



CABINET - SUBJECTS FOR CONSIDERATION, 29 OCTOBER 2007 12:45 PM

Out of scope



1 New Initiatives/Policy Matters


Out of scope



102 TF07/081CS

**Public Private Partnership Projects (PPP) - Scope of Forensic Mental Health Centre (Kevin Foley)
APPROVED (TREASURER TO NOTE THE POLICY REGARDING AWARD WAGES FOR CONTRACT WORKERS, AND NEED FOR AN EFFECTIVE COMMUNICATION STRATEGY)**

Out of scope



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CABINET COVER SHEET


1. **TITLE:** Public Private Partnership (PPP) Projects - Scope of Forensic Mental Health Centre
2. **MINISTER:** Kevin Foley MP
DEPUTY PREMIER
TREASURER
3. **PURPOSE** That Cabinet approve the market testing of a range of services to be delivered by the private sector for the new Forensic Mental Health Centre (FMHC) and approve the inclusion in the tender an option for an expansion of capacity by 10 beds, from 40 to 50 beds, which can be contracted at the time of the initial construction or some time during the PPP concession period.
4. **IDENTIFY THE RELEVANT GOVERNMENT POLICY AND/OR SA's STRATEGIC PLAN TARGET** The construction of new correctional and mental health services infrastructure will assist in implementing the State Strategic Plan across a number of areas including improving wellbeing and building communities.
5. **ICT COMPONENT** Does the submission have a material ICT Component?
 Yes No
6. **RESOURCES REQUIRED FOR IMPLEMENTATION** 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
8. **RISKS** Industrial Relations
9. **CONSULTATION** The Department of Health and the Department of Treasury and Finance.
10. **COMMUNICATION STRATEGY** A strategy to communicate with the Public Service Association throughout all phases of the PPP tender will be developed.
11. **URGENCY** Approval required prior to the release of the Expression of Interest, scheduled for November 2007.

12. RECOMMENDATIONS

It is recommended that Cabinet:

- 12.1 approve the market testing of a range of services to be delivered by the private sector for the new Forensic Mental Health Centre as part of the New Prisons and Secure Facilities Public Private Partnership (PPP) project;
- 12.2 note that the proposed allocation of services does not represent a final position on the services potentially deliverable by the private sector, which will be subject to market feedback and a final decision by Cabinet; and
- 12.3 approve the inclusion in the tender an option for an expansion of capacity for the new Forensic Mental Health Centre by 10 beds, from 40 to 50 beds, which can be contracted at the time of the initial construction or some time during the PPP concession period.

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

13/10/2007

TO THE PREMIER FOR CABINET

RE PUBLIC PRIVATE PARTNERSHIP PROJECTS (PPP) – SCOPE OF FORENSIC MENTAL HEALTH CENTRE

1 PROPOSAL

1.1 That Cabinet:

- 1.1.1** approve the market testing of a range of services to be delivered by the private sector for the new Forensic Mental Health Centre as part of the New Prisons and Secure Facilities Public Private Partnership (PPP) project;
- 1.1.2** note that the proposed allocation of services does not represent a final position on the services potentially deliverable by the private sector, which will be subject to market feedback and a final decision by Cabinet; and
- 1.1.3** approve the inclusion in the tender an option for an expansion of capacity for the new Forensic Mental Health Centre by 10 beds, from 40 to 50 beds, which can be contracted at the time of the initial construction or some time during the PPP concession period.

2 BACKGROUND

Scope of Services

- 2.1** The Government is progressing the Public Private Partnership (PPP) procurement of:
 - 2.1.1** Six new schools as part of the Education Works strategy; and
 - 2.1.2** New Men's and Women's prisons, and new Secure Youth Training Centre and Pre-Release Centre.
- 2.2** On 27 July 2007 Cabinet approved the development of a new 40-bed Forensic Mental Health Centre (FMHC) collocated with the Prisons PPP project at Mobilong. Cabinet noted that the PPP Executive Steering Committee has provided support for the inclusion of the FMHC as part of the Prisons PPP project, but that the preferred delivery option is still to be resolved.
- 2.3** On 16 July 2007 Cabinet approved the scope of services to be delivered by the public and by the private sector for the new Men's and Women's prisons, and new Secure Youth Training Centre and Pre-Release Centre.
- 2.4** A similar decision is now required on the FMHC.

