



National Audit Office

## HOME OFFICE

# The cancellation of Bicester Accommodation Centre

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# The cancellation of Bicester Accommodation Centre

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# SUMMARY

**1** In October 2001, the Government announced a major overhaul of the asylum system to speed up the processing of applications from those seeking asylum in the United Kingdom. This included, on a trial basis, the provision of 3,000 places in purpose-built accommodation centres. The White Paper *Secure Borders, Safe Haven* outlined how these centres would operate alongside induction, reporting and removal centres to form part of an end-to-end asylum process. The accommodation centres would house a proportion of first time asylum seekers from the time of their initial arrival in the United Kingdom through to the point where the outcome of their application was decided, with all services including the administration of their application

and any appeals done on site. These people (referred to as ‘non-detained applicants’) would otherwise have been housed in dispersed accommodation across the UK provided by the National Asylum Support Service.<sup>1</sup>

**2** In May 2002, the Home Office announced that Bicester was one of the first sites for an accommodation centre and would act as a pilot for a planned network of up to ten accommodation centres. From the outset, there was strong opposition to siting the centre at Bicester from the local authority, local residents and national asylum and refugee support groups. The project began in May 2002 but outline planning permission was not secured until November 2004.

<sup>1</sup> The National Asylum Support Service (now part of the Border and Immigration Agency) provides accommodation for destitute asylum seekers plus day to day expenses while their applications are being considered. The Report by the Comptroller and Auditor General *National Asylum Support Service – The provision of accommodation for asylum seekers* (HC 130, 2005-06), also refers.

**3** By April 2005, the number of applicants seeking asylum in the UK had fallen and initiatives to speed up the processing of asylum claims had reduced the time taken to reach an initial decision. In April 2005, the Senior Responsible Officer for the Bicester project advised the Home Office Accounting Officer that it was no longer economically viable. Capital costs had risen following lengthy delays related to the planning process and the anticipated benefits had reduced considerably because the number of applications to the UK for asylum had fallen. The number of applications halved between October 2002 and September 2003 due to a range of statutory and non-statutory measures and to wider trends in asylum flows. Also from September 2004, another initiative, the new asylum model, was being developed. Announced in February 2005, the new asylum model is designed to speed up the processing of asylum claims, reducing the need for dedicated accommodation. The project's cancellation was announced in June 2005.

**4** Home Office figures indicate that by the end of March 2007, it had spent some £33.7 million on the accommodation project, of which some £28 million related to Bicester. Of the £33.7 million, the Home Office noted £29.1 million in its financial statements as a loss (£11 million in 2004-05, £16.6 million in 2005-06 and £1.5 million in 2006-07). The remaining £4.6 million is shown as an asset in the Department's financial statements, reflecting the value of the site as a removals centre.<sup>2</sup>

## NAO main findings

**5** We reviewed the decision to cancel the Bicester accommodation centre against the terms of reference below which are described more fully in Appendix 1. Our main findings are as follows.

