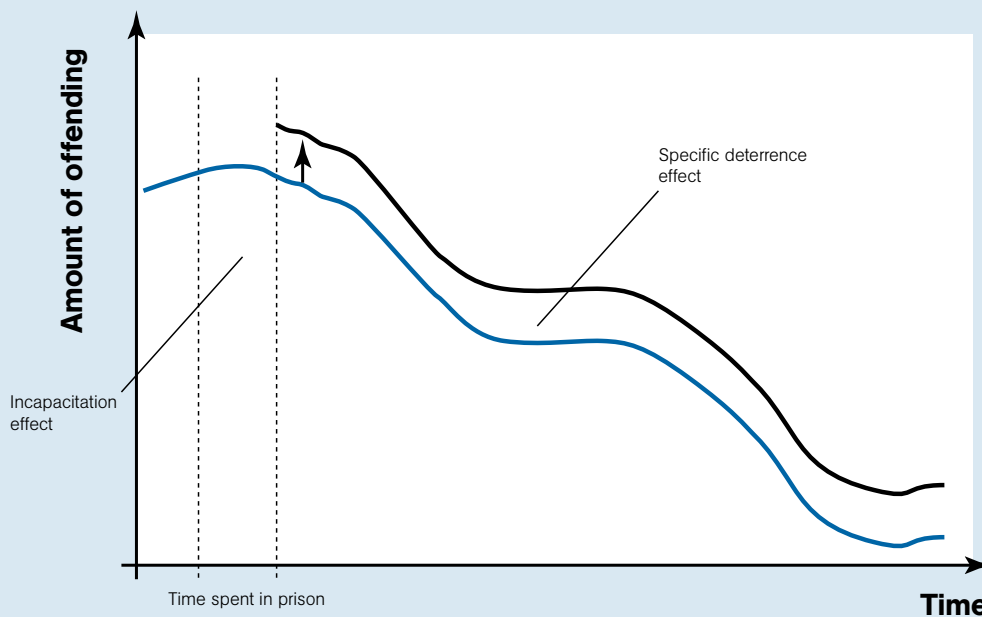
It is a challenging task to estimate the frequency at which an individual would offend if not imprisoned. The rate of offending is often estimated on the basis of reports provided by inmates about their own offending behaviour. Some criminologists fear that such sources have a tendency to inflate the crime rates and thus show incapacitation to be more effective than it truly is.<sup>106</sup> Another option is to focus on officially recorded crime figures. This data is also problematic: it tends to strongly underestimate the volume of crimes being committed, particularly with regard to certain categories of crime. The majority of crime is never reported to the police, and the police do not formally record all the instances of crime they come into contact with.

The actual incapacitation effect is likely to be smaller than the number of crimes an individual would commit while free. For example, locking up a person who perpetrates domestic violence five times a year is likely to reduce the incidence of crime by that amount. Many other types of crime, however, have a group character. They are perpetrated by gangs or criminal rings, so that removing one gang member is unlikely to affect total crime – that person will simply be replaced. If we take this into account, the incapacitation effect will be less than the full frequency of offending when free. Examinations of criminal records suggest that 'juvenile offenders primarily commit their crimes with others, whereas adult offenders primarily commit their crimes alone'.<sup>107</sup> Taking into account the effect of co-offending is hence important for the present study.

Data from the *Cambridge Study in Delinquent Development* (CSDD) provides a basis for estimating the amount of co-offending. Piquero<sup>108</sup> used the CSDD to look at the criminal records of individuals over their life span, and any information given on whether or not they were convicted with other people. Piquero found that individuals typically start offending with other people, and with more than one person. As their criminal careers progress, the average number of co-offenders involved in the crimes committed goes down. Co-offending also strongly depends on the type of crime, and is most common in burglary, robbery and theft from motor vehicles.

Another factor that affects the size of the incapacitation benefit is the development of the criminal career, or changes in offending over a person's lifespan. Age is

**Figure A2. Visual explanation of the size of the incapacitation effect and the negative specific deterrence effect created by an increase in the likelihood of reoffending.**



one of the best predictors for desistance. For individuals who remain in custody for a long period, expected crime rates will decline over time, and not taking this into account will overestimate the incapacitation effect. Given our focus on young people, however, and the relatively short periods of custody that are typical to them, we have decided to ignore the impact that age has on the incapacitation effect, for simplicity's sake. The development of criminality over a lifespan is taken into account in the specific deterrence effect.

Lastly, the incapacitation effect is likely not to hold for certain forms of crime that are endemic within prisons. This especially applies to certain forms of violent offences. Again for the sake of simplicity, we decided not to take this into account.

### Modelling the incapacitation effect

To estimate the size of the incapacitation effect, we made use of the convictions of individuals discharged from custody as an estimate of the frequency and type of crimes that those individuals would have committed, had they not been incarcerated. Given the evidence surveyed above, that shows how prison increases the likelihood of reoffending after release, we adjusted the observed reconviction rate down accordingly.

MoJ statistics of young people released from custody state that 75.3 per cent of those released are reconvicted within one year.<sup>109</sup> When we use the same approximation of a 3.9 per cent increase in offending caused by a stay in prison, we can estimate that 71.4 per cent of those that are imprisoned would have continued committing crimes if not sentenced to prison. There is no straightforward way to estimate how prison changes the frequency of crimes for those who continue offending, so we assume the frequency to be the same.

To take into account the impact of co-offending, we divided the actual reduction of crime by the average number of offenders involved in it. We used the figures found in Piquero's work described earlier. This cuts the number of crimes, on average, by about 1.8. This estimate is smaller than many estimates of the significance of co-offending found in the literature.<sup>110</sup>

We used the following equation to estimate the amount of crimes averted for each category of crime (c):

$$\text{OffencesAverted}_c = \text{OffendingRate} \times \frac{\text{NumOffences}_{c,y=17}}{\text{NumPerpetrators}_c}$$

- OffenderRate is the share of people that would keep on offending if not in custody. We estimated this to be 71.4 per cent.
- NumPerpetrators is the number of perpetrators for each category of crime (c). The numbers are taken from Piquero's research. The estimate of the number of offences is divided by the number of perpetrators by crime to take into account the effect of co-offending.
- NumOffences is an estimate of the number of offences, as described earlier.

Based on these calculations, it can be estimated that giving a single year's custodial sentence will, on average, stop seven crimes from taking place, of which about 0.1 are serious crimes. The cost savings, based on the equation and the Home Office estimates described earlier, are about £22,000. Out of these £5,000 are costs to the state.

### General deterrence effect

One of the indirect benefits of the use of custody is that it may deter people from criminal activities altogether. Some potential offenders might not commit crimes at all because of the perceived threat of a custodial sentence. This is called the 'general deterrence' effect.

There is substantial evidence that the criminal justice system as a whole has a general deterrence effect. Crime would be more common if offending were possible with impunity.<sup>111</sup>

What is relevant for this study is how much custodial sentences add to general deterrence in comparison to less severe sentences. Custody is the harshest mode of punishment in the current criminal justice system. Any additional deterring benefit it creates is by virtue of it being more severe than, for instance, community sentences. Our focus will therefore be on the marginal deterrence created through an increase in severity.

How large is the marginal deterrence of custodial sentences? One strand of criminological research into deterrence tries to establish whether changes in policing or sentencing explain variations in crime between areas or periods of time. These studies focus on the severity of punishment, the amount of police control, the certainty of punishment, and individual interventions such as police crackdowns on drugs. This is a challenging topic to research statistically, because the direction of causality can work both ways (sometimes higher level of crime can also bring about tougher punishment). A connection of this type can be difficult to incorporate into statistical models.

Such studies have been able to demonstrate that the certainty of punishment systematically decreases crime. A study by Farrington *et al.* of crime and punishment trends in the United Kingdom and the United States found a substantial negative correlation between the likelihood of conviction and crime rates.<sup>112</sup>

The results do not support similar conclusions about the severity of punishment. Many studies, especially those documenting US prison expansion, show that an increase in the prison population cuts crime. As a rule these studies do not make a distinction between the incapacitation effect of imprisonment and general deterrence. The size of the reduction in crime found by these studies seems to be in line with what would be expected from incapacitation alone, and most commentators believe that such studies do not demonstrate general deterrence.<sup>113</sup>

The studies that look at deterrence in particular, by controlling for the amount of incarceration and other crime-related factors, have generally been inconclusive. Approaches to understanding offending behaviour that start from the individual's decision-making process would suggest that increasing the size of sanctions should deliver a negative effect on criminal behaviour. Yet several studies and reviews of studies on harsher punishment have failed to prove this effect. A review by von Hirsch *et al.* concludes that 'present association research, mirroring earlier studies fails... to disclose significant and consistent negative associations

between severity levels (such as the likelihood or duration of imprisonment) and crime rates'.<sup>114</sup> Other reviews on the severity of punishment arrive at similar conclusions.<sup>115</sup>

One explanation for this could be that individual decision-making is not very sensitive to the severity of expected punishment. It may be that people do not feel the cost of conviction to be proportional to the severity of the formal punishment they receive. Rather, 'it seems that they perceive that there is a fixed cost associated with merely being convicted or even apprehended if it is public record'.<sup>116</sup>

Another strand of research focuses on the subjective perceptions of punishment. It is a condition for the existence of the general deterrence effect that potential offenders hold appropriate beliefs about the likelihood and severity of punishment. Changes in sentencing cannot be expected to have a deterrent effect on offending if there is no awareness and understanding of those changes. Deterrence studies tend to conclude that individuals' beliefs about punishment seem to have an effect on their behaviour. Again, the studies find that a belief that there is a risk of sanction inhibits criminal behaviour.