- 2.5 A market sounding exercise has been conducted following a presentation to potential bidders and interested parties on 27 July 2007.
- 2.6 The market sounding exercise included a formal questionnaire to potential private sector participants seeking their views on key issues including the scope of the project and the service mix and availability of providers in the market. The key aims of the market sounding were to:
- Gauge the level of market capacity for the project or key elements of the project;
 - Advise potential bidders of the likely scope and program for the project;
 - Seek preliminary views of potential bidders on issues where the government is yet to form a view (e.g. scope issues); and
 - Engage the market prior to starting the formal procurement process.
- 2.7 The market sounding exercise assisted market participants to understand the Government's objectives and gave participants the opportunity to provide initial feedback on key commercial issues including the scope of services that may be provided by the PPP operator.

Scope of Facility

- 2.8 The approved scope of the new forensic mental health centre is for a 40 bed facility, to replace the existing 40 beds split between James Nash House (30 beds) and Grove Closed (10 beds) on the Glenside Campus.
- 2.9 The growth in the prisoner population over the past ten years, and the projected growth in prisoner numbers, has a direct impact on demand for forensic mental health beds.
- 2.10 From the mid 1990s through to the commissioning of the new prisons the prison population will have increased by 25-30%. For the same period forensic mental health beds will have remained static.
- 2.11 On the 20 August 2007 Cabinet approved an amendment to the design capacity for the New Men's and New Women's prison to allow for future doubling-up of approximately 20% of the single cells.
- 2.12 Cabinet also approved the inclusion in the tender of an option for expansion of capacity for the New Men's Prison by 180 cells, the New Women's prison by 50 cells and the new Pre Release Centre by 20 beds which can be contracted at the time of initial construction or some time during the PPP concession period. This equates to an expansion of 25 per cent over the base capacity.
- 2.13 Decisions on the potential future increase in capacity for the new forensic mental health centre is required before the Expressions of Interest call in November this year.

3 DISCUSSION

Scope of Services

- 3.1 In recent months agencies have been developing services specifications and project briefs as a basis for the PPP tender process.

- 3.2** The guiding principle in determining the scope of services to be delivered by the private sector is value for money. Those functions that the private sector can deliver more cheaply and effectively should, a priori, be allocated to the private sector. Similarly there is no point allocating functions to the private sector that the public sector can manage more effectively.
- 3.3** Among those functions identified as potentially being performed by the private sector there are likely to be some which for social or other reasons the Government may prefer to be performed by the public sector. Where this is a strong preference these functions should be allocated to the public sector before any initial approach to market. However, in some cases there may be a potential trade-off between value for money and other Government objectives. In those cases it is best to test the market response in order to gauge the terms of that trade-off.
- 3.4** If there is significant value for money in allowing the private sector to perform a particular function this may justify its allocation to the private sector despite other Government concerns.
- 3.5** In any approach to the market it should be made clear to the private sector which functions are allocated to them or may be potentially allocated to them. The more information the private sector has the better based will be its response.
- 3.6** On July 16 2007 Cabinet approved the scope of services to be delivered by the public and by the private sectors for the new Men's and Women's prisons, the Pre-Release Centre and Secure Youth Training Centre.
- 3.7** For the New Men's and Women's Prisons, the Cabinet endorsed the position is that all functions should be within the scope of the PPP except for custodial services, including key management overall responsibility for the operation of the facilities and exercise of statutory obligations.
- 3.8** For the Secure Youth Training Centre, the Cabinet endorsed position is that all functions should be within the scope of the PPP except key management, liaison and custodial staff.
- 3.9** Sponsor agencies have tested the private sector's capacity to deliver the services through a market sounding process. Potential proponents will need to ensure that there is the necessary capability in their bid consortiums to deliver the services.
- 3.10** Following feedback from the market sounding exercise, it has been found that the approved scope of services should be tendered in a number of discrete bundles. This will enable the market to most effectively package and Government to evaluate the value for money of integrated service activities.
- 3.11** All of the current services at the existing forensic mental health facilities are provided by public sector staff, with the exception of grounds and gardens, pest control and waste management. These functions are performed by staff employed by the Central Northern Area Health Service.
- 3.12** A number of factors have been considered in determining the proposed provider of services for the new FMHC planned for Mobilong, subject to both Government policy and market testing.

