



Ministry of
JUSTICE

Value For Money Delivery Agreement

February 2008

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Introduction

1. This Delivery Agreement sets out the value for money savings that will be delivered by the Ministry of Justice (MoJ) between 2008-09 and 2010-11. It explains our vision for improving the services we provide to the public along with better value for money for the taxpayer.
2. The Ministry of Justice was created on 9 May 2007 by joining the former Department for Constitutional Affairs with the National Offender Management Service and the Office for Criminal Justice Reform. Several pieces of work are underway to fully integrate these businesses and ensure that we have the best structures to deliver services to the public, maximizing the synergies that flow from bringing these responsibilities together in one department to deliver our aim of working for a just and democratic society.

Value for Money Savings

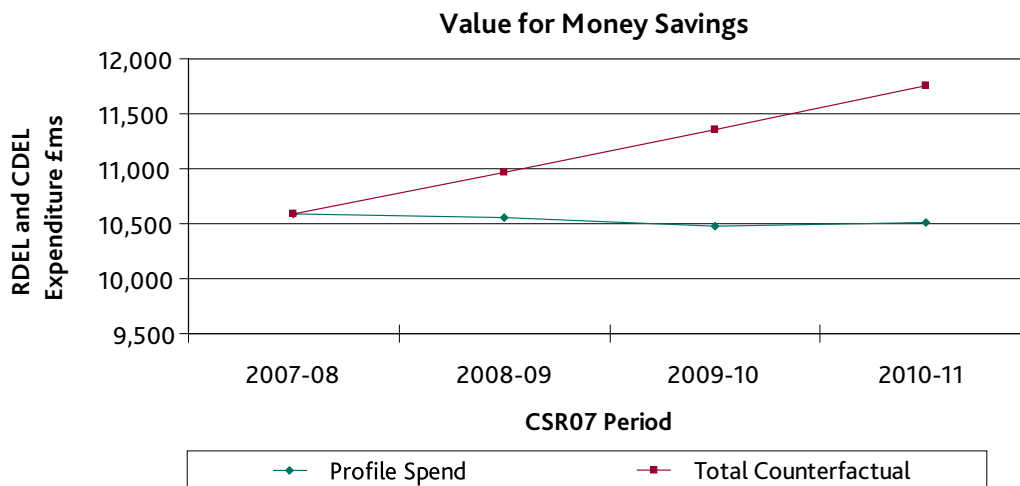
3. In the 2007 Pre-Budget report on 9 October 2007, the Chancellor of the Exchequer announced the Ministry of Justice's Comprehensive Spending Review settlement for the three years: 2008-09, 2009-10, 2010-11.
4. This settlement requires MoJ to deliver:
 - £1,007m net cash-releasing value for money savings in 2010-11 - over 3% per annum
 - 5% real reductions in administration budgets per annum.
5. Delivering this settlement and fulfilling the potential a Ministry of Justice creates will be challenging. Requiring us to look carefully at how we deploy our resources to ensure they are targeted in the best way and they deliver value for money.

Vision

6. To equip us to deliver this challenge the Lord Chancellor and Secretary of State for Justice announced a new structure for the Ministry of Justice on 29 January 2008.
7. These changes will allow us to focus on four key policy and delivery areas:
 - Democracy, Constitution and the Law – capturing areas such as constitutional reform and the Governance of Britain
 - Access to Justice – delivery arms such as Her Majesty’s Court Service and the Tribunals Service as well as sponsorship of the Legal Services Commission
 - National Offender Management Service – restructured to focus on delivery in prisons and probation
 - Criminal Justice and Offender Management Strategy – including hosting the tri-lateral Office of Criminal Justice Reform.
8. Holding each of these areas to account will be a new, smaller Corporate Management Board replacing the Departmental Management Board.
9. Each of these areas will have a clear strategic objective articulating what improvements will be delivered over the course of the next Spending Review, supported by a robust delivery plan against which progress can be measured.

