

Advanced Material

This Advanced Material contains a pre-seen case study provided to students prior to the exam date. Students should familiarise themselves with the Advanced Material before they sit the exam. The Advanced Material provides key information and forms the basis of the requirements set out in the exam day materials. Students should carry out research into the sector and apply learning from the workbooks.

Exam: Strategic Case Study

Exam sitting: June 2025

Iskarvia

Iskarvia is a small, prosperous western European nation, sharing borders with three states and having a short coastline.

The country spans approximately 35,000 square kilometres. It has a population of 11.5 million, with a population density of 330 people per square kilometre.

The capital city, Corten, is a vibrant cultural and administrative hub with a population of 1.5 million. Other major cities include Brugam, known for its historical architecture, and Veldhaven, a thriving port city and industrial centre.

Iskarvia has a highly-educated population, with 88% of adults holding at least upper-secondary education qualifications and 40% possessing a university degree. It is linguistically diverse, with three official languages: Iskarvian, Nordik, and Iskar Dutch, reflecting its rich cultural heritage.

The population is ageing, with 22% of citizens aged 65 or older, which presents both opportunities and challenges for the country's economy and public services.

Economic overview

The economy of Iskarvia is robust and diversified, characterised by high-income status and a strong commitment to sustainability. The country consistently ranks in the global top 20 for competitiveness and ease of doing business.

Iskarvia's Gross Domestic Product (GDP) stands at £650 billion, with a per capita income of approximately £56,500, among the highest in Europe. The central bank's base interest rate has risen from 2.5% in 2020 to 4.25% now, in part due to inflation having risen from 1.75% to 4% in the same period. Unemployment levels are very low.

The service sector is the backbone of Iskarvia's economy. Financial services, particularly banking and insurance, are centred in Corten, while tourism and hospitality are thriving in the scenic northern regions and historic towns of the country.

Iskarvia is a leader in high-tech manufacturing, with a focus on green technologies, pharmaceuticals, and advanced machinery. The port of Veldhaven is a critical logistics hub for European trade. And, though it makes up only 4% of GDP, agriculture is highly efficient and export-oriented, specialising in dairy products, horticulture, and organic foods.

The financial services and high-tech manufacturing sectors have grown particularly quickly in recent years, with average wage levels in these sectors outstripping inflation.

As with many northern and western European countries there are high expectations about the levels of services to be provided by government (especially healthcare and social protection) and high levels of taxation to pay for them. Total government spending in 2023 was 46.8% of GDP and taxation totalled 42.5% of GDP.

Constitutional and governmental arrangements

Iskarvia is a constitutional parliamentary republic with a unitary system of government. The Constitution of Iskarvia, adopted in 1949, establishes the framework for democratic governance and the rule of law. The country's government operates with three spheres that are autonomous but required by the constitution to work together for the common good.

National government is headed by the Prime Minister, and is responsible for defence, foreign affairs, policing, justice, and macroeconomic policy. The National Assembly, a democratically-elected parliamentary chamber, enacts laws and oversees government operations.

There are four **regional authorities**, each with elected councils responsible for health, education, transport, and environmental management.

There are also over 300 **local municipalities** which manage local services such as housing, waste management, and local law enforcement.

A strong tradition of consensus politics and coalition governments in Iskarvia ensures that decision-making typically reflects diverse perspectives. Governance in public bodies in Iskarvia emphasises transparency, accountability, and citizen participation.

The Ministry of Justice

The Ministry of Justice (MoJ) in Iskarvia plays a central role in upholding the rule of law and ensuring public safety. It oversees the judiciary, prison system, and probation services, with a focus on rehabilitation and reducing recidivism.

The MoJ is led by the Minister of Justice, a cabinet member appointed by the Prime Minister and accountable to the National Assembly. The current government is a coalition of three parties and under the coalition agreement the Minister of Justice is one of two cabinet minister posts that the Renewal Party, the smallest of the three governing parties, can nominate. The Renewal Party put forward a fairly radical manifesto in the most recent national election, but

achieved its highest ever vote share and is part of the governing coalition for the first time. As part of the coalition agreement, it has had to moderate some of its policy aims but is still determined to have a major impact on social and environmental policy.

