

CABINET - SUBJECTS FOR CONSIDERATION, 20 AUGUST 2007 11:00 AM

Not Relevant

1 **New Initiatives/Policy Matters**

101 TF07/059CS Department for Correctional Services (DCS) - Scope of New Prisons Public Private Partnership (PPP) Project (Kevin Foley and Carmel Zollo)
APPROVED

Not Relevant

101

CABINET COVER SHEET

1. **TITLE:** Department for Correctional Services – New Prisons
Scope of Public Private Partnership (PPP) Project

2. **MINISTER:** Kevin Foley MP
DEPUTY PREMIER
TREASURER

Hon Carmel Zollo MLC
MINISTER FOR CORRECTIONAL SERVICES

3. **PURPOSE:** To seek Cabinet approval for additional options under the PPP procurement model to increase the capacity of the new prisons to meet anticipated demand and combine the male and female prisons within one perimeter in order to share a number of common facilities.

4. **IDENTIFY THE RELEVANT GOVERNMENT POLICY AND/OR SA'S STRATEGIC PLAN TARGET:** The New Prisons Project is a key strategic policy initiative to ensure that future prison services are delivered in the most effective and efficient way. This objective is consistent with South Australia's Strategic Plan objectives.

5. **ICT COMPONENT** Does the submission have a material ICT Component?
 Yes No

6. **RESOURCES REQUIRED FOR IMPLEMENTATION:** There are no additional resources required within the current forward estimates. The additional capital costs will be incorporated into the PPP project costing analysis. This will allow Government to assess the value for money of expanding the new prisons or to consider alternative expansion options for the South Australian prison system as required.

Treasury and Finance agrees with the basis of the assessment of costs contained in this submission.

7. **COMMUNITY AND ENVIRONMENTAL IMPACT:** Does the submission have an impact on business?
 Yes No

DCS is already well established in the Murray Bridge community with the existing Mobilong Prison and enjoys community support.

Following extensive consultation with the Murray Bridge Council, there is a positive attitude and community acceptance of the new prisons being built at Mobilong. The positive regional economic impact through local employment and DCS' buy local policy is recognised.

Environmental impact will be minimal, as prisons are a "clean" (non-polluting) industry.

8. RISKS:

South Australia is currently experiencing unprecedented growth in prisoner numbers, at a level of about 6.5 per cent over the past 12 months. Further growth is anticipated in line with the Government's proposed legislative changes.

There is a significant risk that the originally proposed capacity for the new prisons will not be sufficient to meet demand. This may result in an inability to effectively implement Government policy and increased downstream costs for the procurement of alternative prison capacity.

Seeking proposals for additional expansion options as part of the PPP procurement is an effective risk mitigation strategy. It gives Government extensive flexibility to select the most effective option in line with actual demand without needing to make a funding commitment at this stage.

The proposed co-location of the men's and women's prison within one perimeter may attract some criticism. It could be perceived that gender specific requirements for women will not be met. However, the design and operational specifications will be developed to ensure that both parts of the prison are appropriate for their intended purpose.

9. CONSULTATION:

Consultation on the proposal has been undertaken with DH and DTF. The proposal has also been endorsed by the PPP Chief Executive Steering Committee.

10. COMMUNICATION STRATEGY:

Following approval, project information material will be amended to reflect the changes to the scope of the project. Market Sounding meetings with interested parties are being prepared for July and August 2007. These meetings will be used to inform the market.

The Murray Bridge Council, departmental staff and the PSA will be informed through the established consultation channels.

11. URGENCY:

The project timelines require a decision as soon as possible. If approved the project documentation needs to be amended to reflect the changes.

12. RECOMMENDATIONS


It is recommended that Cabinet approve:

- 12.1 Amendment of the New Men's and New Women's prison design scope to allow for future doubling-up in approximately 20 per cent of the single cells;
- 12.2 Including an expansion capacity for the New Men's Prison of 180 cells, the New Women's prison of 50 cells and the new Pre Release Centre of 20 beds which can be contracted at the time of initial construction or some time during the 25 year PPP concession period; and
- 12.3 Co-locating the New Men's and New Women's Prison within one perimeter to allow the sharing of a number of common facilities.

I declare that I have no actual or potential conflict of interest in relation to the proposals contained in this submission.



Kevin Foley MP
DEPUTY PREMIER
TREASURER
2 18/2007



Hon Carmel Zollo MLC
MINISTER FOR CORRECTIONAL SERVICES
3 18/2007

To The Premier for Cabinet

Re DEPARTMENT FOR CORRECTIONAL SERVICES (DCS) - SCOPE OF NEW PRISONS PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECT

1 PROPOSAL

To seek Cabinet approval of:

- 1.1 Amendment of the New Men's and New Women's prison design scope to allow for future doubling-up in approximately 20 percent of the single cells:
- 1.2 Including an expansion capacity for the New Men's Prison of 180 cells, the New Women's prison of 50 cells and the new Pre Release Centre of 20 beds which can be contracted at the time of initial construction or some time during the 25 year PPP concession period; and
- 1.3 Co-locating the New Men's and New Women's Prison within one perimeter to allow the sharing of a number of common facilities.

