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Justice for All series

Financing justice

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Foreword by Alderman & Sheriff Robert Hughes-Penney

Justice for All Series – Financing justice

Equal access to justice is a cornerstone of any fair and well-functioning society. However, as the Justice for All series at the Old Bailey has consistently highlighted, the current reality of the criminal justice system is one of mounting pressure, constrained resources and increasing complexity. This latest briefing, 'Financing justice', examines a fundamental question: whether the way we fund justice today is capable of meeting the demands of tomorrow.

Evidence gathered throughout this series points to a system under significant strain. Court backlogs have reached unprecedented levels, with open Crown Court cases approaching 80,000 and delays extending for years. At the same time, prison capacity has remained persistently high, operating at or above 95% occupancy for more than a decade. These challenges are closely interlinked: delays in the courts contribute to rising remand populations, which in turn place further pressure on an already stretched prison estate.

Against this backdrop, a clear imbalance has emerged between demand on the system and the resources available to meet it. Although levels of some traditional crimes have declined, increases in offences such as sexual crime and fraud illustrate the evolving nature of criminal activity. The growing complexity of cases places additional demands on investigators, advocates and the courts, requiring the system to adapt not only to greater volumes but also to more intricate forms of offending.

The longer-term trajectory of justice funding compounds this imbalance. Investment has not kept pace with economic growth or overall public spending, and real-terms funding for the Ministry of Justice (MoJ) remains below historic levels. While recent funding commitments – particularly in relation to prison infrastructure – are both necessary and welcome, they are largely directed towards managing acute pressures rather than enabling broader, system-wide reform.

In this context, the role of the private sector becomes increasingly important. As this report highlights, substantial pools of capital exist across institutional impact investment, social investment and philanthropic sources. Of this funding, however, relatively little currently focuses on justice-related outcomes. Innovative approaches – including social impact bonds, blended finance models and outcome-based funding – demonstrate that private capital can be deployed to support rehabilitation, prevention and system capacity. By linking financial returns to measurable social outcomes, such as reductions in reoffending or improved resettlement, these models enable investors to contribute meaningfully while sharing risk and complementing limited public resources.

The case studies presented in this report bring these approaches to life. Initiatives such as His Majesty's Prison (HMP) Peterborough Social Impact Bond (SIB) show how private investment can fund targeted rehabilitation services, with returns linked directly to reductions in reoffending. Similarly, programmes such as the Skill Mill

and Offender to Rehab illustrate how combining public, private and third-sector funding can deliver concrete social and economic benefits, including improved employment prospects and reduced criminal activity. Collectively, these examples highlight the potential for scaling such models and the need for careful design to ensure they remain effective, accountable and aligned with wider policy objectives.

Introduction

Over the past year, the Justice for All events series at the Old Bailey has explored the state of the UK criminal justice system through multiple lenses. Reflections from keynote speeches, panel discussions and accompanying research briefings have shed light on the sustained pressures on the system as a whole. The second event in the series, 'Justice for the Accused', explored the drivers of inefficiencies in the courts, including ineffective and collapsed trials, increased case complexity, declining availability of criminal law practitioners, court closures, limited sitting days in the Crown Court and the lingering impacts of the COVID-19 pandemic.[1]

The paper also highlights the increase in demand across the system, particularly since the pandemic. MoJ data published in 2025 indicated that open caseloads in the Magistrates' courts increased from the previous year to 373,084, and reached an unprecedented 79,619 in the Crown Court.[2] Similar levels of strain have been evident in the prisons and probation services over the past decade. Dame Anne Owers' 2025 Prison Capacity Review found that prison estate occupancy has remained above 95% for over 12 years, barring a short window at the start of the pandemic.[3] These pressures within the system can often interact and compound each other. For example, delays in the Crown Court contribute to a high remand population in prisons, which in turn adds pressure to an overcrowded prison estate.