- 3.13** For the new FMHC it is proposed that clinical services necessary for patients care remain publicly provided. This encompasses psychiatry, psychology, nursing, social work and occupational therapy. Subject to market testing and Cabinet approval, the scope of services listed in Table 1 below would be provided by the private operator or evaluated on a value for money basis. The outcome of this process will then determine these services as either privately or publicly provided.

Table 1: Forensic Mental Health Centre –Service Allocation

Services	Service Allocation	
	Public	Private
<i>Normal Private Sector Delivery</i>		
Finance		✓
Design		✓
Construction		✓
Furniture, Fittings and Equipment (FFE)		✓
Maintenance (Life Cycle costs)		✓
Maintenance, (daily) Building Fabric and grounds, pest control, waste management		✓
Public Utilities (power, water, sewer, gas, phone, IT network)		✓
<i>Value for Money Test</i>		
Security		✓
Cleaning		✓
Stores		✓
Laundry		✓
Catering		✓
Transport –		✓
Information and Communication Technology		✓
IT –Hardware		✓
IT – Software		✓
Routine Administration		✓
Pharmacy		✓
IT services		✓
<i>Public Sector Services</i>		
Clinical services - Nursing - Psychiatry - Psychology - Social Work - Occupational Therapy	✓	

- 3.14 JusticeHealth in New South Wales are currently overseeing the development of a new 135 bed forensic mental health centre under a PPP located at Long Bay, Malabar in Sydney's south.
- 3.15 Contracts for the delivery of services have been signed by JusticeHealth and the private consortium which will operate the new facilities over the next 30 years. The new facilities are expected to be completed in the middle of 2008.
- 3.16 The breakdown of services for the Long Bay Forensic Mental Health Centre is consistent with that proposed above, except for IT and routine administration services which are provided by the public sector at Long Bay but would, subject to value for money test, be provided by the PPP proponent at the FMHC.
- 3.17 Consistent with the procurement approach proposed to be adopted for the prisons, these services will be tendered in discrete bundles of integrated service activities.

Scope of Facility

- 3.18 Initial planning in 2003 was for a new 40 bed forensic mental health facility. This was based on national bed planning ratios at that time. In effect the new 40 bed facility would replace the existing 40 beds.
- 3.19 The planning for a new 40 bed facility, in 2003/04, was based on the benchmark ratio of 25 beds per 1,000 prisoners. At that time there were approximately 1,500 prisoners in South Australia.
- 3.20 The prisoner population in South Australia has been increasing annually over the past decade. This has been at a rate in excess of the general population growth. In the year 2000 there were approximately 1,450 inmates across the State in correctional facilities. Current figures show that the number is close to 1,800 inmates, with this expected to grow by a further 120 inmates over the next two years. By the year 2011 the total number of prisoners in South Australia will exceed 2,000 inmates.
- 3.21 Compounding the growth in prisoner numbers is the increase in length of time these people are held in prison. Over the past decade the average sentence spent in custody has increased from 36 months to 70 months, almost double.
- 3.22 These two factors, the increase in total prisoner numbers and the increase in time spent in prison, have resulted in significant pressure demands for the existing number of forensic beds. It is expected that this demand will continue to grow.
- 3.23 In addition to demand related to the prisoner population, the introduction of Section 269 of the *Criminal Law Consolidation Act* (1996) has enabled Magistrates in sentencing to take professional advice, usually a psychiatrist, on the mental impairment status of the defendant.
- 3.24 The provisions under the *Criminal Law Consolidation Act* (1996) for mental impairment have seen a progressive increase in demand on forensic beds. A significant number of these patients have medium to long term stays, resulting in demand exceeding the capacity of existing available beds.