- i** **Whether the decision to pilot accommodation centres was taken after due consideration of the need for the centres, their expected cost and benefits, and the cost and benefits of other available options to speed up the processing of asylum applications and remove unsuccessful applicants.**
- 6** The primary driver for the accommodation centres, as set out in *Secure Borders, Safe Haven*, was the need to improve the handling of an unprecedented level of asylum applications. The original plans and cost estimates for Bicester did not anticipate the degree of opposition and consequent elongation of the planning process and delay to the centre's inception. Costs increased due to the delay. The Home Office had already experienced delay and increased costs in the face of strong public opposition on other controversial projects, for instance the aborted Silverlands residential sex offender treatment centre and the location of new probation and drug treatment hostels. By the time the scheme was cancelled, the start of work on site had slipped by some 14 months. A more prudent approach would have been for the Home Office to model costs under a wider range of scenarios, to get a clearer appreciation of risk. It is not clear whether this would have led to the earlier cessation of the project, particularly given the wider policy context, the changing level of asylum applications and the rapidly evolving policy response.
- ii** **Whether the Bicester business case and the benefit realisation exercises were soundly based and reasonable.**
- 7** The quantification of benefits was based on best estimates by the Home Office and other government departments and agencies using data drawn from current models, such as the asylum intake reduction model. The method of calculation was reasonable, as modelling using such forecasts is recognised to be difficult. It is considered, however, that the nature and timing of the anticipated benefits was probably unrealistic given other measures in hand to speed up the 'end to end' asylum process and a steady decline in the number of applicants seeking asylum. The realisable benefits expected from the Bicester accommodation centre did not equal or exceed its expected cost and this was acknowledged in the business case from the outset.
- iii** **Whether key decisions with cost implications were taken at the right time and took full account of the risks to value for money; and**
- iv** **Whether the Home Office acted soon enough to reduce costs and terminate the project when it became clear that asylum numbers were falling and that the Bicester centre would not be needed.**

<sup>2</sup> There are currently ten immigration removal centres operating across the UK which operate under Detention Centre Rules 2001. These secure establishments house individuals detained by the Immigration Service as overstayers, illegal entrants or failed asylum seekers prior to their removal from the country.

**8** The number of asylum applications rose sharply from 1999 but had begun to decline by 2002 (Figure 1 refers). The business case and benefits realisation exercise completed in May 2004, just before the contract for Bicester was signed, did not fully reflect asylum policy developments and an improvement in processing asylum applications in the existing system. The Home Office Gateway 3 Review<sup>3</sup> in December 2003 clearly identified the need for the Bicester business case to be updated for policy developments and performance improvement measures introduced since the accommodation centre project was first announced, so that decisions about Bicester could be informed by the effect that it would have on the rest of the asylum system.

**9** The business case referred to the need for ‘successful operational handshakes’ with the key elements of the end-to-end asylum process but did not refer to the steadily falling number of asylum applications or to the progress being made on processing asylum applications more quickly. The sensitivity of the value for money of the project to changes elsewhere and benefits could have been forecast over a number of possible scenarios, ranging from the full system of ten centres to none, which would have highlighted the interrelationships. The decision not to proceed with Bicester was taken shortly after the wider policy decision not to proceed with the rest of the accommodation centre programme.

**10** In summary, there were two main risks to this project which needed to have been managed well. Firstly, a policy risk in that the accommodation centre concept could be overtaken by events in other parts of the asylum system (as pointed out by the Gateway Reviews<sup>3</sup>) and therefore undermined. Secondly, project management risks lay in delay, rising costs (both actual and forecast) and falling potential benefits. In the event, both of these risks emerged and combined. Falling asylum numbers, rising costs and reducing benefits made Bicester as a whole not good value for money. Some of this could have potentially been foreseen and costs reduced had the Home Office worked in a more coordinated and joined up way. There was, however, clearly a very dynamic external and policy context.

## Recommendations for improvement

**11** Departments should:

- i** Identify in the business case the impact of a range of planning delays on cost and delivery for schemes that require planning permission using a range of scenarios. This should include ongoing consideration of whether a scheme continues to offer value for money.
- ii** Ensure that those elements of the business process (whether asylum related or not) which need to be coordinated properly are recognised as such and that the necessary coordination takes place at a sufficiently senior level to effect proper control.
- iii** Revisit the business need and justification for ongoing high profile programmes when other related policy developments and performance improvements are proposed, so that the impact of these changes on business need and value for money can be considered.
- iv** Include only realisable benefits in cost benefit analyses, and use sensitivity analysis to estimate the most likely realisable benefits over a range of scenarios.
- v** Clearly articulate from the outset the scope and purpose of a pilot or trial in a trial plan, which sets out what the pilot aims to achieve, how it is to be run, the period of operation, the number of participants or other factors, how it will be evaluated and how lessons can be drawn from it to inform wider policy and programme issues and subsequent projects.
- vi** Embed risk identification and management procedures further into the management of every project, manage risk proactively at all stages of the project from conception to delivery; calculate the likely cost associated with a risk maturing; and report to their Board if the likelihood of a risk maturing changes.