The Minister of Justice is responsible for setting the strategic direction of the ministry, proposing legislation, and ensuring the efficient allocation of resources to achieve policy goals. The Minister must regularly report to parliamentary committees, particularly the Justice and Public Safety Committee, which scrutinises the ministry's policies, and the Public Accounts Committee that scrutinises all aspects of the government's budget, spending and performance. These committees publish their reports, reinforcing transparency and democratic oversight.

The Minister of Justice is Dageraad Jansen. She was appointed as the Minister in April this year following the unexpected resignation of her predecessor (who announced that he had a serious health condition requiring immediate treatment).

The Minister is supported by three deputy ministers:

1. Deputy Minister for Courts: responsible for the judiciary, including funding, administrative support, and policy frameworks for courts.
2. Deputy Minister for Prisons: responsible for the prison system, including the construction and maintenance of facilities, staffing, and prisoner rehabilitation programmes.
3. Deputy Minister for Community Justice: responsible for probation services, community sentencing, and victim support programmes.

Supporting the ministerial team is the MoJ's Director-General (DG), a non-political civil servant who manages the execution of the ministry's strategy and compliance with legal and regulatory requirements. Senior managers, including the heads of the judiciary, prisons, and probation services, report directly to the DG. Accountability mechanisms for these leaders include performance reviews, adherence to national public service codes of conduct, and regular internal and external audits. Furthermore, the Iskarvia National Audit Office and independent oversight bodies, such as the Inspectorate of Prisons, provide additional layers of scrutiny, ensuring that public funds are used efficiently, and services align with the ministry's objectives.

Though policy work and departmental leadership is provided by staff based in offices in the capital, an increasing proportion of MoJ staff are based at regional offices around the country.

The MoJ's operating budget for 2025/26 is roughly £3.1 billion and it employs around 25,300 staff, including judges, prison officers, probation workers and administrative personnel. The approved capital expenditure programme for the year is £50 million. The constrained level of capital funding voted by the National Assembly led to the Minister requesting a briefing on alternative sources of funding for new projects, such as social impact bonds (SIBs).

Finance department in the Ministry of Justice

The Finance Department in the MoJ is responsible for the effective allocation, monitoring, and reporting of financial resources to support the ministry's objectives. It ensures compliance with national financial regulations and strives for value for money in all expenditures.

The Finance Department is led by the Chief Financial Officer (CFO), Jamie Leclerc, who reports directly to the DG. The department is divided into several units, each with specialised roles:

- **Accounting:** financial planning (including liaison with the Ministry of Finance), monitoring and control of operating and capital expenditure across the MoJ, and preparation of financial statements. This includes managing funding for major capital projects, such as the construction of prisons or court facilities.
- **Revenue and Grants:** manages court fees, fines, and any external funding or grants received by the ministry.
- **Audit and Compliance:** ensures financial activities comply with national regulations and conducts regular internal audits.
- **Performance Monitoring:** analyses financial performance data, focusing on cost-effectiveness and outcomes. Provides regular financial and operational performance reports to MoJ leadership and the Public Accounts Committee.
- **Procurement and Contracts:** Manages the procurement process for all contracts above £100,000, manages relationships with strategic suppliers, and ensures transparent and competitive contracting.

Challenges facing the prisons division

Prison overcrowding

Despite its strong governance and economic foundations, Iskarvia faces significant challenges in its justice system. The most pressing issue is overcrowding in prisons.

Increasing levels of crime is not driving the overcrowding in Iskarvia's prisons. The country's economic stability and relatively high levels of social equality mean there is a relatively low crime rate and it has been stable overall.

There has, though, been an increase in the effectiveness of the law enforcement agencies meaning more individuals are being apprehended and sentenced to prison terms. There were also changes in sentencing policies under the previous government that meant longer sentences being handed down for many crimes.

