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Accountability for PPP prisons.

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Audit . Tax . Consulting . Corporate Finance .



Managing a contract for change.

PPP projects need to be flexible

- Must ensure that initial services meet requirements
- Things inevitably change over 25 years
- For prisons, changes include new regimes, changing prisoner profiles, etc

Contracts must allow for change.

Change now better understood as projects mature

- Minor changes in performance regimes – focus on desired outcomes
- Major changes in services – eg additional capacity
- Financing and refinancing
- Equity participation in projects

Robust challenge – “positive discomfort”

Peterborough PPP Prison extension.

PPP prison for 760 prisoners

- Project reached financial close in 2002 – now successfully operational
- Unique in housing 430 male and 330 Female places
- Additional capacity required by Ministry of Justice
- Cost effective and rapid capacity increase of 77 male places available at Peterborough
- Increased capacity through the addition of a new houseblock

Key issues

- Demonstrating value for money – public sector challenge
- Public sector to consider alternatives – other public or private prisons
- “Open book” transparency
- Performance and risk during construction
- Private sector perspectives and funding

Financing and refinancing.

Dent pricing trends

- 1995: 1.25% - 1.75%
- 2000: 0.90% - 1.00%
- 2005: 0.50% - 0.65%
- 2009: 2.00% - 3.00%+?

Pricing had been reducing but the liquidity and pricing are now limited.

Refinancing

- Fazakerley was the first
- Now common approach adopted internationally
- Public sector perspective: attractive loan pricing, public liabilities, profits
- Private sector perspective: accelerating returns, reduced risk, equity value

Refinancing stalled. Some projects, particularly recent ones, may be refinanced in future.

Contract change management.

- 1. Contracts will need to change over time**
- 2. Contract monitoring and positive discomfort**
- 3. Change can deliver value for money**
- 4. Open book still requires challenge**
- 5. Refinancing can benefit both the public and private sectors – it will be back**

Discussion.



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