



# Accounting Officer Memorandum

## PFI Expiry and Transfer Tranche 2

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

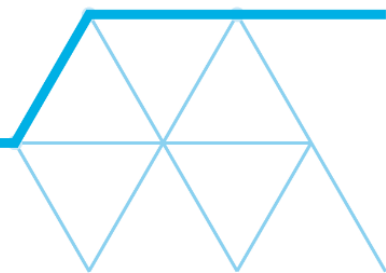
The Tranche 2 PFI prison contracts for HMP Ashfield, HMP Forest Bank, and originally HMP Rye Hill, have reached the end of their contractual life, requiring new operating arrangements to maintain essential capacity. The Strategic Outline Business Case (SOBC) and Outline Business Case (OBC) made the case for running mini-competitions under the Prison Operator Services Framework (POSF), aiming for safe and efficient transfers to new providers while supporting objectives of the Ministry of Justice (MoJ) of public protection, reducing reoffending and strengthening the justice system. The competition approach focused on innovation, value for money and tailored requirements for each site.

The Full Business Case (FBC) for HMP Ashfield was approved in March 2024, with Serco Limited awarded the contract in April. HMP Forest Bank's FBC was approved in July 2024; however, due to a delay in contract award, the contract was not awarded to Sodexo Justice Services Limited until April 2025 and, in the interim, a one-year extension to the existing PFI contract was required. The mini-competition for HMP Rye Hill did not meet the required quality outcomes, which necessitated a two-year extension to the existing PFI contract to provide sufficient time to re-run the operator competition in 2026. As a result, HMP Rye Hill has been moved to Tranche 3. The revised Tranche 2 scope now covers the new Manage and Maintain contracts for HMP Ashfield and HMP Forest Bank and the completed HMP Rye Hill Houseblock construction, which has delivered 458 additional prisoner places. The completed operator competitions have delivered solutions aligned with departmental goals for safe, decent, secure, rehabilitative and value-for-money custodial services. Following a successful process and delivery of objectives, agreement has been sought to formally close Tranche 2 of the PFI Expiry and Transfer project.

### Assessment against the accounting officer standards

**Regularity:** I am satisfied that the regularity standard is met.

The operator procurements for HMP Ashfield, HMP Forest Bank and HMP Rye Hill were conducted under the Public Contracts Regulations 2015, using the POSF established in 2018 to ensure lawful,



competitive processes to deliver quality, innovation and value in privately managed prisons. The Department proceeded with procurements in line with the approved commercial and legal framework. The contractual powers derive from Section 84 of the Criminal Justice Act 1991, providing a clear legal basis for contracting out prison operations. Where FBCs were developed they were subject to rigorous legal scrutiny throughout, covering procurement design, evaluation methodology, risk transfer, and PFI contract exit obligations, to ensure that all relevant commercial and legal requirements were met.

**Propriety:** I am satisfied that the propriety standard is met.

The development of Tranche 2 FBCs followed the department's standard governance process, including Project Board review, assurance by the Infrastructure and Projects Authority (IPA) or the National Infrastructure and Service Transformation Authority (NISTA), and approvals from departmental governance boards, Cabinet Office and HM Treasury. The SOBC was approved in March 2022 and OBC in May 2023, with all necessary authorisations secured for the competition approach and contract awards via individual FBCs. The project has complied with Managing Public Money standards, and no issues of propriety have arisen in the competition, evaluation or decision-making processes.

**Value for Money:** I am satisfied that the Value for Money (VfM) standard is met.

The OBC concluded that running competitive processes for prison operator services would deliver better outcomes than direct public sector operation, and this has been confirmed through the recent competitions. The winning bids for HMP Ashfield and HMP Forest Bank came under the maximum pricing thresholds derived from the Public Sector Comparator and exceeded required quality standards, offering improvements in safety, decency, security, rehabilitation, digital infrastructure and assets maintenance. The evaluation approach ensured a fair balance between quality and price, while the new contracts provide stronger commercial terms, including clearer performance oversight and risk management.

Awarding the contracts for HMP Ashfield to Serco Limited and for HMP Forest Bank to Sodexo Justice Services Limited reflected a robust process that delivers clear value for money. Also, part of Tranche 2 was the construction of a new houseblock at HMP Rye Hill; this has been successfully completed, providing additional prison capacity in line with operational needs. As part of this process, the additional capacity created has been factored into revised costings and will be captured within the HMP Rye Hill operator competition that will be carried out under Tranche 3 to ensure alignment with future contractual and operational requirements. Collectively, these outcomes demonstrate that the programme delivered tangible improvements to custodial services and supported the MoJ's strategic objectives.

**Feasibility:** I am satisfied that the feasibility standard is met.

The project ensures the continued operation of two major prisons following the expiry of their PFI contracts, addressing a critical capacity need. Building on experience from Tranche 1, the team has delivered robust mobilisation, transition and transformation plans. Under a Continuous Improvement framework, Contract Management teams will oversee performance and outcomes throughout the contract term. Additionally, the new houseblock at HMP Rye Hill has been successfully completed and is operating at full capacity. There are no material concerns identified that would compromise the feasibility of Tranche 2.

## Conclusion

I have considered the FBCs for HMP Ashfield, HMP Forest Bank and the HMP Rye Hill Houseblock expansion against the four Accounting Officer responsibilities of regularity, propriety, value for money, and feasibility and I am satisfied that these responsibilities have been met.

As the Accounting Officer for His Majesty's Prison and Probation Service, I considered this assessment of the PFI Expiry and Transfer – Tranche 2 project FBC and approved on 30 April 2026.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the remaining lifetime of these projects, 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.

A copy has been provided to the Principal Accounting Officer for the Ministry of Justice, who has seen my assessment and endorsed my decision on the basis of my assurance that my Accounting Officer responsibilities are met.

James McEwen  
HMPPS Chief Executive Officer



30 April 2026