2 BACKGROUND

2.1 Projected Demand for Prison Beds

- 2.1.1 In 2005, as part of the DCS Future Infrastructure Requirements Business Case development, John Walker, a nationally and internationally renowned Crime Trends Analyst, undertook a detailed study on the projected growth in prisoner numbers for South Australia over the next 25 years.
- 2.1.2 Walker's forecasts were considered to be conservative and could not include projections based on possible future changes to Government Law and Order policy.
- 2.1.3 Based on Walker's work an increase of the prison infrastructure to around 1900 beds as part of the new prison infrastructure project was considered to be sufficient to cater for the projected growth over a considerable period of time. This resulted in the configuration of the new prisons as ultimately approved by Cabinet.
- 2.1.4 The State has experienced unprecedented growth in prisoner numbers at a rate of 6.5 per cent over the past 12 months. This has already required Government to approve capacity expansion in existing prisons to meet demand. With the 2007-08 financial year budget \$24 million was approved until the new prisons become operational. Adjusted growth projections, using the standard regression methodology have been completed and confirm the need to reconsider the capacity for the new prisons (refer to attached chart).

2.2 Co-location of New Men's and New Women's Prison

- 2.2.1** The current project approval provides for a 150 cell women's prison and a 760 cell men's prison, located within close proximity at Mobilong.
- 2.2.2** This requires a range of essential facilities to be duplicated in both prisons, including Gatehouse, Medical Centre, Kitchen, Stores, Administration and Specialist Programs.
- 2.2.3** Co-location of the two prisons within one perimeter provides the opportunity to realise a more efficient design and maximise the deployment of specialist staff in a region where it is increasingly more difficult to attract and retain specialists.

3 DISCUSSION

3.1 Include double up option for capacity expansion in the tender

- 3.1.1** In order to meet the future demand it is proposed to broaden the scope for the new prisons and include an option for future doubling up of 20 per cent of design capacity.
- 3.1.2** Doubling up, whilst not preferred as a long term accommodation strategy, nevertheless is a useful concept to meet peak demand in prisoner numbers without the requirement to construct new cells.
- 3.1.3** Given the recent growth in prisoner numbers it is anticipated that over the 25 year concession period for this PPP project many peak demand periods will arise necessitating the use of doubling up.
- 3.1.4** If approved, tenderers will be required to design services (for example sewerage, air-conditioning, catering) for an up to 20 per cent increase in prisoner numbers and also to include pricing of the services provided by the private sector for the increased capacity.
- 3.1.5** Based on the actual growth in prisoner numbers, Government will then have the flexibility to take up the option to house additional prisoners at the prisons without any major additional capital works.
- 3.1.6** The increased services will allow cells to be modified for doubling-up with minimal delay and cost. The services will marginally increase the PPP public sector comparator cost estimate. There will be an increase in the capital cost of these facilities due to increased engineering services within the cells designed for doubling-up, however, the costs will be considerably lower than a future retrofit, estimated to have a penalty in the vicinity of 30 per cent for construction within an operational prison.
- 3.1.7** The men's prison will house an initial 760 prisoners, expandable to 905; the women's prison an initial 150 prisoners, expandable to 176.

3.2 Future Prison expansion option

- 3.2.1** The opportunity exists to require tenderers to price the future expansion of the new prisons through the construction of additional cells.

- 3.2.2** The designs will incorporate spaces within the prison perimeter for the future cells. Necessary services can, where practical, be included in the original design.
- 3.2.3** The construction of additional infrastructure in an operating prison is complex and expensive. Incorporating future expansion options in the original design can potentially reduce these costs by optimising the space requirements and options for easy access to the potential construction site.
- 3.2.4** Most importantly Government will have the flexibility to activate this option in line with actual demand for permanent cells without needing to make a funding commitment at this stage.
- 3.2.5** It is suggested to include in the tender a 180 cell expansion option for the men's prison (to a total of 940 permanent cells), a 50 cell expansion option for the women's prison (to a total of 200 permanent cells) and a 20 bed expansion option for the Pre- Release Centre (to a total of 100 beds).
- 3.2.6** The proposed capacity increases are based on the anticipated growth in prisoner number and the optimal design solutions for efficient cell blocks based on contemporary industry standards.
- 3.2.7** This will give Government the greatest degree of flexibility in the privately owned prisons for a future capacity adjustment in line with actual demand growth.
- 3.2.8** The PPP contract will include a provision for a variation to the concession payments if the option is taken up. This increase will be estimated prior to the issue of the Request for Proposals and incorporated into the contract with the successful tenderer.
- 3.2.9** The total available cells in SA prisons will then increase to 2140 with additional growth capacity being available through double up. This capacity will allow for appropriate placement of prisoners in the correctional system and allow for further growth.
- 3.3 Co-location of New Men's and New Women's Prison in a single perimeter**
- 3.3.1** Representatives from DCS and DTP recently visited PPP correctional facilities in England, Germany and Ireland, some of which successfully provided contemporary design solutions for accommodating male and female prisoners on single sites.
- 3.3.2** The rationale to co-locate facilities within a single perimeter is to maximise the cost efficiencies from expensive infrastructure and to more effectively utilise specialist staff.
- 3.3.3** Currently the new prisons are proposed to be constructed as separate facilities on the same site. This requires the duplication of a range of service infrastructure which is not an efficient way of operating the prisons in the future.
- 3.3.4** The design principles for a co-located facility within a single perimeter will still require that men and women are completely separately managed.