As in the macro-level studies, the severity of punishment was found to be less important.<sup>117</sup> The potential shame and loss of respect associated with conviction weigh more heavily than formal sanctions in the decision making of offenders.<sup>118</sup> The Home Office has carried out *Youth and Lifestyle* surveys based on interviews with young people aged 12–30 in the UK. In answering questions on what stopped them from being violent towards others, 65.6 per cent answered that it was the feeling of it being wrong or the shame that it would bring to their families. Only 17.1 per cent cited the fear of legal repercussions.<sup>119</sup>

While beliefs matter, they may not reflect the actual functioning of the penal system. A Home Office study found that the severity of punishment in the UK was seriously underestimated, while the risk of being detected and convicted was strongly overestimated.<sup>120</sup> The survey was targeted at the population at large, but its findings may well reflect the state of knowledge of those most likely to offend. If the lack of knowledge in the population at large also afflicts potential offenders, changes in the severity of punishment will have no deterrent effect.

Given the evidence outlined here about the weak effect of having more severe sentences, we conclude that it is unlikely that giving prison sentences has any additional deterrent effect over that provided by sentences such as supervision in the community. We have therefore chosen not to include a general deterrence effect in the study.

#### **4. Retribution effect**

The retributive justification for punishment is that it expresses disapproval for acts of deviance that are damaging. They satisfy the victim's or the general public's preferences for delivering interventions that are perceived to be proportionate to the criminal act. This aspect of custodial placements could in principle be incorporated in the analysis in the form of a benefit – a 'retribution effect'. The benefit of retribution could be given a monetary value that represents how much the public assigns value to this aspect of justice relative to its other objectives, such as the overall reduction in crime or the rehabilitation of offenders.

The challenge in incorporating a retribution effect is that it is difficult to quantify. There has been very little research to address the topic. An estimate of the retribution effect could be derived by using stated preference methods, where subjects are asked to express how much they would be willing to give for the punishment to be implemented.

The only available research that we know of is a paper by Nagin *et al.* which examines the topic through the findings of a survey in Pennsylvania, USA.<sup>121</sup> Respondents were asked to state how much they would be willing to pay for two alternative criminal justice interventions: extending a one-year prison sentence to two years, or adding a drug treatment component to the one-year sentence. Each respondent was randomly assigned to consider one of these two options. All

respondents were given identical descriptions of the impacts of the interventions, including their rehabilitative effect.

The results showed that the public had a preference for the option of treatment and was willing to pay more for it. Cohen later translated the results to the value placed on a reduction in crime, and estimated that the average amount people would be willing to see paid to prevent a serious crime was \$100,000 for incarceration and \$125,000 for a rehabilitative intervention.<sup>122</sup> Given that the impact on crime levels of both interventions was stated to be equivalent, the results would seem to suggest that there is no significant retribution effect – the public was less willing to pay for the more punitive option that would express stronger retribution.

Cohen still suggests that we should be careful in drawing such conclusions from this work. Despite presented information to the contrary, the respondents might still have a bias towards believing that rehabilitative treatment is a more effective means of crime reduction. It is also worth noting that there are various biases in stated preference surveys that are difficult to correct.

Given these initial findings and a lack of more exact evidence, we have chosen not to include a retribution effect in the study.

# Appendix 2. Other costs and benefits of Young Offender Institutions

This appendix focuses on the effects of custody in YOIs that are not directly related to crime and justice (for which see Appendix 1). Prison is often viewed only as an instrument of punishment and rehabilitation to prevent crime. Its impact extends, however, to the mental health and educational attainment of the inmates and other such outcomes. These 'collateral effects' extend more widely to the families and communities of an offender who has been incarcerated.

The aim of analysis in this appendix is to estimate the independent consequences of custody, i.e., to separate the specific consequences of being imprisoned from the original condition of those affected. Young people who are imprisoned typically already suffer from several types of deprivations. This appendix will estimate to what extent to which prison mitigates or adds to these problems. This is done mainly by comparing groups of imprisoned people to a group that is as similar as possible to those imprisoned, but hasn't received a custodial sentence. In some cases, we also use longitudinal research that allows a comparison of the same people before and after receiving a custodial sentence.

Offenders are naturally not a homogenous group, and the impact of custody will depend on the characteristics of the individual. We have selected estimates that represent the average outcomes of the general population of those sentenced to YOIs. Some of the research available also refers to the secure estate in general, which includes other institutions in addition to YOIs (although YOIs, with the largest number of prison beds, often weight heavily in such samples). When better estimates are not available, research on the secure estate as a whole is used, and this is mentioned in the text of the review.

## Method of literature review

A systematic search for research literature was done to collect the available evidence comprehensively. The publications returned by the search were reviewed to select the results that are the most robust and up to date. The process of review and the reasons for selecting certain results are explained discursively below.

Several search engines were used to find research. The search engines were selected so that they would cover all the appropriate government departments that do research in this area, as well as academic work. The search functions on the websites of the following organisations were used:

- Youth Justice Board
- Ministry of Justice
- Home Office
- Home Office Research Development and Statistics
- HM Prison Service
- Department for Children, Schools and Families.

The Google Scholar search service was also used. Scholar was selected because it covers a large share of all academic publications, and additionally indexes some of the grey literature produced by government departments and civil society organisations. The search terms used in all search services were 'young offender institution', 'detention and training order', and 'England' combined with 'secure estate'.



Of all the articles returned by these searches, we considered only those that satisfied the following conditions:

- An article must report on primary research results or cite results that are otherwise unavailable.
- Its findings must not be specific to a single YOI or some other form of secure estate. Where the research results are based on the secure estate as a whole, including also other types of institutions, the articles were included, but the limitation is specifically mentioned in the analysis below.
- Its findings must relate to the general prison population, not only those targeted by specific interventions or programmes.
- Where there were several editions of a publication, only the most recent was included.

## Outcomes

### Mental health

The high prevalence of mental health problems in custodial settings is clear. A survey carried out in 1997 found that 95 per cent of young people in custody aged 16–20 were assessed to have mental health issues. Conduct disorders and oppositional disorders were found to be the most common.<sup>123</sup> In the general population, only 13 per cent of boys and 9 per cent of girls have some form of mental disorder.

There is qualitative evidence from psychiatric interviews that points to the damaging effect of custody on mental health. One study reports findings from interviews done by psychiatrists with children in remand in YOIs.<sup>124</sup> The psychiatrists undertaking the study found that 'an emotionally deprived prison environment that lacks appropriate care for children is likely to contribute to the very high levels of mental disorder known to exist in this population.'<sup>125</sup> The children interviewed told of periods of 'bang-up', during which they were required to spend long periods of up to 23 hours locked up in their cells. A further risk factor is verbal abuse, both from other inmates and from prison staff.

Mental health problems are likely to be connected with bullying and an aggressive atmosphere in YOIs. Young people perceive YOIs to be more threatening than other forms of secure care, due to the different ethos and larger size of the institutions.<sup>126</sup> Ireland *et al.* reviewed the estimates of different studies of self-reported bullying, and found the likely range of those suffering from bullying to be between 20 and 70 per cent.<sup>127</sup>

The statistical evidence on the mental health consequences of imprisonment is less clear. One YJB study from 2005 compares the mental health and other needs of children in secure accommodation (the sample consisted predominantly of YOIs but there were also SCHs) and those serving a community sentence. The report did not find a significant difference in mental health needs between those in the community and those in secure accommodation.<sup>128</sup> However, the groups compared were not completely equivalent in terms of history of offending or care. Moreover, some of the children serving community sentences had previously experienced custody. Because of the differences between the groups, the observed differences in their needs should be interpreted with some care.

A similar type of study from King's College compared a group of young offenders in the community and custody.<sup>129</sup> This study did not find a significant difference in mental health needs between the two different groups in any of the five types of disorders examined.<sup>130</sup> This was despite the fact that offenders in custody make much more use of mental health services and are targeted by many more mental health interventions than their counterparts in community supervision.<sup>131</sup> Such results lend support to the conclusion that a lot of the extra work to rehabilitate offenders in custody serves only to mitigate the extra negative pressures that are created by the coercive environment itself.

