

New Prisoner Escort Contracts Deliver £261M of Savings for Ministry of Justice

Capgemini acts as financial and commercial advisors in billion pound procurement programme

“Capgemini worked side-by-side with our in-house procurement team. They were always together with us when we needed flexibility or an extra push to get over the line and their excellent technical and programme support was integral to significant savings that were delivered by this project.”

Ben Hughes,
Head of Procurement,
Major Contracts, Ministry of Justice

The Situation

In 2009 it was announced that the British Ministry of Justice (MoJ) would be letting the third generation of outsourced Prisoner Escort Custody Services (PECS) contracts for England and Wales. Managed by private sector providers since 1994, the scope of these contracts includes the secure movement of prisoners from police stations and prisons, their safe and secure custody whilst in court and their return to prison.

With an estimated contract value of £1.2 billion, it was intended to use the competitive procurement process to deliver cost savings and operational improvements. Contracts that were ground-breaking in the first generation in the mid-1990s were in need of modernisation and the department was looking for efficiency savings as a contribution to its cost

reduction target. MoJ also wanted to explore the feasibility of extending the scope of services; re-engineer a number of existing business processes, commercial and financial mechanisms and information systems; and create a better alignment of cost, incentives and accountability between service providers and stakeholders.

This competition programme was run by the Major Contracts team in the MoJ who, in January 2010, after a competitive tender process, appointed Capgemini Consulting to act as their independent financial and commercial advisors.

“The Ministry of Justice is committed to making its contribution to reducing public borrowing and achieving best value for money for the taxpayer. This competition process has achieved significant savings and has also improved the current escort arrangements.”

Kenneth Clarke,
Lord Chancellor and
Secretary of State for Justice



The Solution

Capgemini's consultants worked as part of an integrated procurement team to support and advise the MoJ in five main areas:

- **Strategic modelling:** to shape the procurement strategy by considering the optimal size of geographical lots, based on current volumetrics and the different prices charged by incumbent contractors
- **Design of the contractual payment mechanism:** to drive financial efficiencies through the life of the contract by fixing appropriate elements of the cost base at competition stage; providing sufficient flexibility to cope with future scope and service changes, balancing the allocation of risk between the contractor and the MoJ; and providing the mechanism for contractors to pass on cost changes and savings throughout the contract term – all through a mechanism that is simple to manage and administer
- **Design of standard financial models for bidders:** to allow the Capgemini team to analyse costs and prices to provide detailed bidder-by-bidder comparisons and insights
- **Design of the financial evaluation methodology:** to put in place a robust financial evaluation methodology that met Government accounting rules and private sector accounting treatments and allowed final financial submissions to be fairly and accurately compared through the use of a net-present-cost based financial metric
- **Delivery of the final financial evaluation and due diligence:** to carry out a comprehensive review of bidders' financial submissions covering all financial models and supporting assumptions and culminating in a final financial assessment to support both the price and non-price elements of the overall competition evaluation.

In addition, before the competition started, Capgemini supported MoJ in engaging stakeholders from courts, police and prisons, as well as existing and potential providers, in an open process of exploring how the service could be improved and made more cost-effective. This early engagement was designed to encourage innovation and facilitate new entrants to the supplier market.

The Result

In March 2011, the award of the new PECS contracts was announced, with innovative new arrangements for escorting prisoners within England and Wales forecast to save the Government £261m, a saving of 20% over the life of the seven-year contract.

In addition to the impressive financial savings generated by the competition, Capgemini delivered the necessary contractual mechanisms to allow the efficient and effective contract management of the seven-year contracts by the MoJ. These include:

- a clear, robust and detailed set of financial models for each geographical lot, that underpin the overall price offered by each successful bidder and give the MoJ the necessary transparency and understanding of the contractor's baseline costs to monitor and control future prices
- a payment mechanism designed to allow the overall price to change in response to future service changes without having to be overly reliant on the formal contractual change processes
- a streamlined performance mechanism, embedded within the commercial arrangements, that incentivises contractors financially to meet performance requirements.

How the MoJ and Capgemini Worked Together

Capgemini worked alongside the MoJ Major Contracts team, operational experts, MoJ finance, policy and operations analysts, specialist legal, pensions and HR advisors, and private sector bid teams to deliver all financial elements of this high-value and complex procurement programme.

Collaborative working was particularly important during two key parts of the programme:

- when designing the financial models and financial response requirements, the Capgemini team worked closely with PECS operational experts to ensure that the financial models covered the full scope of the services being contracted and allowed bidders to present the full financial costs and benefits of their proposed operational solutions
- when designing the final financial response requirements and evaluation methodology, the Capgemini team worked alongside MoJ financial and policy analysts to ensure that the bidders submitted prices that would meet value-for-money and affordability targets.

“Capgemini is proud to have played a part in the successful delivery of this high-profile procurement programme. This is a fantastic example of the value that public and private sector joint-working can deliver,” said Simon Derbyshire, Capgemini Vice President, Justice & Security UK.

“Successful delivery was built on not only our financial and technical expertise, but on our ability to work collaboratively with all stakeholders as part of an integrated MoJ procurement team,” added James Lally, Capgemini Managing Consultant.

If you would like to find out more about this project, please contact: success.story@capgemini.com





About Capgemini

With more than 115,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2010 global revenues of EUR 8.7 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of

working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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In collaboration with



The Ministry of Justice is one of the largest government departments, with around 95,000 people (including probation services) and a budget of £9.2 billion. Every year around nine

million people use its services in 900 locations across the United Kingdom, including 650 courts and tribunals and 139 prisons in England and Wales.

For more information, please visit: www.justice.gov.uk