The third paper in the Justice for All series, 'Justice for Victims and Survivors', also illuminated emerging trends in crime across England and Wales. The Office for National Statistics (ONS) indicates clear declines in many 'traditional' crime categories, such as homicide (which decreased by 6% in the year ending December 2025) and offences involving knives or sharp instruments (which decreased by 10%).[4] By contrast, police recorded 209,079 sexual offences in England and Wales in the year ending March 2025 – an 11% increase from the previous year,[5] and prosecutions for sexual offences increased by 18% in the year ending September 2025.[6] ONS data also indicate that fraud increased by 33% to around 4.4 million incidents in the year ending December 2025, a 30% increase on the earliest comparable year (ending March 2017).[7]

Available resources within the criminal justice system have also experienced long-term constraints. A report by the Institute for Fiscal Studies[8] on MoJ spending showed that real-terms resource expenditure in 2025–2026 was 14% lower than its peak in 2007–2008. Alongside significant growth in the Capital budget, recent funding increases do not offset severe cuts in the 2010s, given a 33% real-terms reduction between 2007–2008 and 2016–2017.

The Institute for Government has also highlighted capacity constraints within the system. It has reported increasing staffing shortages in the criminal justice system, with a 30% decline in permanent court staff since 2010–2011 and the probation service operating at 30% below its target staffing level as of 2025.[9]

Furthermore, spending in the justice system has not kept pace with growth in the UK economy as a whole, nor with overall government spending. A recent report commissioned by the Bar Council noted that the economy grew by 11.5% between 2009–2010 and 2022–2023, while government spending increased by 10.1% in real per-person terms. However, justice funding in England and Wales fell by 22.4% in real per-person terms.[10] Similarly, the Institute for Fiscal Studies reported that, for 2025–2026, MoJ real-terms spending was set to be 14% lower than in 2007–2008, and 24% lower per person.[11]

In this context, the Independent Review of the Criminal Courts (often referred to as the 'Leveson Review') was commissioned to explore the nature and scale of the challenges facing the criminal justice system. The Review highlighted the effects of chronic underfunding on the courts and their workforce, as well as the increasing complexity of criminal law. It described deep-rooted problems in the system, and stressed that addressing them effectively requires that 'all the levers – more resources, structural reform and efficiency – have to be engaged.'[12]

The fourth briefing paper in the Justice for All series, 'Justice for Prison Leavers', also explored the wider financial, social and personal costs of poor outcomes in the criminal justice system. It highlighted evidence demonstrating the vital importance of stable housing, employment support and mental health and substance use services for people leaving to reduce reoffending.[13] It also sought to capture the costs of reoffending for victims, communities, the health system, policing, courts, prisons and probation, and the false economies of cutting resourcing in one part of the system only to generate costs elsewhere by reducing the system's ability to prevent offending or resolve cases efficiently.

Demand for prison spaces is likely to exceed capacity by 12,400 places by the end of 2027.

It is important to note that there has been increased recent investment in some priority areas of the criminal justice system, largely to keep pace with rapidly growing demand. For example, the Spending Review 2025 committed £7bn between 2024–2025 and 2029–2030 towards prison builds, aiming to increase capacity by 14,000 additional places by 2031, with additional investment in building maintenance across prisons and the probation service.[14] However, the National Audit Office has noted that, according to the MoJ's projections, demand for prison spaces is likely to exceed capacity by 12,400 places by the end of 2027 – even if current expansion projects are delivered within anticipated timelines.[15] The Spending Review also included up to £700m in additional funding for probation service capacity expansion per year by 2028–2029, as part of the sentencing reforms recommended by the Independent Sentencing Review.[16]

Earlier this year, the government announced plans to lift the cap on sitting days for Crown Courts in England and Wales, and to increase the use of artificial intelligence and introduce 'Blitz courts' that would list similar cases together. The aim is to relieve pressure on the court system, with some cases now scheduled for hearings in 2030.[17]

However, it has acknowledged that reducing court backlogs will take time, and stakeholders such as the Criminal Bar Association have warned that workforce shortages continue to constrain the use of available capacity.

Fiscal constraints in government

The government faces multiple competing demands on spending, balancing those for health, defence, education, welfare and justice. Furthermore, current fiscal rules limit the scope for using additional borrowing to meet increased demands.

As an 'unprotected department', whereby its funding is not ring-fenced, the MoJ has tended to lose out in spending reviews (acknowledging that not all funding for the justice system goes through the MoJ).

Where funding is available, it is often – understandably – directed towards crisis response: delivering new prison capacity is a government obligation, ensuring there are places for the courts to send people who require custody and maintaining the integrity of the system.