**In the absence of sufficient evidence, no estimate was chosen.**

## Deaths

Homicides are very rare in YOIs. There are some exceptional cases, as in 2003 when Zahid Mubarek was killed by his cell mate. Between 1990 and 2001 there were three homicides in YOIs.<sup>132</sup>

Suicides are a more prevalent problem within the secure estate. In the five years between 2004 and 2008, there were 17 suicides in YOIs.<sup>133</sup> It is impossible to say conclusively how many of these deaths can be attributed to the prison environment. Some evidence suggests, however, that time spent in prison increases the prevalence of suicidal behaviour – not least because of contact with other people engaged in self-harm or suicidal acts.<sup>134</sup>

There have been some very rare incidences of death resulting from restraint administered by prison staff. The most prominent recent cases, the deaths of Adam Rickwood and Gareth Myatt, occurred in STCs in 2004.

### **In the absence of sufficient evidence, no estimate was chosen.**

## Family and social links

Custody breaks close contact between the children sentenced and their families. It is a punishment that affects not only the offender but also his or her close relatives. Young offenders often have their own children. One in four young men in YOIs has been found to be a father or to be at the point of having a child soon.<sup>135</sup> Of the women aged 15–18 held in YOIs, 9 per cent had children.<sup>136</sup>

The YJB has acknowledged the importance of maintaining links with family and community during prison sentences. This has been recognised to have a positive impact on reducing future reoffending.<sup>137</sup> Maintaining good links with family and community are crucial in making sure that offenders have a protective life that they can return to when they are released from prison.

To maintain social links and contact with family, the YJB set a target in 2001 that 90 per cent of prison placements should be within 50 miles of the offender's home. This target has never been met. In 2008, the average distance between the home of an inmate and prison was 52 miles. Between 41 and 46 per cent of inmates were more than 50 miles away from their families.<sup>138</sup>

When surveyed, 67 per cent of young men in prisons said it was difficult for their family and friends to visit them. Half of the young men had not received more than one visit in the past month, and 26 per cent had received no visits at all.<sup>139</sup> A survey was done with the children placed in the Onley YOI to explore the reasons why visits were rare. Seventy per cent of this group said that the distance from home was the main problem, whereas lack of transport and financial constraints were to blame in 15 per cent and 6 per cent of cases respectively.<sup>140</sup>

### **Chosen estimate: 67 per cent suffer cut links with family and communities.**

## Education

One of the central challenges for custodial placements is making sure that the children held are educated in a productive manner. This is a difficult task, as many of the children have low educational attainment. An audit for the YJB by ECOTEC on education in the secure estate states:

*'Of the total YOI population in the analysis, nearly 10 per cent were functionally below that of the average seven year old in literacy, and 12 per cent in numeracy. Some 19 per cent were functioning at or below the level of the average seven year old in literacy and almost a third (31 per cent) in numeracy. Over half of the sample (51 per cent for literacy and 52 per cent for numeracy) were not functioning at the level of the average 11 year old on entry into the Young Offender Institution.'*<sup>141</sup>

A high proportion of those who end up in custody have been excluded from schools before being imprisoned. The ECOTEC audit, undertaken in 2001, found 46 per cent of those in custody had been detached from mainstream education at the age of 14, while 84 per cent had suffered such a detachment by the time they

reached 16. These results are mirrored in the results of more recent surveys by the HM Inspectorate of Prisons, which found 38 per cent of young men to have been at school last when they were 14.<sup>142</sup>

Overall, 21 per cent of those in custody had had no provision of any type of education, training, or employment in the period leading up to their sentence. Even among those that were nominally still enrolled in a school of some type, this did not necessarily mean that they were still attending it. In ECOTEC's survey only 38 per cent of those attending school did so 'all the time', while 28 per cent attended 'virtually never'. Given this very low educational attendance, the targeted provision and controlled environment of custody may be the best opportunity available for young people to be educated. For some, custody provides the first qualification that they get.

One comparative study by the YJB shows significantly lower school attendance by those under community supervision in comparison to those serving custodial sentences. The YJB sample found that 11 per cent of those in custody were not attending classes, whereas the figure for those supervised in the community was 26 per cent.<sup>143</sup> Another survey focusing on young men in YOIs found that 19 per cent reported not attending education while imprisoned – a clear improvement on their attendance levels before prison.<sup>144</sup> It seems clear that custody increases the likelihood of children getting some form of education.

It is more difficult to assess the quality of that education and whether it leads to any substantial outcomes for the children. A young offender most typically spends a relatively short period in custody, during which it is difficult to organise appropriate education and to maintain continuity with the teaching that the child receives after release. Moreover, some experts in the field believe that prison is educationally unproductive, since it is such an abnormal environment that any skills acquired are of limited value in the outside world.<sup>145</sup>

In these difficult circumstances, the provision of education within prisons has typically not met expectations. Fewer than 20 per cent of YOTs consider that YOIs meet the educational, health and welfare needs of the detained 'well', while 50 per cent state that they do so 'poorly'.<sup>146</sup>

Some data is available that describes educational outputs within YOIs. The YJB has set targets for the secure estate in terms of improvements in the literacy rate of young people, as well as hours that should be spent in education and training. For YOIs, the target has been that 90 per cent of young people would receive 25 hours per week of education or training. The YJB reports only an average number of hours spent in education and training, which in 2006/2007 was 26.20.<sup>147</sup> If the average is only a little over the target threshold, this suggests that the target of 90 per cent receiving 25 hours a week or more is not being met. The YJB also has a target for literacy: that at least 80 per cent of young people would improve their literacy skills by at least one skill level. In 2007/2008 only 46.5 per cent made an improvement, well below the target.<sup>148</sup>

Even though children may receive more education and training in custody than they would on the outside, the effect of this in the long term may not necessarily be positive. Within custodial placements, children's connection with regular formal education is cut. There are attempts to maintain the same curricular standards within the YOIs, but often the connections with mainstream education, training, and qualifications are weak. In 2001, a study found that after release, 70 per cent of children going to education used different materials for study; while 80 per cent found themselves following different courses from those studied in custody. One survey of YOTs found that only 6 per cent of children had been able to continue the studies they had started in custodial settings.<sup>149</sup>

As a consequence of custody, many individuals experience a severing of the links that they previously had with educational institutions. The follow-up survey by ECOTEC in 2001 with those released from prison found that 57 per cent of young people returning from custody had no education or training arranged for them one month after release.<sup>150</sup> ECOTEC also reports that, following

imprisonment, there is an increase in the proportion of those with access only to part-time educational, though it gives no exact figures on this.

**Chosen estimate: Increase from 21 per cent to 57 per cent of those disengaged from education and training.**

### Violence

A YJB study comparing a sample of young people serving a community sentence to those in custody found no significant difference in the proportion engaged in violent behaviour.<sup>151</sup> This would suggest that a custodial setting is ineffective in suppressing the violent tendencies of some offenders. In 2008, there were 914 recorded incidences of assault on YOI staff.<sup>152</sup> Twenty-nine per cent of sentenced young men reported that they felt unsafe in the establishments to which they had been sent, while the same figure for those on remand was 40 per cent.<sup>153</sup>

A victimisation survey was undertaken in 2003 in two YOIs in England and Wales and two adult men's prisons.<sup>154</sup> It measured the extent to which inmates were the target of intentionally harmful behaviour, such as insults, exclusion, theft, robbery, and assaults. It found frequent victimisation, especially of the younger inmates. Thirty per cent of those held in YOIs reported having been subject to assault, and 44 per cent had been threatened with violence at least once during the previous month.

A later survey found a smaller share of inmates had been victimised. This study focused on young men over 15, of whom 25 per cent reported having been victimised by some form of abuse, while 10 per cent had been subjected to physical violence.<sup>155</sup> This is potentially because the safety records of institutions have improved over the years, or because of differences in the sample.

Young inmates can also suffer abuse from prison staff. In one survey, 19 per cent of young men in the prison system said they felt victimised by wardens. Eleven per cent of this was in the form of insulting remarks, while 3 per cent had experienced physical abuse.<sup>156</sup>

Another form of violence that takes place is the injuries the sometimes occur when prison staff restrain inmates. While prisons are required to record and report the number of restraints and any injuries that result from them, the figures are not routinely made public. Moreover, an independent investigation into the use of restraints cast doubt on the validity of the reported figures because of the large variations within them.<sup>157</sup> This particular investigation found that in 2007/2008, there were six serious injuries requiring hospital treatment as a result of the use of restraint. The inspection report does not give the overall number or rate of injuries for YOIs, but it does state that the rate of injuries in STCs is 10 per cent. This seems to be in line with the rate reported earlier for YOIs, covering the period 2000–2002.<sup>158</sup> Of the 10 per cent restraints in STCs that were reported to result in injuries, 20 per cent end in serious injuries that required some form of treatment.