3.3.5 Tenderers will also have to design the facilities to meet gender specific requirements, in particular for women, for example through the inclusion of a mothers and babies unit and special visit facilities to spend time with their children.

3.3.6 A range of service facilities, including gatehouse, administration, catering, stores, health centre, specialist programs and specialist visits (including video conferencing) can be designed for shared use. This will maximise the utilisation of that infrastructure but particularly allow for specialist staff (for example health professionals, psychologists and social workers) to service both the men's and women's prison without having to change locations. It is anticipated that the recruitment and retention of specialists will be difficult in the Murray Bridge area and this arrangement will most effectively ensure those services.

3.4 Economic, financial and budgetary implications

3.4.1 There are no financial or budget consequences from a decision to change the scope of construction for the new prisons in the PPP tender at this point in time, however detailed estimates of the decisions will be captured and isolated within the revised public sector comparator, which will be included in the submission seeking Cabinet approval to issue the It is anticipated that the proposed measures will significantly reduce both the cost of construction and future operation of the prisons through the sharing of service facilities and staff.

3.4.2 The incorporation of options to double up a percentage of cells and to expand the new prisons in the future is the most cost effective option to ensure that future demand can be met.

3.5 Required resources

3.5.1 There are no additional resources required within the current forward estimates. The additional capital costs will be incorporated into the PPP project costing analysis.

3.6 South Australia's Strategic Plan

3.6.1 Not applicable.

3.7 Information and Communication Technology Requirements

3.7.1 Not applicable.

3.8 Staffing Implications

3.8.1 There are no short term staffing implications. In relation to additional public sector staff that will be required to manage additional prisoners in the new prison, any such requirement will be addressed through the budget process. The additional operating costs for the private sector will be outlined in the contract and is subject to Cabinet approval.

3.9 Impact on the community and the environment

3.9.1 No impact on the community or the environment is anticipated to flow from the decision to increase the scope of the project.

3.9.2 Additional services and facilities in the community resulting from the increased number of staff and families living in the Murray Bridge area are already subject to consideration by an interdepartmental working group.

3.10 Risk Management Strategy

3.10.1 A comprehensive risk management exercise is planned for the New Prisons Project prior to the October 2007 Expression of Interest process.

3.11 Consultation

3.11.1 Consultation on the proposal has been undertaken with the Department of Health and DTF. The proposal has also been endorsed by the PPP Chief Executive Steering Committee.

3.12 Implementation Plan

3.12.1 No separate implementation plan is required.

3.13 Communication Strategy

3.13.1 A strategy to communicate with the Public Service Association and other public sector unions throughout all phases of the PPP tender will be developed.

3.14 Executive Council

3.14.1 Not applicable.

4 RECOMMENDATIONS

It is recommended that Cabinet approve:

- 4.1 Amendment of the New Men's and New Women's prison design scope to allow for future doubling-up in approximately 20 percent of the single cells:
- 4.2 Including an expansion capacity for the New Men's Prison of 180 cells, the New Women's prison of 50 cells and the new Pre Release Centre of 20 beds which can be contracted at the time of initial construction or some time during the 25 year PPP concession period; and
- 4.3 Co-locating the New Men's and New Women's Prison within one perimeter to allow the sharing of a number of common facilities.

Kevin Foley MP
DEPUTY PREMIER
TREASURER

21/8/2007

Hon Carmel Zollo MLC
MINISTER FOR CORRECTIONAL SERVICES

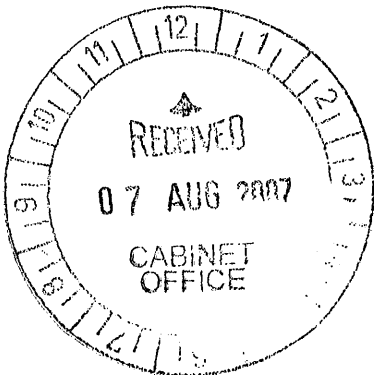
3/8/2007

In Cabinet

20 AUG 2007

APPROVED

PREMIER



1980-2007 Yearly Average & Peak Prisoner Numbers and Growth Projections for 2007-2024