<sup>3</sup> Gateway Reviews are carried out on major IT-enabled construction and procurement programmes and projects. These can be reviewed at six stages of the procurement lifecycle. In the case of the Bicester project, Gateway Reviews took place at Gateways 2 and 2a (Procurement Strategy) and Gateway 3 (Investment Decision).



### **Development of Home Office and Border and Immigration Agency Investment Approvals Processes**

Wider policy and external issues clearly played a significant part in the termination of the Bicester project, and the Home Office and the Border and Immigration Agency have advised us that they have developed their investment approvals processes considerably over the period since the Bicester Accommodation Centre project began. We acknowledge the progress made in system and process improvements; their effectiveness will be audited fully in future examinations.

Bicester Accommodation Centre project was one of the first projects considered by the Home Office Group Investment Board, which was set-up to scrutinise significant investments of £40 million and over. Whilst the Group Investment Board, and the Gateway process were involved in this project and provided challenge, the following improvements have since been made:

- The Group Investment Board is now firmly embedded as part of the Home Office operating model and has developed alongside the wider project management capability within the Department.
- The Border and Immigration Agency has set up a Joint Approvals Committee which acts as an initial scrutiny chamber, approving all Border and Immigration Agency projects over £1 million. Costs and benefits are challenged as part of this process.
- The Home Office and the Border and Immigration Agency identified the need for a comprehensive approach to managing the overall portfolio of programmes and projects across the Department. New processes have been introduced to ensure that business cases are assessed for their strategic fit with existing operations and future business change programmes.
- The Border and Immigration Agency now routinely identifies and monitors dependencies, risks and issues, both at individual project and programme level and across business change programmes, and flags concerns as necessary in the monthly reporting pack to its Board and Ministers.

# MAIN REPORT

## The cancellation of Bicester Accommodation Centre

**1** In June 2005, Tony Baldry, MP for Banbury, wrote to the Comptroller and Auditor General raising concerns regarding the resources which the Home Office had spent on the abortive accommodation programme, and specifically about the decision to cancel Bicester Accommodation Centre, which was to have been built in his constituency as part of a pilot for the accommodation programme. The C&AG's findings on what happened, how much it cost and the eventual decision to cancel Bicester Accommodation Centre are set out in this report. The decision to pilot accommodation centres began in 2001 and the decision not to go ahead was taken in 2005. (For our methodology in this review, see Appendix 1 and for a full timeline, see Appendix 2.)

### Accommodation centres were seen as a way of making asylum more efficient

**2** By autumn 2001 the numbers of asylum applications had been rising steadily for some time (see Figure 1) and the system was coming under strain.<sup>4</sup> Following an internal review<sup>5</sup> of the operation of the asylum voucher<sup>6</sup> system and growing public dissatisfaction with the asylum dispersal system, the Home Office considered three options to deliver a more efficient asylum system. These were: to continue making incremental improvements to the National Asylum Support Service; to expand the existing asylum reporting centre estate; and to establish accommodation centres.

**3** In October 2001 the Home Office announced a major overhaul of the asylum system and began a limited trial initially for four accommodation centres.<sup>7</sup> Three thousand places were to be provided in purpose built accommodation centres by the end of 2002. These would house a proportion of first time asylum seekers from application to decision and appeal, offering full board, education, health and leisure facilities in hostel-type accommodation on sites such as disused military bases and holiday campsites. The purpose of the accommodation centre trial was to assess whether the centres provided a more supportive environment for asylum seekers than existing dispersal arrangements<sup>8</sup> and to see what effect centres had on processing applications and effective decision taking.