The occurrence of restraint in YOIs has risen in the recent years. In a survey of prison inmates, 25 per cent of young men in the secure estate said that they had been physically restrained at least once.<sup>159</sup> Figures received via a freedom of information request by CYP Now show that between April 2008 and March 2009 there were 4,274 incidences of the use of restraint in YOIs. Because of varying sentence lengths, we cannot easily say what the average number of restraints per child was. Final data on the number of custodial sentences for this period is not yet available, but if the amount of custodial sentences was the same as for 2007-2008 (6853 sentences in total), this would mean an average of 0.62 restraints per prison sentence.

Sexual victimisation of inmates is practically non-existent in YOIs. In a survey of 979 inmates aged 15–17, only three reported having been sexually assaulted.<sup>160</sup>

It is possible that a stay in prison changes the likelihood of violent acts after release. This effect would be captured in the statistics on reoffending for those released from custody, and is taken into account in the part of the study looking at crime after release (Appendix 1).

**Chosen estimates: 10 per cent suffer physical assault from peers. On average 0.62 incidences of restraint per custodial sentence.**

**Deliberate self-harm**

Self-harm is a common phenomenon in prisons. Inside YOIs, its occurrence appears to have more than doubled in the past 10 years. An answer to a parliamentary question in 2000 revealed the number of incidences to be 879 in 1997/1998. For 2008 the figure was 2,040, with a total of 892 inmates being classified as 'self-harmers'. The average number of individuals in YOIs during 2008 was 2,427.<sup>161</sup> This would suggest that on average about 37 per cent of children in prisons harm themselves, and do so more than twice in a year.

It is difficult to say how much of this self-harm is a result of the prison environment, and how much the children would have harmed themselves even when they would have remained free. Some evidence exists from international examples that suggests that prisoners have a higher prevalence of self-harm than individuals living freely with equivalent characteristics.<sup>162</sup>

The only study available that attempts to compare self-harming behaviour in YOIs with prevalence among young people outside is inconclusive. It asked a number of inmates in YOIs whether they had harmed themselves during their sentences, and whether they had done so while they were free. It did find a marginally higher reporting of self-harm within custodial settings, but the difference was not statistically significant.<sup>163</sup>

Self-harming behaviour is particularly severe among young women in custody. One study of 17-year-old girls in YOIs shows that 36 per cent had engaged in self-harm during the previous month. Ninety-two per cent of these girls had cut themselves.<sup>164</sup>

**In the absence of sufficient evidence, no estimate was chosen.**

**Substance misuse**

In the controlled environment of prison, it is to be expected that substance abuse will fall. At the same time, there is substantial trade and supply of drugs within some prisons. This is a particular problem in adult prisons, and seems to have been controlled relatively well in juvenile prisons.

The YJB commissioned an extensive study on substance abuse in the secure estate in 2004.<sup>165</sup> The results do not always distinguish between YOIs and other types of institutions. However, since the sample consisted mostly of children in YOIs, the results can be expected to be fairly representative. The YJB found the following results:

**Tobacco:** Four per cent of children had begun to smoke while in custody, but 23 per cent had stopped since coming there. The share of those that thought they smoked less was the same as of those that thought they smoked more (18 per cent). Overall, custody seems to reduce the proportion of children smoking.

**Alcohol:** Fifty-eight per cent of those in custody had drunk alcohol at least once a week in the year before being imprisoned. Only 5 per cent stated that they had used alcohol while in custody. The report states that this is more common in YOIs, without specifying the difference.<sup>166</sup> Thirty-five per cent of those interviewed felt that custody had made them think differently about using alcohol, and about 50 per cent believed that they would drink less after release.

**Drugs:** Forty-four per cent of children in YOIs have taken drugs while in these institutions. This figure appears to be significantly higher than for the other types of prisons. In SCHs, the proportion taking drugs is 18 per cent, while in STCs it is 26 per cent – although the small sample sizes leave the results open to question. By far the most common drug to be used is cannabis, with 91 per cent of drug users using it. Twelve per cent used heroine and 7 per cent amphetamines. Cocaine, solvents, and ecstasy came up in the study as well.

These high figures still show a clear improvement on the levels of substance misuse by a typical inmate before sentencing. The following statistics are taken directly from the report:

- 72 per cent of the sample used cannabis on a daily basis in the 12 months before their arrest
- 10.5 per cent had used heroin on a daily basis.
- 26.4 per cent used ecstasy more than a few times a week
- 15 per cent used amphetamines more than once a week (6.6 per cent on a daily basis).
- 14.5 per cent used solvents more than once a week.
- 13.2 per cent used crack more than once a week (6.6 per cent on a daily basis).
- 12.2 per cent used cocaine more than a few times a week.
- 8.6 per cent used illicit prescribed medication more than a few times a week.
- 4.6 per cent specified the use of tranquillisers more than a few times a week.

In summary, YOIs do manage to reduce substance abuse by inmates. This result is supported by another YJB study, based on assessment and interviews by practitioners, which compared young offenders under YOT supervision with those in secure accommodation. It found that a significantly higher proportion of those in the community are involved in substance abuse.<sup>167</sup> The share of those experiencing problems with alcohol in the community was 16 per cent, compared to 6 per cent in custody. For drugs the equivalent figures were 28 per cent and 11 per cent

No good evidence is available on whether reductions in substance abuse are maintained after release from custody. The YJB study on substance abuse included a very small follow-up study with 70 individuals. Of these 70, 32 were reconvicted to prison after being released, and the researchers could maintain connection to only 32 of the remaining people. Among this quite limited sample, 16 per cent had stopped smoking, while another 16 per cent were smoking more than before. About 5 per cent said they still smoked, but less than before being imprisoned. As regards drinking, 31 per cent had decreased or stopped alcohol use, while 10 per cent had increased their use. None of those that were previously using drugs reported that they would have stopped altogether. Twenty-one per cent said they were taking more drugs than they had before, a similar proportion said they were using the same amount, and 38 per cent said they had decreased their use.

In summary, it seems that the effect of a reduction in drug abuse while in custody is temporary, while a considerable share of children who have gone through prison actually increase their substance abuse after release. These results are corroborated by one longitudinal study on young men that had been to prison.<sup>168</sup> It found that substance abuse considerably decreased when a child was placed into custody (from 63 per cent to 14 per cent). Two years after release, however, the rate of substance abuse had returned to high levels, though not as high as before (37 per cent).

In the absence of appropriate control groups, it is difficult to say how much of the change after release would have taken place regardless of the period in custody. There are also some methodological problems with these studies. They are based either on self-report surveys or on assessments by practitioners. There is reason to believe that actual drug use is considerably higher than that recorded through these methods.

**In the absence of sufficient evidence, no estimate was chosen.**

## Unemployment and decreased earnings

A period spent in prison will make it more difficult for young people to find employment after they have been released. A conviction is likely to act as a stigma that will discourage potential employers from hiring an ex-inmate. Ex-prisoners are legally obliged to disclose the fact that they have been convicted to potential employers, until some period of time after which a sentence is considered 'spent'. The Rehabilitation of Offenders Act 1974 defines the rehabilitation period during which this disclosure is required. The period depends on the length of the custodial sentence: for sentences of six months and less, the rehabilitation period is 3.5 years; for longer sentences it is five years. Time spent in prison is hence likely to reduce demand for the labour of ex-offenders.

Moreover, time spent in prison has an effect on the human and social capital that a person acquires, since it may lead to a depreciation in skills and cut ties with the local community. This can interrupt a typical trajectory of building up skills and a successful transition into adult life, and lead to an accumulation of disadvantage. The evidence surveyed earlier suggests that this disconnection from the labour market while in prison makes criminal careers more attractive. In consequence, incarceration can also reduce the supply of labour and its quality.

Employment is particularly important because being unemployed and out of training is strongly connected with offending behaviour.<sup>169</sup> Based on some estimates, employment reduces the risk of reoffending by between a third and a half.<sup>170</sup> It also helps to reach many other important outcomes, such as better health and mental well-being.

No comprehensive research has been done on the impact of youth custody on future employment in England and Wales. The best source of insight into the impact of convictions on young people in the UK is a study by Nagin and Waldfogel from 1995.<sup>171</sup> This study did not examine incarceration in particular but looked at the effect of criminal convictions in general. The researchers found that a conviction increases the average time spent unemployed by about four weeks at the age of 19. The average time spent unemployed by the comparison group was less than two weeks, so this change was significant. Moreover, having a conviction also decreased the longest time spent at a job by about eight months, which again is a large effect in relation to the average of about 25 months.