- 3.25** In summary the demand for forensic mental health beds has increased due to:
- The prevalence rate of mental illnesses amongst prisoners at over twice that of the broader community compounded by:
 - The increasing prisoner population;
 - The increase in sentence duration; and
 - The additional demand resulting from the mental impairment provisions under the *Criminal Law Consolidation Act (1996)*.
- 3.26** Accordingly it is now proposed that the new forensic facility is developed with a 10 bed expansion capability up to 50 beds. A 10 bed expansion equates to a 25 per cent increase over the base capacity, consistent with the expansion option for the new prisons.
- 3.27** This option would require tenderers to price the future expansion of the FMHC and the designs would incorporate spaces within the FMHC perimeter for the future beds. Necessary services can, where practical, be included in the original design.
- 3.28** Government will have the flexibility to activate this option in line with actual demand for beds without needing to make a funding commitment at this stage. This will give Government the greatest degree of flexibility for a future capacity adjustment in line with actual demand growth.
- 3.29** The PPP contract would 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.

Economic, financial and budgetary implications

Scope of Services

- 3.30** There are no direct financial or budget consequences at this time from a decision on the scope of services to be included in the RPP. The budget and financial impacts of the transaction will be reflected in revisions to the forward estimates after financial close of the overall transaction, subject to Cabinet approval.

Scope of Facility

- 3.31** There are no financial or budget consequences at this point in time from a decision to include an expansion option in the RPR tender.

Required Resources

- 3.32** There are no direct resource implications.

South Australia's Strategic Plan

- 3.33** Not applicable.

Information and Communication Technology Requirements

- 3.34** Private provision of IT infrastructure will be canvassed through the market sounding exercise.

Staffing implications

- 3.35** There are no direct staffing implications from this proposal. If an expansion option is exercised during the life of the PPP contract, the cost of additional public sector staff who will be required to manage additional patients in the new forensic facility and any increase in PPP payments will be addressed through the budget process.

Impact on the community and the environment

- 3.36** No impact on the community or the environment is anticipated to flow from the decision to increase the scope of the project.
- 3.37** 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.

Risk Management Strategy

- 3.38** A comprehensive risk management strategy will be developed as part of the PPP procurement process.

Consultation

- 3.39** Due to the sensitivity of private provision of some services, consultation has been limited to the Department for Correctional Services, Department for Families and Communities, Department for Transport, Energy and Infrastructure and Treasury and Finance.

Implementation Plan

- 3.40** No separate implementation plan is required.

Communication Strategy

- 3.41** A strategy to communicate with the Public Service Association throughout all phases of the PPP tender will be developed.

Executive Council


- 3.42** Not applicable.

4 RECOMMENDATIONS

It is recommended that Cabinet:

- 4.1** approve the market testing of a range of services to be delivered by the private sector for the new Forensic Mental Health Centre as part of the New Prisons and Secure Facilities Public Private Partnership (PPP) project;

- 4.2 note that the proposed allocation of services does not represent a final position on the services potentially deliverable by the private sector, which will be subject to market feedback and a final decision by Cabinet; and
- 4.3 approve the inclusion in the tender an option for an expansion of capacity for the new Forensic Mental Health Centre by 10 beds, from 40 to 50 beds, which can be contracted at the time of the initial construction or some time during the PPP concession period.




Kevin Foley MP
DEPUTY PREMIER
TREASURER

13/10/2007



In Cabinet

29 OCT 2007

APPROVED

 PREMIER

*Treasurer to note the policy regarding
 and ways for contract workers if need
 for an effective communication strategy*