**4** To deliver the accommodation programme quickly, the Home Office appointed consultants as procurement project managers and strategic advisers. This core team took advice from 12 other groups of specialists, including architects, cost accountants, structural advisers, planning consultants, land agents, traffic consultants, two sets of legal advisers, landscape consultants, financial advisers and insurance advisers.

**5** The governance arrangements for the accommodation centre project had three tiers. Strategic oversight of the project rested with the Steering Committee, chaired by the Senior Responsible Officer from the Home Office's Immigration and Nationality Directorate. Day to day responsibility lay with the project team, led by the project manager with a small team of Home Office civil servants, supported by external

<sup>4</sup> For a fuller picture of the asylum system during this period, see our reports: Improving the speed & quality of asylum decisions (HC 535, 2003-04); NASS – The provision of accommodation for asylum seekers, (HC 130, 2005-06) and Returning failed asylum applicants (HC 76, 2005-06) and related PAC reports.

<sup>5</sup> Asylum seekers' experiences of the voucher scheme in the UK – fieldwork report, Home Office Research, Development and Statistics Directorate, March 2002.

<sup>6</sup> Introduced in April 2000 to replace cash benefits, asylum applicants received £10 cash and vouchers totalling between £18.95 and £26.54 (couples £47.37) a week, which could be used only in designated stores. The scheme was scrapped in April 2002 and replaced with cash benefits payable at post offices.

<sup>7</sup> During the passage of the Nationality, Immigration and Asylum Act 2002, the Refugee Council proposed a 'core and cluster' alternative, which would provide accommodation at a number of smaller sites and key processing and support functions at a central core facility. Ministers committed to a mixed trial of a number of centres based on the original model, plus a core and cluster centre.

<sup>8</sup> Home Office White Paper *Secure Borders Safe Haven*, CM 5387, February 2002.

consultants. Management of risk and ownership of the Business Specification rested with the Project Board, chaired by the project manager and attended by key stakeholders from the Home Office, other government departments and agencies.

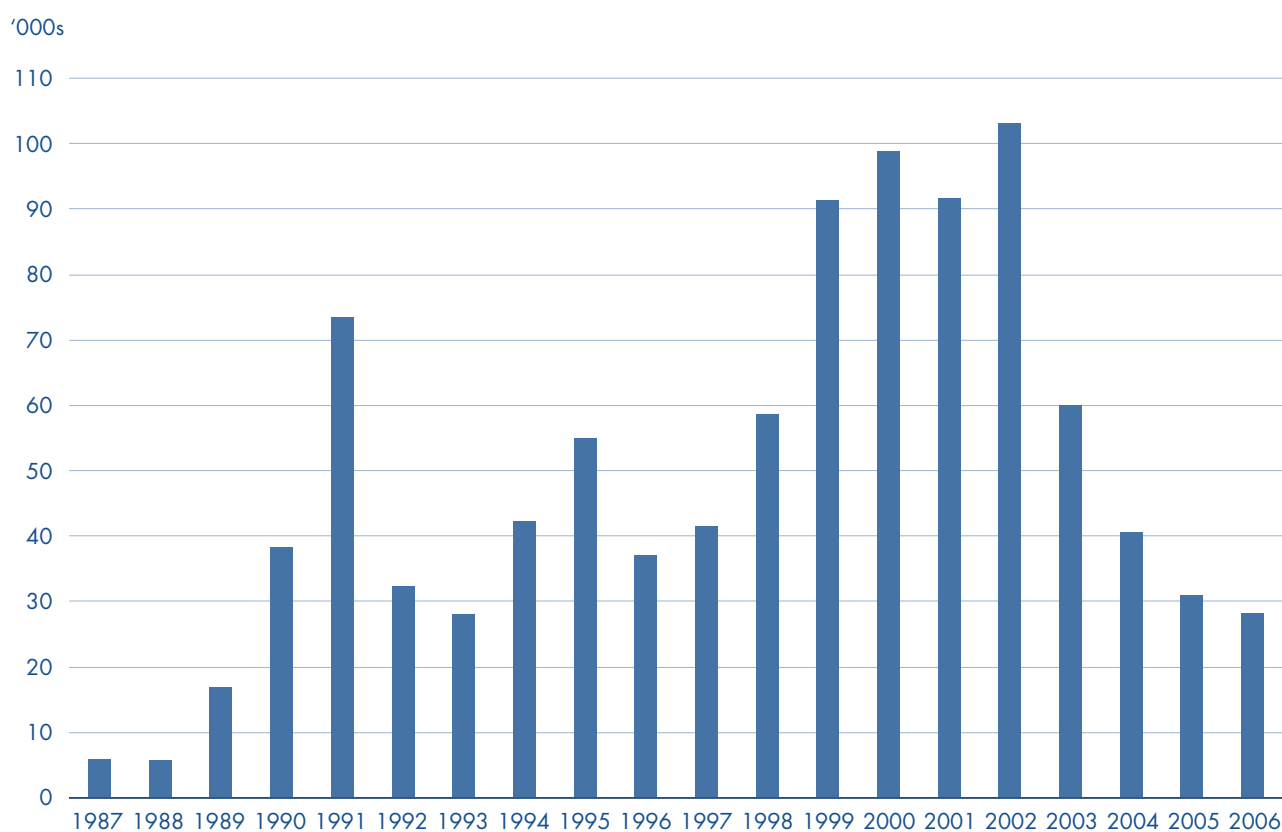
## The Home Office opted for design, build and operate as the most flexible option to build the centre