Nagin and Waldfogel found, somewhat surprisingly, that ex-offenders enjoyed higher average earnings than their non-delinquent counterparts. This is explained by the fact that ex-offenders tend to take up 'spot market jobs', i.e., non-skilled employment that pays well in relation to many entry-level jobs, but offers little in the way of stability or opportunities for career advancement. The effect would be likely to be reversed if the study would focus on a longer timeframe.

Because no direct evidence on the impact of custodial sentences is available from the UK, we will make use of research from other countries. We select the most recent review article on the topic and follow the studies included in it. In Holzer's review of the employment effect of incarceration, the results of research depend in part on the used methodologies, though the overall direction of the results is the same.<sup>172</sup> We focus on the studies done with longitudinal surveys, because they are likely to be methodologically the most robust out of the studies reviewed.<sup>173</sup>

The review lists two studies that use the survey methodology and focuses on the effects of custodial sentences on young people. A study by Western and Beckett compared young people who had been incarcerated to groups with similar characteristics apart from the prison experience (including other contact with the criminal justice system). They found that prison increased unemployment by an average of 5 percentage points, and increased the average time spent unemployed by three weeks per year.<sup>174</sup> Incarceration was found to have a larger effect than dropping out of high school or living in an area with high unemployment. Another study by Raphael using the same data more extensively, following the ex-offenders further in the future, and find even more severe effects: an increase in unemployment of 15–25 percentage points, or an additional period of six to ten weeks out of a job.<sup>175</sup> Both studies found the effect of incarceration to be long

lasting and maintained decades later in adulthood. Based on these results, we select the estimate of 15 per cent, which is the middle of the range established by both studies.

Imprisonment also affects the earnings of those that are able to get work. This may be because of their smaller productivity, or only because it is difficult for ex-offenders to obtain employment in positions with higher pay. The study by Western and Beckett estimates the effect of this to be a reduction of 10–20 per cent. This is consistent with an earlier review on imprisonment and earnings, which estimated the effect to be between 10 and 30 per cent.<sup>176</sup> Beckett and Western also say that imprisonment reduces the typical wage growth that takes place through the years, so that the gap between ex-offenders and those with similar personal characteristics that have not gone through prison increases over time. We selected 20 per cent for an estimate of decreased earnings, which is again in the middle of the range results found in the review.

### **Chosen estimate: 15 per cent increase in unemployment, 20 per cent decrease in earnings.**

#### **Cost of unemployment**

We calculated the cost of unemployment by comparing two situations (unemployment and in work) for a single person that is a tenant in local authority housing. In both situations, the individual pays a rent of £58 per week and £14 council tax.<sup>177</sup> They pay 17.5 per cent tax on their disposable income through consumption taxes such as VAT, petrol, and alcohol duty, TV licences, and so on. Because no direct evidence of the average income of ex-inmates is available, we assumed that their annual pay would be the average of the lowest decile in the income distribution, about £13,500.<sup>178</sup> The income tax and National Insurance contributions are taken into account, as described in the Department for Work and Pensions (DWP) tax models.<sup>179</sup> The cost of unemployment to the state and to the individual is the difference between the two scenarios. This is, per year, about £4,000 for the individual and £10,000 for the state. The details of the calculation are shown in the Table A1.

As the evidence suggests that the labour market impact of imprisonment is long lasting, we estimate these costs for the whole working life of a person, from the age of 18 to 65. When applying a discount rate of 0.035, the cost of a lifetime of unemployment to the state is about £232,000. The amount of lost income to the individual, again discounted, is about £94,000.

To estimate the costs associated with decreased earnings for those that are employed, the unemployment rate of those released from prison needs to be estimated first. Sixty-seven per cent of adults who were sentenced to prison were unemployed before their sentence.<sup>180</sup> We assume that those sentenced to prison when they are young will be similar to those incarcerated when they are adults, and we use this as an estimate of the future unemployment rate of current young inmates. We take the person earning £13,500 a year as a baseline, and use a person that earns 20 per cent more as the alternative scenario. The increase in net income to the person and tax revenue to the state are calculated using the same technique as above. These are, per year, about £1,800 for the individual and £1,100 for the state. Similarly, because the effect of lower earnings has been shown to be long lasting, we assume it to persist from the age of 18 to 65. The discounted costs for a lifetime are about £26,000 for the state and £43,000 for individuals. To calculate the final cost of the impact of incarceration, we take into account the fact that not all ex-inmates will be employed by multiplying these costs with the estimated rate of employment.

#### **Inappropriate accommodation and homelessness**

Being in custody can distort living arrangements. This is most obvious with adult offenders, who are financially responsible for their accommodation. In a study of adult prisoners, fewer than half were able to return to their previous accommodation.<sup>181</sup> This can also be the case for children, especially since those incarcerated tend to come from very unstable housing conditions. Being separated from families and communities may mean severing the kinds of links that can help provide a place to stay after release.



**Table A1. Weekly income and cost between a single local authority tenant either being unemployed or earning £13,500 per year.**

	<i>Income to person</i>	<i>Tax revenue to state</i>
<b>Unemployed</b>		
Jobseeker's allowance	£64.3	-£64.3
Housing benefit	£58.0	-£58.0
Council tax benefit	£14.0	-£14.0
Council tax	-£14.0	£14.0
Rent	-£58.0	
Disposable income	£64.3	
Consumption taxes		£11.3
<b>Total</b>	<b>£64.3</b>	<b>-£111.0</b>
<b>Employed</b>		
Income	£258.0	
Income tax	-£27.1	£27.1
National Insurance contr.	-£16.5	£16.5
Council tax	-£14.0	£14.0
Rent	-£58.0	
Disposable income	£142.4	
Consumption taxes		£24.9
<b>Total</b>	<b>£64.3</b>	<b>£82.5</b>
<b>Difference</b>	<b>£78.1</b>	<b>£193.6</b>

Three out of four children in custody have lived with someone other than their own parents at some point in their lives (the corresponding figure for the general population is 1.5 per cent).<sup>182</sup> A YJB survey of the housing needs of children in custody estimated that 46 per cent of those incarcerated had lived in inappropriate accommodation at some point in the previous 12 months.<sup>183</sup> This included sleeping rough, sleeping on the couch at friends' homes, and living in bed-and-breakfast accommodation.

Lack of housing is also a driver for the use of custody. Children who are considered not to have appropriate housing are often remanded in custody after being convicted of an offence. This directly increases the number of children who are placed in custody.

Children who don't have appropriate accommodation for themselves are more likely to be given custodial sentences. The Audit Commission estimated that, in 2003/2004, over 800 young people were given custodial sentences because they did not have stable accommodation. This represented 11.5 per cent of custodial sentences that year.<sup>184</sup> As might be expected, studies also show unstable accommodation to have a large criminogenic effect. Studies from the 1990s found that about half of the wide disparities in reoffending risk among young people could be attributed to whether or not they had appropriate housing.<sup>185</sup>

For those who have been imprisoned, not having a proper home to return to can delay their return to the community. Electronic supervision tools require the installation of monitoring equipment at the address where an ex-offender lives. The release of young people on a home detention curfew depends on having a place whose provider agrees that the necessary hardware may be installed. Most private landlords and owners of bed-and-breakfast accommodation won't agree to this.<sup>186</sup> It can also be difficult to arrange accommodation with local authority housing services and other providers, as these often will not acknowledge people as homeless before they present themselves in person.

Does prison make it more likely for children to be in unstable accommodation? Some qualitative evidence suggests that parents sometimes reject their children after they have received a custodial sentence, regardless of whether or not they

want to return home.<sup>187</sup> Surveys by the YJB show that 26–28 per cent of children do not have a place to live arranged for them upon their release.<sup>188</sup> Despite this, only a small proportion was prepared for the possibility that they might find themselves homeless on release.

The only longitudinal study available that followed children after a custodial sentence was carried out by Nacro Cymru in Wales.<sup>189</sup> This study found homelessness to be generally rare, and its incidence did not significantly change after a custodial sentence. It did find, however, that 31 per cent of children leaving custody were going to a different type of living arrangement than they had experienced before, and 34 per cent changed address. Nineteen per cent of those that had been living with their own parents (69 per cent of the total) no longer did so after leaving prison. Only 7 per cent of those that had not been living with their relatives or parents returned to a family member. Overall, the number of those who were categorised as living alone (in hostels, bed and breakfasts, supported lodgings or council tenancies) increased by a total of 7 per cent. It is worth noting that these studies are likely to strongly underestimate the numbers of children who end up in unstable living conditions, because researchers have to exclude those cases that cannot be reached after leaving prison.