The judicial process was slow before the COVID-19 pandemic but it was coping. The backlog of cases that grew during the lockdown periods in 2020 and 2021 has remained stubbornly in place since. The slow pace of judicial processes also exacerbates the overcrowding problem by keeping some people in detention for many months pending trial.

Overcrowding puts a strain on prison resources, including food, medical care, and sanitation services. It also makes it more challenging to provide rehabilitation activities for prisoners. Without proper rehabilitation efforts, prisoners often complete their sentences without acquiring the skills or support they need to reintegrate into society. This lack of focus on rehabilitation contributes to high recidivism (the tendency of an offender to re-offend) rates.

The overcrowding has also led to a rise in conflicts inside the prisons. This makes it difficult for prison authorities to maintain order, which in turn has made it difficult to recruit and retain prison staff. The Prison Officers Union has been complaining for more than ten years about the understaffed and under-resourced environments in prisons. It has lobbied hard for investment in new prisons, refurbishment of existing prisons and increasing the annual operating budget by 50%. The union has also pointed to the fact that prison staff, as with most public sector staff, have, in the past two years, received annual pay rises which are less than the rate of inflation. The union's campaign has been somewhat successful in gathering public support (a recent survey found 31% of the population in favour) but this is far below the level of support for investing more in hospitals (82%).

The new Minister of Justice is under pressure to take decisive action about prison overcrowding. In a recent speech, she said:

Iskarvia is a nation with strong institutions, a prosperous economy, and a commitment to social justice. When we address the challenges in our justice system, we must balance efficiency, equity, and human rights in shaping the solutions. We must also make sure we have clear and effective implementation plans for our strategy, with, for example, the right systems, skills, and shared values in place.

An obvious solution to the overcrowding problem would be to build more prison places. This is expensive. A recent exercise estimated that constructing 2,000 extra prison places would take 3 years to complete, and cost around £191 million.

A short-term option is the early release of prisoners but the media headlines would be negative; the public would be angry about what they perceive as a lack of fairness. The released prisoners would also need to be supervised by the Probation Service for the remaining term of their sentence. The Probation Service is also under pressure. Currently there are 62,500 people being overseen by the service and it is overspending its budget by 8%.

Other possible actions include changes to the sentencing guidelines used by judges so that more convicted people are sentenced to non-custodial punishments, the outsourcing of probation services and encouraging the private sector to build and operate prisons (possibly financed using SIBs rather than directly from taxation).

The Minister asked her special advisors (politically-appointed staff who are not bound by the impartiality rules that govern civil servants) to review academic, evidence-based research into the effectiveness of alternatives to custodial sentencing. Their research found:

- 14 high-quality studies that compared custodial and non-custodial sentences, which showed that imprisonment is no more effective in reducing reoffending rates than community-based sanctions.
- A study in 2019 that said there is some evidence to suggest longer sentences may provide additional deterrent benefits, but this effect is not consistently observed across all academic studies.
- Electronic monitoring is more effective in reducing reoffending than imprisonment.
- Mandated mental health treatment as a probation condition decreases the likelihood of being convicted within 3 years by 36%.
- Restorative justice (Appendix 1 describes how this works) aims to repair the harm done to victims and is effective in reducing recidivism rates. In particular, the victims who take part in restorative justice programmes report greater levels of satisfaction with the outcome and there is evidence that this also reduces any long-term psychological impact the crime might have on victims.
- A study in a neighbouring country estimated that for every £1 invested in restorative justice, there was £4 of direct cost savings to the criminal justice system due to reduced reoffending, and socio-economic benefits of £14.

This research has led to the development of a proposal to implement a nationwide restorative justice programme that the Minister has branded “Victim First.” She is keen to implement the programme as soon as possible.