6 The Home Office considered four procurement options: design, build and operate; a private finance initiative project<sup>9</sup>; a contract to operate the centre, assuming accommodation could be found; and design and build with a separate operations contract. These options were assessed against various factors, including

cost, speed of delivery, and flexibility. The Home Office opted for design, build and operate because it felt this route offered potential for innovation, including an option to convert existing premises (if available); that overlapping design and construction should reduce the period to opening; and that it offered the greatest certainty in terms of price, because once the contract was signed, the private sector would carry construction risks.

7 The contract for the first centre was advertised in February 2002. More than 70 companies expressed an interest in bidding and in May 2002, 21 firms were invited to complete pre-qualification questionnaires.<sup>10</sup> Following prequalification questionnaires in May 2002, the Department selected five prospective bidders, two of whom then merged, another withdrew, leaving three.

1 Applications received for asylum in the UK from 1987 to 2006



Source: Table 1.2 Applications received for asylum in the UK, initial decisions and percentages, Asylum Statistics, United Kingdom, 1997 and 2000, and paragraph 3.1, Control of Immigration Statistics, United Kingdom 2006

NOTES

- 1 Includes dependants who applied with the principal applicant and those who arrived subsequently but before the principal application was decided. From 1997 to 2001 figures are estimated and rounded to the nearest 100. Figures from 2002 are based on actual data and rounded to the nearest 5.
- 2 May exclude some cases lodged at Local Enforcement Offices between January 1999 and March 2000.

9 The Home Office did not pursue a public finance initiative solution as it felt it would take too long to arrange finance. The project team also expressed the view that potential funders may not have been attracted to the project, because of the novelty of the concept and the political risk associated with a lengthy planning inquiry and subsequent judicial review.

10 Taken from commercial case section of business case 2, not validated by the NAO.

## In 2002, Bicester was announced as one of the first sites for an accommodation centre but the refusal of planning permission resulted in significant delays

**8** At the same time, the Home Office announced that Bicester was one of the first three sites chosen for accommodation centres, with plans for up to ten centres in due course. A planning assessment by the Home Office's advisers indicated that the Bicester site had the strongest technical planning case, and advice from the Home Office's legal counsel was that Bicester was the site most likely to win planning approval. In May 2002, the Home Office submitted a planning application to the local planning authority, Cherwell District Council.

