



Accounting Officer Memorandum

Four New Prisons Project – Full 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 has 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

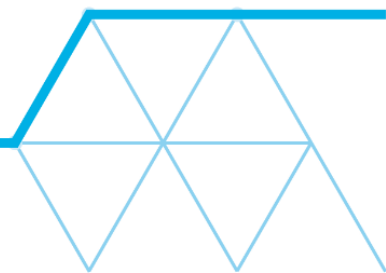
In 2019 the Prime Minister announced an investment of up to £2.5bn in creating 10,000 additional prison places in order to meet a forecast rapid increase in the prison population. In the 2020 Spending Review (SR20) this was uplifted to reflect the updated cost estimate and scope (including relevant levels of optimism bias) at that time. The 2020 Spending Review also reflected an overall uplift to prison capacity programmes increasing overall investment to more than £4bn across the four years of the relevant SR settlement to deliver a total of 18,000 additional prison places, including the two new prisons already being constructed at Five Wells and Glen Parva.

The Four New Prisons Project is part of the 10,000 Additional Prison Places Programme. At OBC stage the Programme agreed to deliver up to 6,480 places via four new prisons. Following that subsequent design reviews and site-specific work combined to influence the target for additional places, which was amended to 6,366. This reflected that one of the four prisons was expected to be built with one less houseblock than originally planned in order to mitigate planning risks, which was partially offset by design and operating model changes which resulted in each prison having more places than originally assumed.

The purpose of the FBC was to request approval to take all actions required to deliver the four new prisons, namely to:

- execute the award of the Alliance contract as set out in the commercial case to enable delivery of the accelerated programme as previously agreed
- deliver the four new prisons in line with the plan set out in this FBC within the proposed capital funding envelope

A programme alliance approach has been adopted to roll out the standardised design across all four prison builds. The Alliance is formed of four main contractor organisations plus MoJ as the Client. The Alliance is responsible for determining constructability, establishing supply chains and determining how best to deliver the four prisons in line with the overall programme while also delivering the wider priorities of the MoJ and government policy.



Assessment against the accounting officer standards

I considered that this FBC met the four accounting officer tests.

Regularity

The Prison Act 1952 provides that the Secretary of State may, with the approval of the Treasury alter, enlarge, or rebuild any prison and build new prisons

The proposals set out in the FBC remain fully compliant with public procurement regulations with other relevant legal requirements being met in due course, e.g., obtaining further planning consents and meeting construction standards. The Programme obtained legal input throughout the drafting stage. The contracts having been drafted by external lawyers, who have significant experience working with MoJ on build contracts and who have also worked closely with Government Commercial Function and GLD colleagues in addressing risk ownership under the contracts.

The procurement principles were approved by the Commercial Sub Committee on 16 March 2021.

At the time the FBC was written the overall estimated cost was within the budget agreed at OBC, although the timing of spend had changed meaning that there was a need to reprofile annual amounts at Spending Review 21. The FBC did however note that the cost per place had increased as a result of the reduction in the number of places being delivered in combination with a wide range of specific cost changes.

Propriety

This FBC was developed following HM Treasury approval of a Strategic Outline Business Case (SOBC) for the delivery of the 10,000 Additional Prison Places Programme and the Outline Business Case (OBC) for Four New Prisons. It was produced by an experienced team with the relevant professional expertise. It passed our internal programme and departmental governance, including Project and Programme Boards, Keyholder Review, ahead of submission to HM Treasury and Cabinet Office.

The FBC included further work to agree the capital investment and underpinning activity required to further improve sustainability standards in the new prisons when compared to HMP Fosse Way which is currently being built. This will ensure the new prisons meet MoJ's sustainability targets, including working towards Net Zero Carbon. In doing this detailed cost benefit analysis of potential sustainability and carbon reduction interventions were undertaken by the programme's professional service providers to deliver against relevant targets while ensuring best value for money within the relevant affordability envelope.

Value for Money

Delivering the Four New Prisons can be considered a 'no regrets' policy in that if the projected increase in prison population did not materialise, HMPPS would be able to close prisons unsuitable for a place in our future estate and potentially realise cashable savings. This would also continue to allow the opportunity to realise many of the transformational benefits set out in the FBC's



economic case. These could include a reduction in violence and self-harm, reduced reoffending levels, increased staff motivation and retention and reduced sickness.

Proceeding with the build of four new prisons will reduce the risk of not being able to meet the projected increase in demand for capacity.

The Four New Prisons Project is a significant and therefore critical part of the department's response to the projected capacity shortfall. The prison design is also expected to enable significant benefits in terms of reducing reoffending and making the prisons safer for both residents and staff. The choice of the four prisons was further supported by the fact they require a lower capital investment per place than many of the other capacity supply projects being developed and/or delivered.

The new prisons are being built largely, allowing for lessons learned, value engineering, and value for money net zero carbon interventions, to the same design as at HMP Fosse Way (i.e. the current prison being constructed). Continuing with the same design has allowed the programme to proceed at pace - which is one of the portfolio's critical success factors, and therefore an important factor in any Value for Money (VfM) consideration. The design principles, and agreement to fix the prison design, have also been reaffirmed with the senior leadership team in HMPPS, as well as HMPPS security group and MoJ Estates Design Standards teams.

The FBC included a comparison of the estimated steady state running costs of the four new prisons to the cost of current similar prisons, which reflected that new prisons will be significantly more cost efficient to operate than their comparators

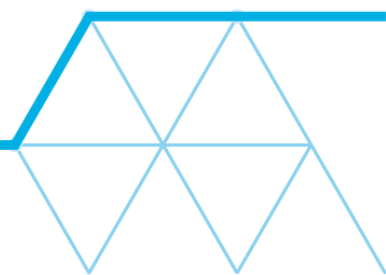
Feasibility

The FBC set out the project management arrangements, internal governance and assurance processes which are already in place and will be embedded to control, oversee and manage the Four New Prisons Programme. The delivery of the Four New Prisons Programme will build on the organisation's recognised strong track record of delivering major construction projects on time and to budget. This includes the successful delivery of HMP Berwyn to time and cost in 2017 and it being on track to deliver HMP Five Wells and HMP Fosse Way in 2022 and 2023 respectively, despite the challenges presented by the global pandemic and events across Europe.

The Four New Prisons FBC has been approved by the Four New Prisons Project Board and the 10,000 Additional Prison Places Programme Board. The FBC was reviewed by Keyholders on 13 April 2021. The review made mention of the challenging timetable and planning risks but overall deemed the programme as achievable and affordable.

The Four New Prisons Project was the subject of an IPA Gateway Project Assessment Review in September 2020. The review team made a number of recommendations on potential improvements that could be made to the overall governance of the programme and projects to help ensure that there is a clear definition of the projects in the scope of the programme, including the four new prisons.

A Gateway Review was held on April 2021. The review noted that "significant progress" has been made since the last review, that "all parties had confidence in the ability of the Programme leadership and team to deliver the Programme" despite this being a "a challenging and complex Programme with a high degree of risk". The Team highlighted the approaches to stakeholders;



commercial; sustainability; knowledge management around the prison design; and funding and affordability as areas of good practice.

Conclusion

As accounting officer I considered this assessment of the Four New Prisons FBC and endorsed it on 19 April 2021. I have prepared this summary to set out the key points which informed my decision. 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