By contrast, investing in prevention often loses out, despite the potentially significant returns. According to a study for the Access to Justice Foundation and the Bar Council, every £1 invested in free early legal advice saves the government £2.71 in downstream costs (e.g. reduced reliance on benefits).[18] Unlike this example, where most of the savings were realised in the first year, the savings from prevention can often be longer-term and evident beyond one-year budgets, three-year settlements and five-year parliaments. In particular, investing in diversionary work with young people at risk could realise savings over a much longer period. Tackling the complexities of individual offending also relies on combining different departments' interventions and resources, which introduces bureaucratic constraints when departments are funded individually, and savings may not accrue to the department that invests.

Private finance initiatives (PFIs) have been used in the UK to secure funding for justice capital projects (new prisons and court buildings)[19] and operational services (through Design, Construct, Manage & Finance contracts).[20] However, the then Chancellor of the Exchequer confirmed in his October 2018 Budget speech that the UK government would abolish the use of PFI, and its successor, Private Finance 2, as the basis for future public-private partnership projects. The Autumn 2025 Budget announced a new Public-Private Partnership model for new Neighbourhood Health Centres, involving the upgrading and repurposing of existing buildings and the construction of new facilities.[21]

Investment models for the justice system

We identified a range of innovative alternative financing models used to tackle the challenges facing the justice system.

The following case studies briefly summarise alternative financing models tested in the justice system in recent years, broadly divided into three categories:

Social investment

Payment by results

Blending public and private sector funds.

Social investment

HMP Peterborough Social Impact Bond (SIB)

Between 2010 and 2015, a new service called the One Service supported adult men leaving HMP Peterborough after short prison sentences. At the time, this group had no statutory post-release supervision and no systematic resettlement support, and the pilot aimed to reduce reoffending by filling this gap. The One Service provided 'through-the-gate' support with staff meeting prisoners before their release, assessing their needs and planning what would happen when they left custody. Post-release support was offered for up to 12 months after release, including for men who were recalled or returned to prison during that period.

The support offer included help with finding somewhere to live; with benefits, debts and basic financial stability; with employment, training and skills; and with referrals to health, drug and alcohol and other local services. It was initially intended to cover three cohorts of around 1,000 short-sentenced men each, released from HMP Peterborough. A third cohort received similar support on a fee-for-service basis after Transforming Rehabilitation unexpectedly introduced statutory supervision and a new payment-by-results (PbR) model for this group.

The programme aimed to test an SIB as a PbR mechanism in criminal justice, shifting performance risk away from the government and paying only for measured reductions in reoffending. Private, non-governmental investors provided the up-front money to run One Service, and the MoJ, supported by the Big Lottery Fund, agreed to repay these investors, with a return, only if reoffending was reduced by an agreed amount. If reoffending did not fall by enough, investors could lose some or all of their money.

An evaluation of the first cohort in Peterborough showed a noticeable reduction in reoffending (of 8.4%), enabling investors to recover their capital and achieve a positive return.[22] In a subsequent process evaluation, service users and practitioners highlighted the importance of immediate practical help (especially accommodation and basic costs) in reducing pressure to reoffend.[23] The evaluation also found that the Peterborough SIB helped foster stronger relationships between HMP Peterborough, local agencies and voluntary providers, leading to more services operating within the prison than before. Overall, it found that the SIB structure enabled flexible, adaptive delivery, including adding new partners, making service changes, and quickly using small funds to prevent crises. However, under Transforming Rehabilitation, shifting the third cohort to fee-for-service demonstrated how major policy changes can reshape SIB/PbR schemes and why contracts must anticipate policy risk.