### **Chosen estimate: 7 per cent increase in unstable living conditions.**

#### **The cost of unstable living accommodations**

A survey by the YJB suggests that for medium-term temporary accommodation, it was typical for children to stay between six to nine months.<sup>190</sup> While the Nacro survey does not give evidence on how long the period of unstable accommodation lasts, we assume the lower bound of this range – six months – to be representative for the released young people in question. The Personal Social Services Research Unit estimates the cost of providing a staffed hostel for this period to be about £15,400.<sup>191</sup>

#### **Effect on communities and areas**

Prison is typically thought of as an intervention in the life of the person convicted. Its effects, however, span much wider. This is especially the case for areas in which a large share of young people end up in prison, or many young people live in a state of revolving doors where they spend short spells between the community and prison sentences. When imprisonment is concentrated in certain areas, it can start to have an effect on the lives of entire families, on community relations, and on the functioning of informal social control in the locality. It can also feed economic deprivation and create a downward spiral in the economic life of an area.

The great majority of the research on the topic comes from the US, and we are not aware of any research on this topic that would have been done in the UK. This is likely to be because the effects of incarceration on communities are much more prevalent in the United States, where certain areas experience a very high rate of incarceration among young men. It is possible that there is a similar type of concentration of imprisonment in certain small areas within the UK. A study on Gateshead found that a quarter of those known to the probation services came from just two wards (out of 22 in the city as a whole). Half of the wards accounted for 80 per cent of known offenders.<sup>192</sup> All the same, because of a lack of research evidence, the possible effects of a concentration of imprisonment on entire communities will only be briefly outlined here.

One of the main justifications for imprisonment is its deterrent effect. The strength of the deterrent effect depends, however, on the social context in which potential offenders find themselves. It is in part dependent on whether or not imprisonment creates a stigma and brings about disapproval from family, community and civil groups (for more about the importance of 'non-legal' costs, see the subsection on general deterrence in Appendix 1). When imprisonment becomes very common and attachments to the community weaken, the stigmatising effect of having received a prison sentence may become negligible. The deterrence effect of prison will depend in part on the informal, less coercive civil forms of social control that exist in the local community; high levels of custody will however undermine these forms of control.

Another way in which imprisonment affects the wider community is its impact on the families of those imprisoned. Custody disrupts the lives of these families and limits their power to exert social control over crime. Where the children imprisoned are mothers or fathers, incarceration will increase the number of families with single carers, and the children of these families will typically grow up in relative poverty. As the period spent in custody may have an effect on children's future 'marriageability', it may also destabilise families later on.

If a considerable proportion of the inhabitants of an area have to withdraw from the labour market (because of the stigma of imprisonment and depreciated human capital), the economy of the whole area can suffer. The informal networks that support legitimate employment can be weakened, and the degree of economic activity in the entire locality undermined.

There is some evidence from the United States that supports such conclusions. The level of incarceration was found to have a non-linear relationship with the level of social control in an area. Moderate levels of incarceration led to decreases in the level of crime (at least in the short-term). High levels actually resulted in an increase.<sup>193</sup>

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## Appendix 3. Statistical modelling

The statistical model analyses the connection between variables of local criminal justice practice and the frequency of custodial sentences. It examines which of the variables are systematically connected with higher use of custody, and estimates how large the change in custodial sentencing would be if some of the predictive variables would change.

The study uses the Youth Justice Annual Workload data, made available to the new economics foundation by the YJB. It covers all 139 English YOT areas for the period 2004–2007. At the time of writing more recent data was not yet available, and the YJB records did not offer comparable data for the period before 2004. Although the same data was available for Wales, Welsh YOTs were omitted because of differences in the youth justice institutions that may have distorted the analysis.

### Variables used

The study uses four variables of the use of different types of disposals, a measure of the breaches of statutory orders and a measure of the compliance of courts to PSRs.

- **Custodial sentences.** The share of custodial sentences out of all disposals in an area.
- **Pre-court disposals.** The share of pre-court disposals out of all disposals in an area.
- **Community sentences.** The share of community sentences out of all court disposals. These include Community Punishment & Rehabilitation Orders, Curfew Orders and Supervision Orders.
- **Adult-type community sentences.** The share of 'adult-type' community sentences out of all court disposals. These include Community Punishment and Community Rehabilitation Orders.
- **Community sentence breaches.** The number of breaches of statutory order offences divided by the number of court disposals that can be breached.
- **Compliance of court to recommendations of PSRs.** The share of cases where the courts chose a sentence that matches the recommendation of the PSR. Cases where the courts have given custodial sentences were removed, because some YOTs have a policy never to recommend custodial sentences.

The model was at first run with the custody rates calculated based on the share of custodial sentences out of all court disposals (as opposed to all disposals). This measure of custody rates is a common way to express differences in sentencing between areas. This led to some unexpected results: For instance, a higher share of pre-court disposals was found to be connected with higher use of custody.

The most likely explanation for this finding is that areas with higher diversion away from courts have, on average, more severe criminal cases in their courts, which is bound to increase the custody rate (when custody rate is measured as share out of all court cases). Because of this bias, it is more valid to calculate custody rates by dividing the amount of custodial sentences by all disposals, as opposed to only court disposals.

### Controlling for differences in crime levels

A large part of the variance in the variables used reflects differences in the levels of crime between areas. The first step in the statistical model was to attempt to remove the effect of differences in crime levels from the variables. This was done by using residuals from regression analysis in the later modelling. We ran maximum-

**Table A2. Summary statistics for the used variables and the average correlation for each variable between observations from the years 2004–2007.**

	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Mean correlation between years</i>
Share of pre-court disposals	.181	.670	.42	.10	.84
Residual for pre-court disposals	-.230	.190	.00	.06	.56
Share of community sentences	.079	.422	.25	.06	.69
Residual for community sentences	-.123	.134	.00	.04	.44
Breach rate	.024	.848	.22	.11	.67
Residual for breaches	-.245	.349	.00	.05	.31
Share of adult-type sentences	.000	.168	.06	.03	.67
Residual for adult-type sentences	-.066	.116	.00	.03	.58
Share of custodial sentences	.003	.114	.04	.02	.72
Residual for custodial sentences	-.050	.055	.00	.01	.32
PSR Compliance	.400	.990	.73	.10	.63

likelihood logistic regression models for each variable with data on crime in the area as the independent variables. All categories of crime available from the YJB were used as factors, with different categories of breach combined to simplify the models.<sup>194</sup> The models were run separately for each year from 2004 to 2007 for each of the variables. For each variable and year, a residual was calculated, showing how much the variable differs from what value the variable would be expected to have, based on the logistic model, in an area with that amount of crime. These residuals are used in the later stage of the study. This method of standardisation was used for all the variables except the PRS compliance – for which no viable method of control was found.

There are several possible biases in this mode of analysis. The data available on crime is limited. Figures on recorded crime use broad categories, which don't accurately capture the severity of the crimes in question. For instance the category of violence against a person can include minor violent incidences as well as offences that result in grave injuries. Hence it is possible that one area has more serious violent crime than another, even though this would not appear in the data available. Such unobserved differences are controlled for in the later stage of modeling. Moreover, the cases that are recorded as offences are not always the same ones that the recorded disposals are for. For example, a crime can be recorded in one year, but result in a court decision only in the next year. With only aggregate data on areas available, this cannot be corrected perfectly. The variables in question may also be connected with the levels of crime of an area in a way that does not fit the logistic regression model. Some tests however support the validity of the resulting residual variables. The residuals were found not to correlate significantly with measures of severity of crime or overall crime levels. Moreover, the residuals are relatively consistent over time. Table A2 reports the average strength of the correlation for residual variable between all the years from 2004 to 2007. The

**Table A3. Correlations between the custody rate, residual variables, and PSR compliance. \*\*, p<0.01, \* p<0.05, two-tailed.**

	<i>Custody rate</i>	<i>Custody rate residual</i>	<i>Pre-court disposals residual</i>	<i>PSR compliance</i>	<i>Breaches residual</i>	<i>Community sentences residual</i>
Custody rate residual	.45**	1				
Pre-court disposals residual	-.19**	-.21**	1			
PSR compliance	-.39**	-.18**	.05	1		
Breaches residual	-.05	-.07	.37**	.00	1	
Community sentences residual	.02	.08	.08	-.01	-.08	1
Adult-type sentences residual	.01	.10*	.03	.01	.01	.43**

validity of the variables is further supported by the fact that they have predictive power over outcomes in custodial sentencing (Table A3).

### Final regression model

Table A3 shows the correlations between all the residual variables and the original custody rate. In the final regression model we will study the covariation of the custody residual, the other residual variables and PSR compliance. Only the variable for PSR compliance, the prevalence pre-court disposal and adult-type sentences correlate significantly with the residual for custodial sentences. Interestingly, there is also a relatively strong positive correlation between the likelihood to breach statutory orders and the use of pre-court sentences. Again, this may reflect the fact that in areas with higher diversion, more serious cases (who are more likely to breach) are brought in front of courts.