Private sector involvement

The previous government (2017 to 2022) had a policy of increasing the involvement of the private sector in the delivery of public services and applied this in as many aspects of the government’s work as they could. As far as the prisons service was concerned little progress was made, other than the building and operation of Veldhaven Prison, which was opened in 2021. This is a medium security prison for men, with a maximum capacity of 1,150 inmates. As at 30 April 2025 there were 1,127 inmates in the prison, and 35% of them were being held on remand pending their court appearance (that is, they have not been convicted of a crime but are held in custody pending their trial because of the risk they pose to the public and/or their flight risk).

Veldhaven Prison is operated by Veldhaven Prison Limited, a company that is owned 50:50 between the MoJ and Sentinel Solutions. Sentinel Solutions is a private company that specialises in logistical support for the armed forces, including the operation of detention centres. The MoJ opted for this joint venture route because it offered access to capital financing as grants from the Ministry of Finance were unavailable. The MoJ and Sentinel Solutions each invested £10 million in shares. Sentinel Solutions made an additional 20-year loan of £90 million at a fixed rate of interest of 2.75%. The rest of the prison construction was financed by market loans with variable interest rates.

Veldhaven Prison Limited’s board of directors is empowered to make all the day to day operational decisions, as well as develop the company’s business strategy. Both the MoJ and Sentinel Solutions have nomination rights for two board directors and they have to agree on the appointment of an independent chairperson of the board. The MoJ’s two nominated directors are the Deputy Minister for Prisons and Wout van der Meer, who retired from the post of Assistant Director General in the Ministry in 2020. There are some critical strategic decisions, such as changes to the company’s structure, and expansion into other lines of business, where the MoJ has a veto.

Veldhaven Prison Limited generated a profit in 2021/22, 2022/23 and 2023/24. Its draft accounts for the year ended 31 March 2025 have to be prepared by 31 May 2025 and must be audited by 30 June 2025.

The Prisons Inspectorate reviewed Veldhaven Prison in the first quarter of 2025 and has recently issued its report. The headlines of the report are:

- At the time of the inspection the prison was nearly at full capacity, with only 14 available places.
- The prison receives, on average, 239 prisoners each month.
- The number of assaults in 2024 was above average for similar prisons and 27% of prisoners reported they felt unsafe during their stay (the range in Iskarvia's prisons is between 20% and 50%)
- There are several programmes aimed at rehabilitation and reducing reoffending, including education in literacy, numeracy, information technology, and vocational skills.
- Prisoners have limited time out of their cells (the average is 2.5 hours per day per prisoner against the MoJ's minimum standard of 10 hours per day).
- There is a need for increasing purposeful activity for prisoners.

Candidate's role

The candidate is Lou Vermeer, a newly-qualified accountant in the Accounting Unit within the MoJ's Finance Department.

Abbreviations

CFO Chief Financial Officer

DG Director-General

GDP Gross Domestic Product

MoJ Ministry of Justice

SIB Social Impact Bonds

Appendix 1: The restorative justice process

A typical restorative justice programme works like this.

1. Referral and assessment

- Offenders are referred to the programme by criminal justice agencies.
- Trained facilitators assess the suitability of cases for restorative justice, ensuring that all parties are willing to engage.

2. Preparation

- Facilitators meet separately with victims and offenders to explain the process, address concerns, and prepare them for the joint meeting.
- Both parties are encouraged to reflect on the incident, its impact, and their desired outcomes from the process.

3. Facilitated dialogue

- A structured meeting, often referred to as a conference or circle, is arranged where victims and offenders come together in a safe environment.
- The victim shares their experience and the impact of the offence, and the offender discusses their actions and motivations.
- The dialogue aims to foster understanding, empathy, and accountability.

4. Agreement on restitution

- Together, the participants develop a restitution plan that outlines steps the offender will take to repair the harm, which may include apologies, community service, or other actions.
- The agreement is documented.

5. Follow-up

- Facilitators conduct follow-up meetings to ensure that the restitution agreement is being fulfilled, and to provide ongoing support to both parties.
- Additional resources, such as counselling or educational programmes, may be offered to assist in the offender's rehabilitation process.