The Skill Mill

The Skill Mill is a social enterprise that employs young ex-offenders (aged 16–18) on six-month paid work placements on environmental projects in the UK. During their placement, participants are supported by mentoring and counselling, gain practical experience and skills and can receive recognised qualifications. Local authorities, businesses and charities can commission work. The

programme seeks to address the high rates of recidivism among juvenile offenders and existing barriers to accessing education, training and employment among this cohort.[24] Analysis by the Youth Endowment Fund indicates that 32.5% of offenders aged 10–17 reoffended in 2022–2023.[25] Furthermore, according to ONS data, 987,000 UK young people aged 16–24 were not in education, employment or training in 2024.[26]

In 2020, the Skill Mill introduced an SIB to deliver their services in eight locations over four years. Income generated through the programme consisted of outcomes payments and revenues from local clients for completing the work. Outcomes payments relied on individuals' programme registration and completion, an AQA Employability Skills Level 2 award qualification, at least 75% programme attendance, prevention of reoffending and engagement in employment and/or further education.[27]

An evaluation of the Skill Mill SIB was published in January 2025.[28] It found that, of the 243 young people who participated in the programme, 237 completed induction and 179 completed the programme. A total of 203 did not reoffend within 12 months of the programme start, and 86 secured employment or further training within 6 months of the programme ending. The evaluation notes that the programme's timing, launched just before the start of the COVID-19 pandemic, significantly impacted its implementation. The SIB was unable to return investors' funding in full, and Skill Mill funded around £181,000 of the costs of running the final two cohorts itself. The original revenue target from sales to employers was £1,149,754, but the programme only generated £958,129.

Payment by Results

Local Justice Reinvestment (LJR) Pilots

The MoJ launched the LJR Pilot in 2011 to test PbR commissioning to reduce demand on the criminal justice system in six local areas. Savings from reduced demand were partially reinvested in additional local crime-reduction efforts. Each area was given the flexibility to design bespoke programmes in line with local priorities. In practice, most initiatives supported adult offender management, though some funded new youth interventions. Demand reductions were measured against a 2010–2011 baseline using metrics such as court cases, custody months and probation requirements. Sites received financial awards from the MoJ if the cost of demand decreased by more than 5% for adults and more than 10% for youths, up to a maximum of 20%.

In Year 1, four of six areas qualified for payments, totalling £3.62m.[29] In Year 2, five areas qualified, with payments increasing to £8.02m.[30] Year-on-year, almost all areas recorded marked improvements in both adult and youth justice demand. Greater Manchester, Southwark, Lewisham, Hackney and Lambeth saw significant year-on-year reductions of 6.5–33 percentage points. Croydon, however, demonstrated only slight improvement in adults and no change in youth outcomes.

A 2015 process evaluation[31] commissioned by the MoJ found that the pilot encouraged effective partnership working, promoted innovation in offender management and fostered the use of evidence-based, local approaches. In Greater Manchester, adopting a

whole-system approach across all authorities enabled economies of scale, improved resettlement support and strengthened cross-agency risk-sharing. The pilot also supported the development of robust commissioning frameworks, increased police confidence in multi-agency processes, and enabled cost-effective interventions at key criminal justice transition points.

However, it was difficult to establish how much of the reduction in demand was directly due to the intervention, since the complexity and number of outcome measures made it hard to link individual interventions to results. Rigid payment thresholds were felt to reduce fairness and incentives, with limited upfront investment and no penalties for unmet targets. Data and reporting limitations hindered robust evaluation and performance management. Furthermore, some sites focused on reducing 'other convictions' (often minor offences), shifting attention from more serious crimes and introducing inconsistencies in delivery and outcomes.

Transforming Rehabilitation

Under Transforming Rehabilitation (TR), probation underwent a major structural overhaul, with Probation Trusts replaced by the National Probation Service (NPS) for high-risk cases and 22 private-sector Community Rehabilitation Companies (CRC) responsible for supervising medium- and low-risk cases.

The NPS-CRC model was designed to reduce reoffending and achieve £10.4bn in net economic benefit by introducing market competition, private-sector innovation and PbR incentives. This structure aimed to modernise probation by making funding contingent on both service inputs and demonstrable outcomes, thereby increasing accountability.

Under CRC-MoJ contracts, around 80–90% of funding was allocated to fees-for-service (inputs) – specific rehabilitation activities delivered, such as supervision, accredited programmes, or resettlement work – not just overall caseload numbers.

The remaining 10–20% depended on outputs: CRCs received PbR payments only if they achieved measurable reductions in reoffending relative to expected levels for the caseload's risk profile.

Performance was assessed using two national metrics: the binary measure (any proven reoffence within 12 months) and the frequency measure (average reoffences per reoffender). To receive PbR, CRCs had to outperform a national baseline, making part of their financial reward dependent on actual rehabilitation results.