In the final stage, the use of custody was studied with five separate ordinary least squares linear regression models with different predictors. The explained variable was the difference between the expected and actual absolute number of custodial sentences (calculated based on the custody residual), divided by the population of 10–17-year-olds in the area. The independent variables were the residual variables described earlier and PSR compliance. In the first models, the number of court cases, PSR compliance, and breaches were entered. This order was chosen because it reflected the level of correlation between these variables and the custody residual. In the last two models, the variables for community and adult-type sentences were entered. Fixed area-specific effects were included in the model. This removed time-independent effects from the unobserved differences between areas that have an effect on the custody residual.

As Table A4 shows, the use of pre-court disposals, PSR compliance and the use of adult-type sentences were found to be significantly connected with the use of custody. The rest of the factors did not significantly improve the fit of the model and were not statistically significant as individual parameters.

The fact that the use of community sentences or breaches was not found to explain the use of custody differs from previous research results.<sup>195</sup> This may be because the previous results controlled for the gravity of crimes in a different way and may not have removed its effect completely. It may also be because of the deficiencies in the data available for the current study, especially the limitations in the categorisation of crime, which increases the size of the errors in the models.

The model suggests that changes in the use of pre-court disposals and the cooperation between courts and YOTs (as measured through the PSR compliance rate) can have an impact on the use of custodial sentences. To estimate the size



**Table A4. Standardized coefficients, standard errors and statistical tests for five regression models predicting the custody residual in numbers of sentences per thousand 10–17-year-olds in area population. \*\*, p<0.01, \* p<0.05, two-tailed.**

	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>		<i>Model 4</i>		<i>Model 5</i>	
P-value of Wald test	0.000		0.000		0.228		0.040		0.403	
R-squared	0.047		0.083		0.082		0.089		0.091	
	Std. coeff.	(Std. Error)	Std. coeff.	(Std. Error)	Std. coeff.	(Std. Error)	Std. coeff.	(Std. Error)	Std. coeff.	(Std. Error)
Diversion	-0.217	(0.43**)	-0.212	(0.42**)	-0.185	(0.46**)	-0.188	(0.46**)	-1.908	(0.46**)
PSR compliance			-0.188	(0.27**)	-0.191	(0.27**)	-0.191	(0.27**)	-0.194	(0.27**)
Breaches					-0.053	(0.42)	-0.049	(0.42)	-0.045	(0.42)
Adult-type sentences							0.084	(0.997*)	0.066	(1.13)
Community sentences									0.039	(0.60)

of this potential, we look at a scenario in which all of the YOTs would converge to match at least the level of the current best performing 25 per cent of areas in these two variables. For the use of pre-court disposals, we calculate the size of the change this implies based on the residual variable, not the actual share of pre-court disposals. The potential in the reduction of custody is estimated by multiplying the difference between the current situation and the scenario with the coefficients from Model 4.

Table A5 gives the results for all areas. The numbers showed are the averages for the years 2004–07. The diversion rate is the share of pre-court disposals out of all disposals. The use of custody is measured by the amount of custodial sentences for every thousand 10–17-year-olds in the area. The custody residual (expressed in the same units) shows how much this rate differs from what is to be expected based on the level of crime in the area, as predicted by the models described earlier. The potential for reduction that can be created by changing the relation between the courts and YOTs (PSR compliance) and the use of pre-court disposals is expressed in the last two columns. The first column is in the same units as the previous two columns about custody, and the last column in the absolute amount of custodial sentences.

**Table A5. The diversion rate, PSR compliance, use of custody and potential for reduction in the use of custody for all English YOT areas, based on averages from the years 2004–07.**

<b>YOT Area</b>	<b>Diversion rate</b>	<b>Diversion residual</b>	<b>PSR compliance</b>	<b>Custodial sentences / 1000 young people</b>	<b>Custody residual</b>	<b>Potential of reduction of custody rate</b>	<b>Potential of reduction of custodial sentences</b>
Barking and Dagenham	0.32	-0.03	0.59	2.94	0.71	-0.36	6.5
Barnet	0.24	-0.05	0.78	1.08	-0.03	-0.16	5.1
Barnsley	0.49	0.05	0.57	1.52	0.19	-0.27	6.4
Bath and North East Somerset	0.53	0.00	0.75	1.10	0.40	-0.08	1.4
Bedfordshire	0.53	0.06	0.73	1.01	0.06	-0.06	2.5
Bexley	0.37	-0.04	0.80	0.85	0.19	-0.14	3.5
Birmingham	0.37	0.00	0.71	2.75	0.53	-0.14	15.7
Blackburn with Darwen	0.34	-0.05	0.76	1.38	-0.43	-0.18	3.3
Blackpool	0.39	0.01	0.71	2.25	-1.30	-0.12	1.8
Bolton	0.33	-0.10	0.71	2.13	0.21	-0.36	10.3
Bournemouth and Poole	0.50	-0.01	0.81	0.88	-0.04	-0.08	2.2
Bracknell Forest	0.59	0.01	0.91	0.59	-0.03	-0.04	0.6
Bradford	0.52	0.08	0.76	1.48	-0.75	-0.02	1.1
Brent	0.25	0.03	0.51	2.34	0.10	-0.35	8.7
Brighton and Hove	0.49	0.03	0.83	1.02	-0.38	0.00	0.0
Bristol	0.42	0.05	0.72	1.48	-0.22	-0.08	2.9
Bromley	0.33	-0.08	0.74	0.54	-0.03	-0.27	8.1
Buckinghamshire	0.63	0.06	0.82	0.35	-0.07	0.00	0.0
Bury	0.43	-0.05	0.58	1.32	0.08	-0.41	8.4
Calderdale	0.48	-0.02	0.69	1.74	0.17	-0.21	4.4
Cambridgeshire	0.49	0.00	0.75	0.58	-0.12	-0.10	5.6
Camden	0.33	0.03	0.73	1.56	-0.34	-0.06	1.0
Cheshire	0.46	0.01	0.75	1.16	0.19	-0.07	5.1
Cornwall	0.48	-0.01	0.84	0.40	-0.05	-0.07	3.6
Coventry	0.36	0.03	0.68	2.50	-0.08	-0.12	4.0
Croydon	0.33	0.05	0.79	1.39	-0.22	0.00	0.0
Cumbria	0.44	0.03	0.72	1.24	0.07	-0.07	3.8
Darlington	0.38	0.00	0.69	1.91	0.10	-0.17	1.7
Derby	0.32	-0.09	0.62	1.99	0.44	-0.43	10.6
Derbyshire	0.46	-0.06	0.66	0.91	-0.01	-0.33	26.1
Devon	0.55	0.04	0.78	0.43	-0.16	0.00	0.0
Doncaster	0.48	0.04	0.61	1.51	-0.02	-0.22	6.8
Dorset	0.63	0.12	0.86	0.34	-0.19	0.00	0.0
Dudley	0.51	0.03	0.75	1.30	0.32	-0.04	1.3
Durham	0.45	0.03	0.71	0.89	-0.15	-0.09	4.6
Ealing	0.33	0.02	0.54	1.45	0.09	-0.33	9.2
East Riding of Yorkshire	0.44	-0.04	0.80	0.45	-0.10	-0.14	4.7
East Sussex	0.58	0.01	0.90	0.66	-0.12	-0.04	1.8
Enfield	0.30	0.01	0.64	1.35	-0.20	-0.21	6.2
Essex	0.52	-0.01	0.69	0.84	0.11	-0.20	27.3
Gateshead	0.45	0.03	0.89	1.02	-0.18	0.00	0.0
Gloucestershire	0.59	0.07	0.73	0.81	0.02	-0.07	4.0
Greenwich	0.23	-0.07	0.71	1.91	0.28	-0.29	6.2
Hackney	0.30	-0.02	0.56	2.84	0.45	-0.39	7.8
Halton and Warrington	0.44	-0.04	0.76	1.19	0.04	-0.15	5.2

