

Ministry of Justice Delivers Over £400M of Savings in Ground Breaking Prisons Competition

Capgemini acts as financial and commercial advisors in prisons procurement programme

The Situation

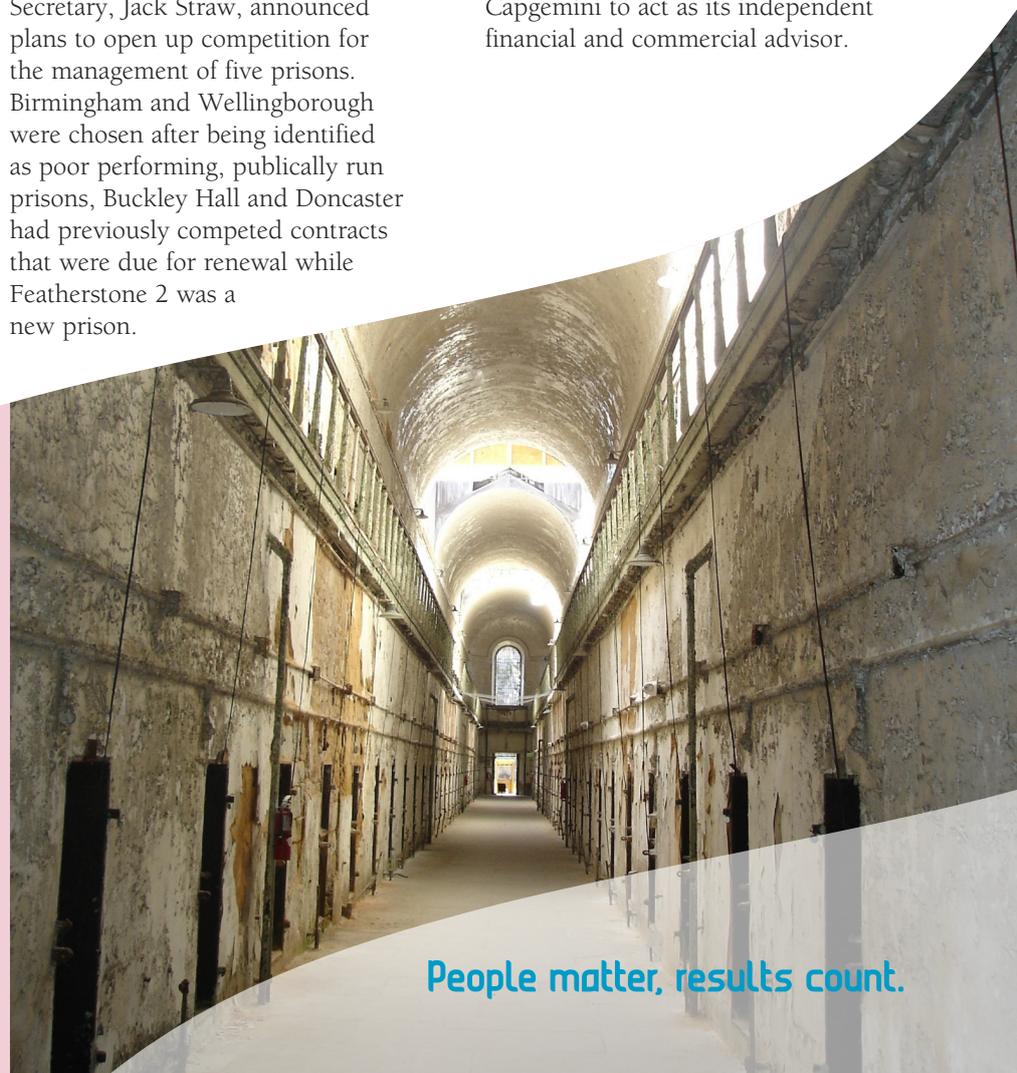
In its continuous resolve to reform the justice system so as to ensure that it is more clearly seen as a public service - working for the local community, the UK government introduced competitive tendering for the country's prison services. Such a competition would help the government deliver multiple objectives: increase in capacity, value-for-money, service/performance improvement, productivity and innovation. In 2009, the then Justice Secretary, Jack Straw, announced plans to open up competition for the management of five prisons. Birmingham and Wellingborough were chosen after being identified as poor performing, publically run prisons, Buckley Hall and Doncaster had previously competed contracts that were due for renewal while Featherstone 2 was a new prison.

With bids invited from the public, private and third sector providers, the Ministry of Justice' (MoJ) competition policy would result in a current operational public sector prison being transferred to private sector management for the first time in England and Wales.

This multi-billion pound competition programme was run by the Major Contracts team in the Ministry of Justice who, in January 2010, after a competitive tender process, appointed Capgemini to act as its independent financial and commercial advisor.

“I was first impressed by Capgemini's ability to quickly become a part of the team. Over the course of the project their assertive assessment of complex issues was one of the critical comments that allowed us to realise the substantial savings that resulted from the competition.”

Ben Hughes
Head of Procurement
Major Contracts, MoJ



People matter, results count.

“Contributing to the successful delivery of this high-profile procurement programme represents an important milestone for Capgemini in our ongoing support of the Government’s efficiency and reform agenda,” said Simon Derbyshire, Capgemini Vice President, Justice & Security UK.

The Solution

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

- **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 as well as providing a 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 and pre-defined financial models:**

To allow the Capgemini team to analyse costs and prices so as 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 standards. This would allow final financial submissions to be fairly and accurately compared through the use of a net-present-value 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, culminating in a final financial assessment to support both

the price and non-price elements of the overall competition evaluation.

