

# Accounting Officer Memorandum

## PFI Expiry and Transfer Tranche 1 – Outline Business Case

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the government committed to make a summary of the key points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

### Background and Context

#### Department for which the Accounting Officer who made the assessment is responsible:

Her Majesty's Prison and Probation Service

#### Project:

PFI Expiry and Transfer Tranche 1

Strategic Outline Business case (SOBC) – approved by Accounting Officer May 2020

Outline Business Case (OBC) – approved by Accounting Officer June 2021

#### *Project outline*

The contracts for the first tranche of PFI prisons, built in the 1990s, are coming to an end – HMP & YOI Parc, Lowdham Grange and Altcourse and expire within six months of each other. These are well performing prisons and their continued operation without impact on the regime or services is crucial to ensure the places they provide continue post contract expiry. There are no extension provisions for the contracts of the prisons. Consequently, HMPPS must either run an operator competition, to ensure that an operator can be awarded the contract or bring the prisons into Public Sector operation. The OBC sets out the case for the preferred option of an operator competition for all 3 prisons. To ensure the seamless operation of the prisons the competitions will therefore need to be completed well ahead of the contract expiry dates, which in the case of the first three prisons range from Dec 2022-May 2023.

Collectively the prisons provide 3,911 places (Parc - 1699, Lowdham Grange - 888, Altcourse - 1324) which is just under 5% of the overall prison population in England and Wales. This creates an

immovable deadline to secure transition arrangements. The project objective is to carry out the transfer of the prisons to new providers in a safe, effective and efficient manner so that there is no impact upon staff and prisoners.

### **OBC decisions**

- a. Proceed with the preferred option of running an operator competition for each of the three PFI prisons whose contracts end by 2023.

## **Assessment against the Accounting Officer standards**

### **Regularity**

The Outline Business Case for the PFI Expiry and Transfer Tranche 1 prisons is assessed as regular. The OBC is fully compliant with UK law and has no legislative requirements. The expectation is that the recommendation as proposed, to outsource the operation of all three Prisons within the first tranche of PFI contract expiries, will be affordable within baseline budget provision, though this will not be confirmed until the SR21 funding settlement is finalised.

### **Propriety**

PFI Expiry and Transfer Project is assessed as proper. Both Strategic and Outline Business Cases have passed through Project and Departmental Governance, including an internal Keyholder Review and IPA Gateway Review process. I am satisfied that both SOBC and OBC have completed the relevant internal governance satisfactorily ahead of submission to HMT, and that the proposals in the OBC are in line with the standards set out in *Managing Public Money*.

### **Value for Money**

For the OBC, the economic analysis shows that the project can deliver value for money over the 10-year time horizon of each of the three prisons' expected operating contract. The decision to compete is based upon the premise that though the public sector would be able to deliver a Value for Money (VfM) service, which is affordable (see regularity test); competition can lead to added value and improvements in service delivery, with private sector innovation and operational efficiencies often replicated across the public sector estate.

These potential benefits underscore the result of economic analysis that the project proposal is value for money, and a sound use of public funds

### **Feasibility**

I am content that the PFI Expiry and Transfer project is feasible. This project sets out to meet a clear operational need with sound programme management principles and foundations. For the OBC, IPA's Gateway 2 Review returned a delivery confidence Assessment in May 2021 of Amber. The review team highlighted risks around the project's timeline for the and the impact of Covid-19. We have accepted and are addressing the recommendations in the Review and we are engaging with HMT, Cabinet Office, and others to ensure delivery of the remainder of the project.

## **Conclusion**

I have considered this assessment of the PFI Expiry and Transfer Tranche 1 Outline Business Cases against the four Accounting Officer standards of regularity, propriety, value for money, and feasibility. I am satisfied that it passes each of these tests.

As the Accounting Officer for Her Majesty's Prison and Probation Service, I considered the assessment of the OBC and approved it on 17th June 2021.

I have prepared this summary to set out the key points which informed my decision for this Outline Business Case. If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised summary, setting out my assessment of them.

This summary will be published on the government's website (GOV.UK). Copies will be deposited in the Library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Dr. Jo Farrar

HMPPS Chief Executive and Ministry of Justice Second Permanent Secretary