Ultimately, the model proved unsuccessful, with systemic underperformance and poor value for money resulting in early contract termination.

Service volumes were far below forecast numbers, reducing income for the CRCs and restricting the scope for investing in service transformation. Average reoffences per reoffender increased by 22%, and only 6 of 21 CRCs consistently hit reoffending reduction targets. The system also suffered from fragmentation between NPS and CRCs.

Blending public and private sector funds

Offender 2 Recovery (O2R)

O2R, also known as Offenders to Rehab, was launched by the West Midlands Police in 2018. The initiative targets prolific offenders, particularly shoplifters whose offending may be driven by addiction to drugs, such as heroin and crack cocaine and refers them into residential rehabilitation. This focus reflects the prevalence and economic, social and personal impact of retail crime: according to data from the British Retail Consortium's (BRC's) 2026 Crime and Shrink Survey, a total of 5.45 million customer theft incidents occurred between September 2024 and August 2025, costing £408 million, along with 1,617 incidents of violence and abuse against retail workers per day.[32]

Under O2R, participants may be referred by trained O2R police officers, retail staff (e.g. security guards), outreach workers, family members or self-referrals. O2R is funded through a partnership between the West Midlands Police and Crime Commissioner, local authorities, retailers and partner agencies. Earlier programme phases were funded primarily through assets recovered under the Proceeds of Crime Act.

An early process evaluation of the O2R pilot in Birmingham explored 27 programme participants' engagement. [33] They reported that their attitudes and behaviour changed significantly since the commencement of the programme, particularly in relation to their drug use. Findings from the evaluation also indicated participants experienced decreased levels of psychological distress, increased frequency of positive experiences, and higher levels of self-esteem. The evaluation also found that O2R offered the potential for a strong return on investment, estimating that an individual who uses both heroin and crack spends approximately £19,000 per year. Where they use shop theft to support their drug use, the evaluation found that they would need to steal double or triple that value; it calculated that if O2R successfully rehabilitated 20 offenders, it could prevent an estimated £760,000–1,140,000 worth of shop thefts in the first year.

Prisoners Building Homes (PBH)

PBH is a cross-government programme in which prisoners and ex-offenders work with housebuilders to construct affordable, low-carbon homes on public and third-sector sites. Through the programme, prisoners receive formal building qualifications and are paid for their work. The programme aims to support prisoners in developing skills, finding paid employment upon release, and avoiding reoffending.[34] It also aims to address the UK's housing shortage, particularly for affordable housing, and the shortage of construction workers.

The PBH programme team coordinates and provides site support, working with local authorities and landowners, construction partners, and a workforce of around 150 prisoners on temporary licence or newly released. The team is funded by five Police and Crime Commissioners, the MoJ and the Ministry of Housing, Communities and Local Government.

PBH reports that 159 serving and post-release prisoners have participated in the programme. According to PBH, 89% of participants have secured employment in construction upon their release from prison, with a 5% reoffending rate. In addition, more than 1,200 homes are in the pipeline across more than 180 sites. Eight prisons and ten housebuilders are working with PBH on this programme.

PBH is seeking additional investment to scale up operations and establish a sustainable public-private financial model.

Reflections on lessons learned in financing justice models

As the case studies indicate, innovative funding models are being used to supplement core government funding and deliver a positive impact, with significant pitfalls to avoid. We have distilled four lessons from these examples to guide the use of innovative financing models:

1. Investment should be focused on areas that align with current government priorities and target outcomes, to reduce friction, and requires long-term commitment to demonstrate outcomes.
2. The case for investment works best when it unlocks reductions in costs, whether that is the immediate cost of crime, downstream system costs by reducing demand or the wider social cost of crime and offending. Where it is necessary to provide a return for investors, the government can underwrite the investment in exchange for a reduction in downstream system costs. The level of return will depend on the risk that investors are taking on.
3. Good quality data and transparent monitoring will be required to demonstrate credible progress towards target outcomes.
4. It is important to avoid creating overly complex arrangements to manage service delivery.

Promising models for securing additional investment

Our discussions have shown that financing for justice has been available from investors in the UK, and that there is a spectrum of funding models, ranging from institutional impact investment to social investment and philanthropic capital.