<b>YOT Area</b>	<b>Diversion rate</b>	<b>Diversion residual</b>	<b>PSR compliance</b>	<b>Custodial sentences / 1000 young people</b>	<b>Custody residual</b>	<b>Potential of reduction of custody rate</b>	<b>Potential of reduction of custodial sentences</b>
Hammersmith and Fulham	0.31	-0.04	0.78	2.39	-0.28	-0.14	1.6
Haringey	0.22	-0.04	0.65	2.30	-0.61	-0.31	6.2
Harrow	0.33	0.03	0.76	0.60	-0.26	-0.03	0.8
Hartlepool	0.48	-0.04	0.75	1.19	-0.16	-0.17	1.7
Havering	0.49	0.06	0.83	0.59	-0.46	0.00	0.0
Hertfordshire	0.50	0.00	0.77	0.59	-0.22	-0.06	7.0
Hillingdon	0.38	-0.04	0.71	1.22	0.11	-0.23	5.8
Hounslow	0.28	-0.01	0.68	1.36	-0.72	-0.20	4.1
Islington	0.31	0.01	0.68	2.07	-0.69	-0.17	2.4
Kensington and Chelsea	0.30	-0.01	0.74	1.51	-0.53	-0.14	1.5
Kent	0.45	-0.06	0.74	0.67	-0.05	-0.23	34.5
Kingston-upon-Hull	0.39	0.01	0.70	1.59	0.33	-0.14	3.7
Kingston-upon-Thames	0.37	-0.06	0.89	3.33	1.11	-0.17	2.4
Kirklees	0.48	0.01	0.61	2.28	0.14	-0.26	11.0
Knowsley	0.34	-0.04	0.81	1.46	-0.04	-0.13	2.3
Lambeth	0.25	0.00	0.60	3.88	-0.24	-0.28	6.0
Lancashire	0.43	-0.01	0.73	1.11	-0.24	-0.13	16.3
Leeds	0.50	0.07	0.68	3.22	0.52	-0.13	9.6
Leicester City	0.43	-0.03	0.71	1.87	0.17	-0.20	6.0
Leicestershire	0.52	0.00	0.77	0.57	-0.14	-0.08	5.3
Lewisham	0.20	-0.03	0.87	2.28	-0.19	-0.12	2.8
Lincolnshire	0.47	0.00	0.76	0.47	-0.08	-0.09	6.1
Liverpool	0.24	-0.05	0.63	3.22	0.59	-0.35	15.5
Luton	0.51	0.07	0.87	1.27	-0.16	0.00	0.0
Manchester	0.24	-0.03	0.72	5.03	0.23	-0.20	8.5
Medway	0.51	0.00	0.72	0.72	-0.05	-0.13	3.9
Merton	0.31	-0.02	0.86	1.37	-0.08	-0.09	1.5
Milton Keynes	0.61	0.03	0.70	0.93	-0.02	-0.11	2.7
Newcastle-upon-Tyne	0.38	-0.03	0.95	1.39	-0.61	-0.11	2.7
Newham	0.31	0.01	0.70	2.04	0.33	-0.13	3.7
Norfolk	0.45	-0.01	0.73	0.46	-0.12	-0.13	10.2
North East Lincolnshire	0.43	-0.02	0.77	2.81	0.56	-0.10	1.8
North Lincolnshire	0.42	0.01	0.67	2.19	0.56	-0.19	3.1
North Somerset	0.56	0.11	0.82	0.60	-0.10	0.00	0.0
North Tyneside	0.36	-0.06	0.80	1.88	0.26	-0.18	3.5
North Yorkshire	0.38	-0.05	0.72	0.63	-0.04	-0.24	14.9
Northamptonshire	0.43	-0.08	0.77	0.90	0.32	-0.22	15.4
Northumberland	0.55	0.06	0.79	0.60	-0.25	0.00	0.0
Nottingham	0.36	0.01	0.69	4.83	0.14	-0.16	4.1
Nottinghamshire	0.57	0.03	0.64	1.11	0.21	-0.19	14.9
Oldham	0.26	-0.01	0.65	1.90	-0.18	-0.25	6.2
Oxfordshire	0.54	-0.03	0.57	0.65	0.06	-0.39	24.7
Peterborough	0.43	0.02	0.69	2.74	0.74	-0.13	2.3
Plymouth	0.39	-0.02	0.76	0.88	-0.08	-0.12	3.1
Redbridge	0.25	-0.04	0.71	1.40	-0.29	-0.23	6.1
Richmond-upon-Thames	0.39	0.01	0.89	0.52	-0.05	-0.04	0.5
Rochdale	0.27	-0.03	0.72	2.04	-0.44	-0.18	4.4

<b>YOT Area</b>	<b><i>Diversion rate</i></b>	<b><i>Diversion residual</i></b>	<b><i>PSR compliance</i></b>	<b><i>Custodial sentences / 1000 young people</i></b>	<b><i>Custody residual</i></b>	<b><i>Potential of reduction of custody rate</i></b>	<b><i>Potential of reduction of custodial sentences</i></b>
Rotherham	0.59	0.11	0.74	1.19	0.15	-0.05	1.3
Salford	0.29	-0.07	0.61	3.15	1.05	-0.42	9.5
Sandwell	0.46	0.05	0.71	2.27	0.36	-0.09	3.0
Sefton	0.32	-0.07	0.63	1.06	-0.24	-0.38	12.0
Sheffield	0.50	0.03	0.67	1.59	0.08	-0.14	6.8
Shropshire, Telford and Wrekin	0.53	0.00	0.79	0.55	-0.18	-0.06	2.9
Slough	0.53	0.09	0.72	1.03	-0.23	-0.07	0.9
Solihull	0.45	-0.06	0.80	0.46	-0.38	-0.17	4.0
Somerset	0.51	0.00	0.70	0.32	-0.25	-0.17	9.3
South Gloucestershire	0.61	0.12	0.68	0.41	-0.12	-0.13	3.4
South Tees	0.44	0.03	0.61	1.63	-0.12	-0.21	6.6
South Tyneside	0.48	0.06	0.85	1.20	-0.45	0.00	0.0
Southend-on-Sea	0.41	-0.05	0.70	1.51	0.37	-0.26	4.2
Southwark	0.24	-0.04	0.63	2.79	-0.11	-0.32	6.9
St. Helens	0.36	-0.05	0.70	0.94	-0.10	-0.25	4.9
Staffordshire	0.53	0.03	0.65	0.70	0.01	-0.16	13.9
Stockport	0.33	-0.05	0.77	1.29	0.20	-0.17	5.0
Stockton-on-Tees	0.55	0.09	0.65	0.80	-0.25	-0.17	3.5
Stoke-on-Trent	0.38	-0.01	0.77	1.67	-0.20	-0.09	2.2
Suffolk	0.40	-0.07	0.67	1.03	0.05	-0.33	23.5
Sunderland	0.49	0.03	0.83	1.25	-0.10	0.00	0.0
Surrey	0.39	-0.07	0.84	0.36	-0.17	-0.20	21.4
Sutton	0.44	0.00	0.75	1.26	0.26	-0.10	2.0
Swindon	0.52	0.04	0.73	0.81	-0.22	-0.06	1.2
Tameside	0.42	0.02	0.72	1.74	0.23	-0.09	2.0
Thurrock	0.43	0.00	0.96	1.59	0.21	-0.05	0.8
Torbay	0.58	0.00	0.82	0.57	-0.24	-0.06	0.8
Tower Hamlets and City of London	0.33	0.05	0.63	1.91	-0.51	-0.20	3.8
Trafford	0.37	0.02	0.73	2.52	0.71	-0.09	2.0
Wakefield	0.53	0.06	0.65	1.06	-0.76	-0.16	5.5
Walsall	0.44	0.01	0.68	1.90	0.47	-0.18	5.0
Waltham Forest	0.34	0.03	0.74	1.79	0.37	-0.05	1.2
Wandsworth	0.26	-0.03	0.69	2.86	-0.40	-0.23	3.7
Warwickshire	0.50	0.02	0.71	0.66	-0.26	-0.11	5.9
Wessex	0.41	-0.04	0.59	1.49	0.30	-0.39	71.3
West Berkshire	0.58	0.03	0.81	0.69	0.08	0.00	0.0
West Sussex	0.52	0.03	0.72	0.78	-0.03	-0.08	6.0
Westminster	0.35	0.04	0.77	1.25	-0.47	-0.02	0.2
Wigan	0.40	0.01	0.65	1.44	0.09	-0.21	6.9
Wiltshire	0.51	0.01	0.81	0.37	-0.21	-0.05	2.3
Windsor and Maidenhead	0.67	0.12	0.66	0.27	-0.11	-0.15	2.3
Wirral	0.18	-0.13	0.70	1.36	0.10	-0.42	14.4
Wolverhampton	0.44	0.02	0.69	1.73	0.10	-0.14	3.7
Worcestershire and Herefordshire	0.47	-0.01	0.80	0.84	0.00	-0.07	5.1
York	0.33	-0.06	0.68	1.24	0.08	-0.30	5.0

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# One of the other things we do



## Business, Finance and Economics

Our economic system chases growth at all costs, while failing to work for people and the planet. We want to build an economy which improves society and protects the environment.

At **nef** we believe that the economic system should be reformed so as to deliver high levels of human well-being and an equitable distribution of income and wealth within natural environmental limits. Reform of the business and financial sectors is fundamental to achieving these goals, but it needs to occur within the context of a radically different approach to economic theory and practice. That's where 'new economics' comes in.

Our work on Business, Finance and Economics spans three interconnected areas:

**A new economic model** – to establish what broad structural conditions are needed so that an economic system that has positive social and environmental outcomes, rather than growth, as its primary goal is able to exist.

**Sustainable business** – to establish ways of aligning the interests of society with those of business, for example through pricing that approaches 'real value'.

**Financial reform** – to identify what a finance sector that serves the real economy and society looks like, and how it can be regulated.

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## THE HADLEY TRUST

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