**9** There was opposition to the plan to site an accommodation centre at Bicester from the outset from local groups and from the main asylum and refugee support groups. Following a public consultation in June 2002, Cherwell District Council refused planning permission because the rural location made it unsuitable and the site was inaccessible by public transport. The Council was also concerned at the apparent conflict between the Home Office's proposal and local, regional and national planning and development processes and plans, and at the likely impact on local public services.

**10** The Home Office lodged an appeal against the refusal of planning permission. A public planning inquiry into the Bicester accommodation centre opened in December 2002 and closed in March 2003. The planning inspector recommended to the Secretary of State that approval should not be given on the grounds that it would be inappropriate for the Government to make an exception for its own purposes to its own land use planning and sustainable development priorities; that the Home Office had not demonstrated convincing or overriding benefits for locating the centre in this rural area; and had not given sufficient attention to the risk of road accidents.

**11** In August 2003, the Secretary of State for Local Government and the Regions considered the planning inspector's recommendation but gave planning approval for the Bicester centre. In October 2003, Cherwell District Council initiated judicial review proceedings, which were dismissed in April 2004.

## The Gateway 2a Review was Amber with concerns on scope and benefits realisation

**12** In July 2003, the Home Office carried out a Gateway 2a Review<sup>11</sup>, which assessed the status of the project as Amber.<sup>12</sup> In broad terms, the Review team felt that procurement was being conducted in line with best practice. The quality of reports, project tools and materials were assessed as generally good. The Review team's major concerns related to the programme scope and to benefits realisation, organisational processes and operational culture. It noted that the demands on the asylum system were changing and that this was a risk when entering into a contract for the provision of a facility and services over ten years. In its response to the Review, the project team agreed to revisit the project scope when the planning decisions for Bicester and the second pilot accommodation centre were resolved.

## The Gateway 3 Review was Red because the business case had not been developed fully

**13** The Home Office Gateway 3 Review held in December 2003 concluded that the project had made considerable progress and that procurement had been satisfactorily conducted but it classified the status of the project as Red<sup>13</sup> because the case for accommodation centres had not been developed into a fully articulated programme and the business case needed updating with the latest cost estimates and benefit assumptions. The Review also recommended a trial plan for the accommodation centre programme, outlining the contribution accommodation centres were to make to the end-to-end asylum process.

<sup>11</sup> Gateway Reviews are carried out on major IT-enabled construction and procurement programmes and projects. These can be reviewed at six stages of the procurement lifecycle. In the case of the Bicester project, Gateway Reviews took place at Gateways 2 and 2a (Procurement Strategy) and Gateway 3 (Investment Decision).

<sup>12</sup> The OGC Gateway Review methodology defines Amber status as "The project should go forward with actions on recommendations to be carried out before the next OGC gate."

<sup>13</sup> The OGC Gateway Review methodology defines Red status as "To achieve success the project should take remedial action immediately". This does not mean stop necessarily; it indicates that there are issues which need to be addressed straightaway.

## The original pilot was for four centres but funding was only secured for two

**14** In July 2003 as part of the Government’s Comprehensive Spending Review, the Home Secretary agreed with HM Treasury that £116 million would fund the first two accommodation centres, expected at the time to be Bicester and RAF Newton, even though taken together the forecast cost for the first four centres was around £135 million.<sup>14</sup>

## While planning for Bicester was going on, applications for asylum had halved in the year to September 2003

**15** Meanwhile the number of applications to the UK for asylum halved between October 2002 and September 2003, due to a range of statutory and non-statutory measures to reduce the number of applications, and to wider trends in asylum flows (see Figure 2).