Measurement

10. The value for money savings are calculated by comparing projected spend (based on current forecasts) with 'counterfactual' spend as illustrated below in Table 1. This is consistent with the cross Government approach.
11. Counterfactual spend is based on a 'do nothing' approach i.e. if MoJ did nothing to improve value for money we would expect spend to rise in line with inflation. For the most part we have used the standard rate of inflation published in GDP deflators. However, in those areas where we know spending rises faster than inflation, we have used projected spend from our formalised forecasting mechanisms (e.g. Legal Aid and prison and probation costs).
12. Projected spend is what we are forecasting to spend once the value for money savings have been delivered. This line will be subject to fluctuations as forecasts move.



13. This shows that around £1.2 billion of gross cash-releasing value for money savings will be delivered in 2010-11. Once up front costs required to deliver the savings are deducted, MoJ will deliver just over £1 billion of net cash-releasing savings to meet the target of £1.007 billion in 2010-11.

Delivery Strategy

14. An important element of our approach to value for money in CSR07 is learning the lessons of the 3 year Gershon efficiency programme which began in 2005/06. The Gershon programme was based on a specific set of initiatives (e.g. procurement). We are expanding this approach in CSR07 to combine an overall aim of improving value for money in all our 'business as usual' activities with targeted investment in modernisation programmes.
15. Improved 'business as usual' costs will be delivered through:
 - Moving resource to high value activities
 - Improving workforce capacities and effectiveness
 - Managing business and financial plans regularly.
16. Details of the four largest modernisation programmes are set out below. These are expected to deliver around £600m savings between them.

National Offender Management Service (NOMS)

17. On 29 January 2008 the Justice Secretary announced a restructuring of NOMS which will take forward Lord Carter's proposals (published on 5 December 2007) for streamlining management structures and reducing overhead costs. This involves bringing NOMS and the prison service together, and streamlining the headquarters so as to improve the focus on frontline delivery of prisons and probation and improve efficiency. Having commissioning and performance management for both prisons and probation in a single organisational structure will deliver essential savings at both national and regional level.
18. In addition to these efficiencies, value for money savings will be secured from HM Prison Service, probation areas, and contractors:

HM Prison Service:

 - Implementing standard "core day" at establishments
 - Clustering of support services for establishments
 - More efficient retail arrangements for prisoners
 - Functional Reviews
 - Review of staff rostering and administration in prison establishments.

National Probation Service:

- Workload volume absorption through SLA/contract process
- Best Value Reviews
- Improved programme management
- Improving ration of fast to standard court reports
- Publication and enforcement of national tiering rules.

Contractors:

- Control of major costs (e.g. contracted out prisons, prison escorting and electronic monitoring).

19. The total planned value for money savings for NOMS over the CSR07 period are currently £250m. However, these plans will be subject to change once the implications of Lord Carter's recommendations on prisons (see below) have been fully scoped out.
20. On 5 December 2007, the Lord Chancellor and Secretary of State for Justice announced additional funding of £1.2 billion towards delivering a further and extended prison building programme to bring an additional 10,500 places on stream by 2014. He also confirmed that the Ministry of Justice would act on Lord Carter's recommendation to build up to three large titan prisons, housing around 2,500 prisoners each. This extra capacity will help us to modernise the prison estate, close some of the older, inefficient prison places on a new-for-old basis, and reconfigure some of the smaller sites to accommodate female or juvenile offenders. The implications of these announcements need to be worked through the value for money plans.

Legal Aid

21. In November 2006 the former DCA and the Legal Services Commission published Legal Aid Reform: the Way Ahead, which set out ambitious plans to reform the procurement and delivery of legal aid to achieve improved value for money savings in both criminal and civil legal Aid.
22. Expected value for money savings of over £180m are to be achieved largely as a result of:
 - the progressive extension of fixed and graduated fees to cover nearly all components of legal aid
 - targeted reductions to the prices paid for some aspects of criminal legal aid.
23. These measures are intended to ensure greater control of legal aid expenditure, as well as encourage more efficient provider behaviour by rewarding them for cases completed rather than by the hour.