The Result

In March 2011, the Justice Secretary Kenneth Clarke announced the result of the competition in a statement to Parliament. Birmingham was privatised; Doncaster and Featherstone 2 were also awarded to private sector firms, with Doncaster let under an innovative Payment by Results pilot scheme. Buckley Hall was kept in the public sector and Wellingborough was withdrawn from the competition.

The financial benefits delivered by the competition were significant. Over the current Spending Review period, the new contracts will deliver savings of over £21 million for the three existing prisons and, over the 15-year life of the contracts, £216m. The new Featherstone 2 prison will be delivered at more than £200m less than the originally approved business case cost.

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 15 year contracts by the MoJ. These include:

- A clear, robust and detailed set of financial models at each prison that underpin the overall price offered by each successful bidder to give the MoJ the necessary transparency and understanding of the contractor’s baseline costs so as 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.

“Cumulative savings over the lifetime of the contracts for the three existing prisons are very impressive at £216 million,” said Kenneth Clarke, Lord Chancellor and Secretary of State for Justice.

How the MoJ and Capgemini Worked Together

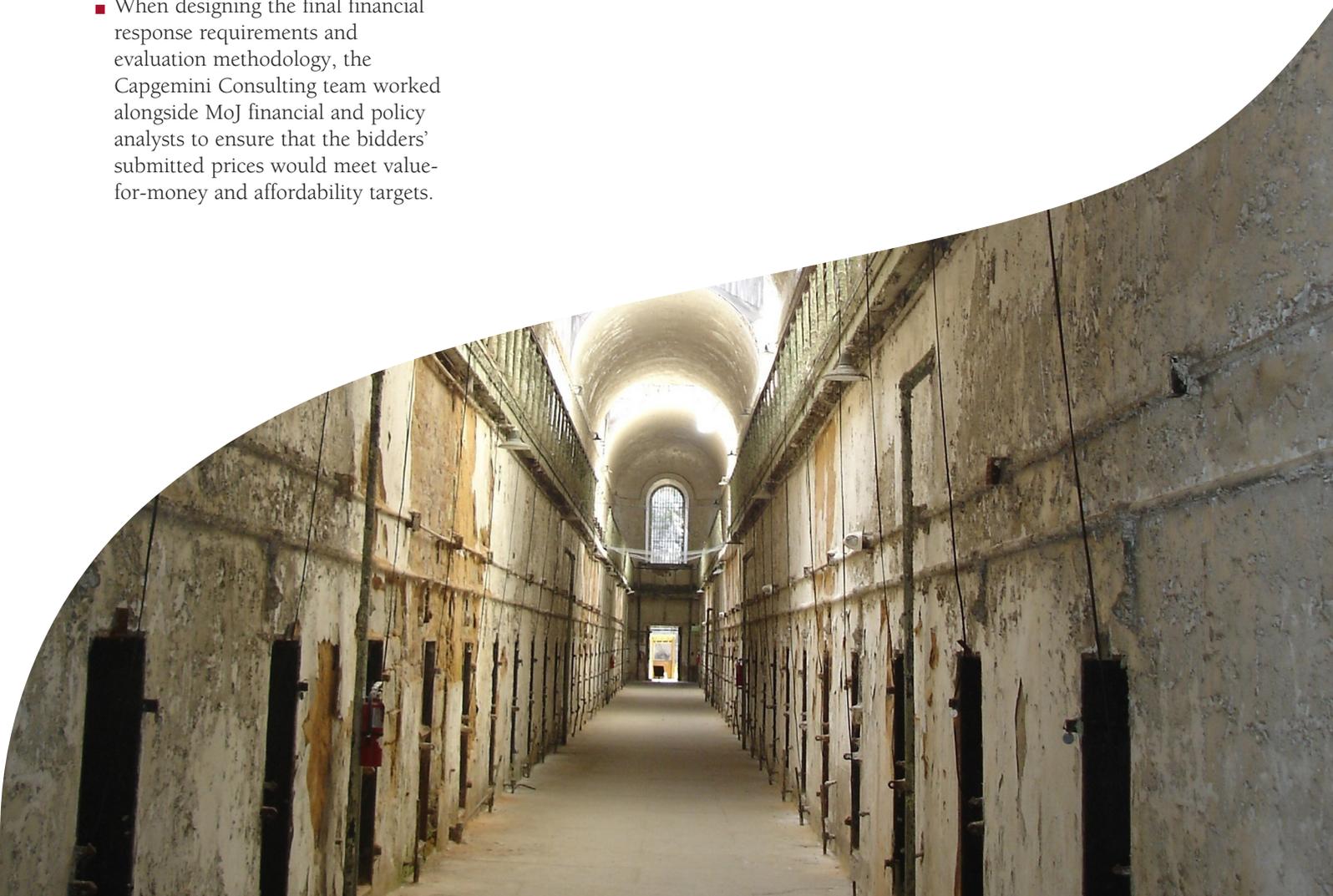
The team from Capgemini worked alongside members from the MoJ representing - Major Contracts, prison service operational experts, finance, policy and operations analysts, legal, pensions and HR advisors. As well as public and private sector bid teams to deliver all financial elements of the high-value and complex procurement programme.

Capgemini displayed collaborative working especially during the two key parts of the programme:

- When designing the financial models and financial response requirements, the Capgemini Consulting team worked closely with prison service 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 Consulting team worked alongside MoJ financial and policy analysts to ensure that the bidders' submitted prices would meet value-for-money and affordability targets.

“Successful delivery was built not only on our financial and technical expertise, but on our ability to work collaboratively with all stakeholders as part of an integrated MoJ procurement team,” said 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