Looking across other sectors, other promising models could be applied in the justice system. These include:

- The introduction of Green Gilts as a fixed-income UK Government bond that raises private-sector capital to fund projects aimed at tackling climate change and promoting sustainable development. Green Gilts are issued by the Debt Management Office on behalf of the UK government and were first launched in September 2021.[35]
- The use of municipal bonds, or 'Muni Bonds', is popular in the United States as a way to fund public infrastructure at the state or local government level. In the UK, Lancashire County Council was the first to use this kind of instrument in 2020, but a version could be linked to justice devolution deals for city regions, as agreed with London and Greater Manchester.
- The Better Futures Fund, which the government introduced in 2025 to commission Social Outcomes Partnerships to deliver projects designed to support improved outcomes for up to 200,000 vulnerable children and young people, and their families. These outcomes include improved school attainment, improved youth employment and reduced youth offending.[36] The government is allocating £500m to the Fund with plans to match this figure through local government, social investors and philanthropists.[37]

There is clear potential to do more in all these areas – targeting the right financial instrument, with the right incentives, for the right priority - and to combine financing forms.

The government has committed to developing the impact economy and driving inclusive growth in the UK. Inspired by a 2025 Social Impact Investment Advisory Group (SIIAG) report,[38] the government established the Office for the Impact Economy to enhance the effectiveness of public funding, strengthen partnerships between the impact economy and government and harness impact capital for social and economic renewal.[39]

The SIIAG report estimated that impact capital comprises an estimated £106bn in assets, with approximately £42 billion contributing directly towards the government's top domestic policy priorities or 'Missions'). One such priority is safer streets, reduced violent crime, and greater confidence in the criminal justice system. Once again, however, the picture is one of comparative underfunding. The estimated value of impact capital deployed towards safer streets is £1.4bn, which compares unfavourably with the four other Missions (investment ranging from £10.6–15.4bn).

Investing in justice makes economic sense

The central thesis underpinning the Justice for All series is that investing in justice makes economic sense for the UK's government, businesses and communities. In discussions, three priorities were identified where targeted

investment, supplementing constrained Government funding, could unlock important improvements in outcomes and significant downstream savings for government, as explored below.

Reducing demand

Building on the example of the Better Futures Fund, there is scope for using models of social outcome partnerships to invest in:

- **Early intervention/prevention**: Diverting at-risk young people, including care leavers and young people not in education, employment or training ('NEETs'), from offending and the justice system and delivering long-term payback in reduced costs – not just for the justice system, but also for other public services, in the way that The Skill Mill example is demonstrating.
- **Enhancing the capacity of initiatives to reduce reoffending**: There are proven intervention models, often delivered by the third sector, that reduce the level and cost of reoffending. These services provide tailored, relational services, working with individuals in ways that statutory services do not have the capacity to deliver, to improve outcomes. There is an opportunity to bundle interventions and connect public services with employers, as Offenders to Rehab and Prisoners Building Homes are demonstrating.

Improving supply efficiency

There is an opportunity to expand the Green Gilt to create a Social Infrastructure Gilt to fund capacity improvements to reduce backlog. This expansion could be achieved through early legal advice beyond the scope of legal aid, an alternative provision to reduce the remand population, or an expansion of hearing capacity to accelerate case throughput. The financial return will be in reductions in the remand population (currently around 16,000 in England and Wales).[40] However, the potential benefits of reducing delays may increased public and victim confidence in the justice process.

Conclusion

This briefing paper highlights the urgent need to increase investment in the justice system to improve efficiency and effectiveness. The challenges facing the system have been explored through the Justice for All series, and it is clear that the availability of resources is one of the important factors, both in meeting rising demand and in supplying capacity and capability. There are opportunities to target investment in areas that will reduce demand and enable the government to benefit from reducing downstream costs.

Encouragingly, investor capital is available, and credible financing models exist to structure that investment and drive positive impact while unlocking savings. The government has already signalled its commitment to developing the impact economy, including through the creation of the Office for the Impact Economy, and linking investors with opportunities to improve public services. It should be an early priority to create a pipeline of opportunities for investing in renewal for the justice system, for the benefit of us all. [41]

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JUSTICE FOR ALL SERIES 2025 - 26

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