24. The Criminal programme will provide greater control over costs as a result of the move from hourly rates to fixed and graduated fees covering all but the most expensive cases in the Crown Court. The Legal Services Commission will deliver individual contracts for all appropriate cases, with teams of providers that have achieved the necessary quality standards and have bid a competitive price.
25. The Civil and Family programme builds on the Community Legal Service strategy by focusing on clients and their problems in an integrated way and working in partnership with other funders. The shorter term aim is to build a sustainable provider base and to deliver best value to the taxpayer from the move to fixed and graduated fees.
26. The longer term intention is to pave the way for the progressive introduction of best-value tendering for legal aid work. This is subject to the outcomes of the current consultation on the principles of best-value tendering as it might apply to criminal legal aid services. Additionally we will work with legal aid practitioners, and within the wider justice system, to establish more efficient working arrangements to minimise unnecessary delays and costs.

Her Majesty's Court Service (HMCS)

27. HMCS aims to deliver around £140m savings in 2010 through:
 - Significantly improving the way caseload is managed by:
 - Working with the judiciary to improve case management and listing
 - Supporting case progression with better technology
 - Introducing simpler and more proportionate procedures for the simplest cases and diverting cases that should not come to court to other methods of resolution
 - Enhancing efficiency and effectiveness by:
 - Merging and amalgamating courts and offices
 - Consolidating administrative functions into back offices
 - Improving electronic links with other agencies and local authorities
 - Increasing the take-up of electronic channels
 - Replacing paper filing in civil and family cases with electronic filing
 - Automating or simplifying processes where possible, including improving efficiency of money handling
 - Making access to services available through more channels including internet services, electronic filing, telephone services and modern methods of payment

Tribunals Service

28. The Transforming Tribunals programme aims to deliver around £45m savings by targeting 5 core areas:
- *New business model* to create six administrative multi-jurisdictional support centres (back offices) in place of the current 40+ centres delivering savings through a combination of economies of scale and sharing of best practice.
 - *Rationalisation of the estate* to support the new business model, reducing from 120 jurisdictional centres to around 50 multi-jurisdictional hearing centres but retaining a flexible capability to hold hearings locally.
 - *Rationalisation of IT legacy systems*, and development of a common case management system.
 - *Restructuring of non-customer facing functions*, moving our support functions and headquarters out of London and the South East (e.g. relocating the Mental Health Review Tribunal from London to Leicester).
 - *Implementation of Tribunals Court and Enforcement (TCE) Act*, providing greater flexibility in judicial deployment.
29. The remaining £400m savings will be delivered by all other business areas across the MoJ identifying ways to deliver at least 3% per annum savings. There will be several strands of work to support business areas to deliver these savings such as:

Zero Based Reviews

30. The Ministry of Justice is still a relatively new department, formed by joining together 3 organisations in 2007. Our staff have worked hard over the past year to ensure a smooth transition and continue to deliver a high level of service to the public. However, there is still work to be done to create a fully integrated service and reduce duplication.
31. Zero based reviews will be carried out over the coming months to prioritise funding towards high value activities.

Procurement

32. A strategic approach to procurement activity will play a key part in the delivery of savings by individual business areas. In addition, savings are expected from enhanced procurement capability, through activities such as:
- Focused and early engagement of procurement professionals in areas of greatest impact
 - Effective use of management information to identify efficiency opportunities

- Efficient and appropriate use of e-Technologies, including purchasing and tendering
- Close working with other government departments on collaborative benefits.

HR Transformation Programme

33. When the Ministry of Justice was formed each of the organisations had its own HR functions which were amalgamated into the current structure. This structure will be revised in 2008 to ensure that the MoJ value for money programme is supported by high quality leadership, effective transactional HR capability, workforce design and planning, reward management and a truly engaged workforce and trade union stakeholders.
34. The restructuring is aimed at delivering an improved service at reduced headcount and cost. This will be achieved by reducing the number of locations HR staff are based at, integrating the roles of HR Business Partners and HR advisors and providing more e-services.

Information Technology

35. Development Innovation and Support Contracts (DISC) is being introduced to replace 6 legacy IT contracts with a single infrastructure and a single application management service. These new contracts will deliver improved value for money by:
- Built-in incentives for cost savings within the contract
 - Embedded year on year cost reductions for infrastructure
 - Commercial exploitation of Intellectual Property Rights.

Legal Services Commission (LSC)

36. One example of how an individual business unit is delivering improved value for money is the LSC who are planning to:
- Introduce electronic working for means testing, merits testing and billing
 - Simplify processing work and devolve certain work to legal aid providers
 - Move all processing work to three business delivery centres located outside London
 - Reduce support services.

Governance

37. The programme of work set out in this delivery agreement will be fully incorporated into both the MoJ annual Business Plan and individual agency and NDPB business plans as appropriate. Delivery against these plans, including value for money savings, will be reviewed on a regular basis by the MoJ Corporate Management Board (CMB) to assess whether milestones and targets are being achieved.
38. Performance against the value for money targets set out in this delivery agreement will also be tracked through the department's internal operating plan. This operating plan sets out clearly the medium term financial plans for all the major business areas, together with their actual spend, latest forecasts and risks to delivery. The consolidated operating plan for the MoJ is reviewed regularly by the CMB and Ministers.
39. Given this ambitious programme of modernisation, the MoJ also has a robust system of change governance. The recent announcement of a new structure for MoJ will inevitably result in some changes to the configuration of the change arrangements over the next few months. However, a sub-committee of the CMB will maintain an overview of the mission critical change portfolio and its delivery and ensure that any investment in change is scrutinised for value for money and that business cases are robust.
40. Delivery accountability is delegated from the Permanent Secretary, via the heads of business units, to Senior Responsible Officers who are authorised to deliver within set tolerances. Each mission critical programme and project also has its own governance structures, with appointed Senior Responsible Owners and Programme Boards in accordance with Office of Government Commerce best practice guidelines.
41. The CMB and its sub-committee:
 - Develop and maintain strategic change direction and vision for the MoJ Family and ensure that the organisation is developing accordingly
 - Ensure that the change portfolio is well managed and optimised to deliver the most strategic and valuable set of programmes and projects within the available resources and funding
 - Ensure that the Department develops the capacity and capability to deliver the portfolio successfully and that the business has the capacity and capability to make the required changes.

42. MoJ Internal Audit provide an independent and objective service to the Ministry and its business entities in accordance with Government standards. This incorporates the delivery of risk-informed internal audit programmes and other work that provides assurance on departmental governance, control and risk management arrangements, and the processes put in place to deliver value for money savings.
43. The value for money savings will be subject to review by Internal Audit in order to provide an objective appraisal of the programme and recommendations where action needs to be taken.

Risk Management Strategy

44. The risk management strategy for the value for money savings is aligned to, and supported by, the overall Risk Management Framework for the MoJ. The key components of the framework include:
 - Monthly presentation and update of the MoJ Corporate Risk Register to Corporate Management Board, with appropriate actions agreed to mitigate risks
 - Quarterly cycle of updates to the internal operating plan, including the Department's emerging Financial Risks arising from unbudgeted Downstream, Upstream, and Business Area costs
 - Maintenance of Risk Registers by each MoJ organisation and the key 'enabling' Projects & Programmes in support of the value for money agenda.

Conclusion

45. The Ministry of Justice is committed to delivering over £1 billion of value for money savings in 2010-11.
46. This Delivery Agreement sets out the current plans for delivering these savings. This is a work in progress and will be revisited as we work through the impact of organisational restructuring and zero based reviews in the next few months.