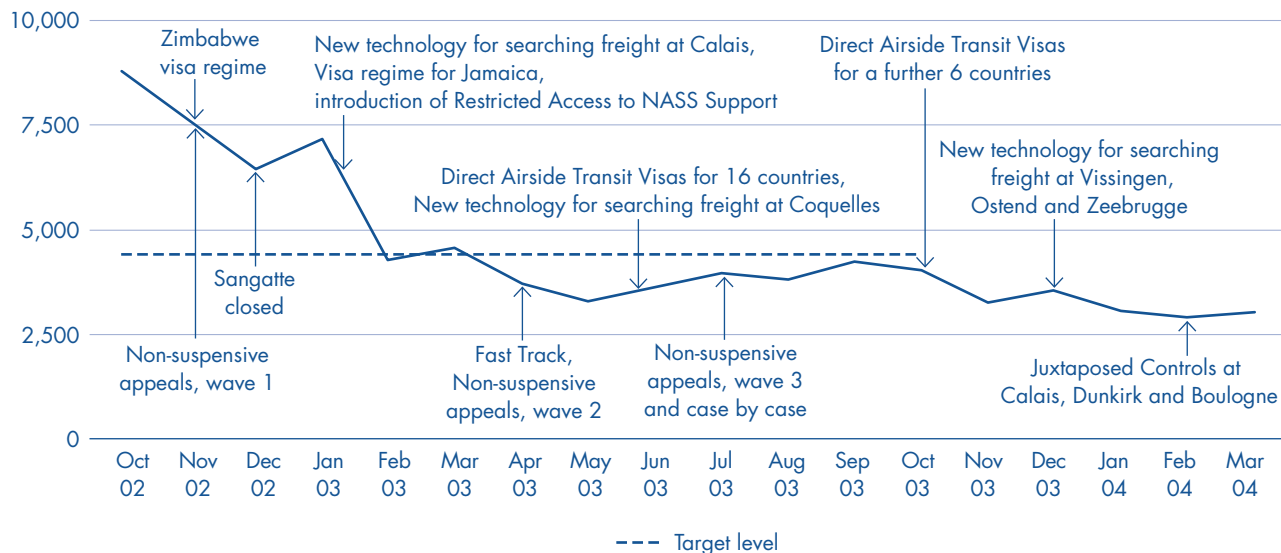
## The Home Office signed the contract with its preferred bidder before the outcome of the judicial review was known

**16** The Home Office chose Global Solutions Limited in January 2004 as its preferred bidder. Global Solutions Limited’s construction price and operating fees were lower than the Home Office’s cost estimates (see Figure 3 overleaf). Its bid still had some planning and other issues to be resolved, for example planning compliance. None of the consortiums were willing to accept planning risk, given the history of the project. To freeze the risk of price increases during construction and show commitment, the Home Office was keen to sign the contract as soon as possible. In the meantime, the Home Office’s consultants worked with the preferred bidder to resolve detailed planning issues, address other key risks, such as ground conditions, and undertake initial non-planning-dependent works.

### 2 Modelling the effects of intake reduction measures on the number of asylum applications, October 2002 to March 2004

The Home Office has modelled the combined effects of various measures on the number of asylum applications.

Number of asylum applications



Source: National Audit Office analysis of asylum intake reduction model

<sup>14</sup> Recognising that the funding was insufficient to build two centres, the Home Office accepted that it would either need to find £19 million (£135 million less £116 million) additional funding to cover the shortfall on its estimated capital costs, consultants’ fees and land acquisition costs, or that it would need to achieve cost savings.

### 3 Comparison of the Design, Build and Operate bids submitted for Bicester

	Home Office cost plan estimate (£'000) <sup>3</sup>	Global Solutions Limited (£'000)	Premier Accommodation Services (£'000)	UKDS (£'000)
<b>Construction</b>				
Construction	54,285	54,497	61,577	73,775
Equipment	6,046	3,146	4,291	5,303
<b>Total</b>	<b>60,331</b>	<b>57,643</b>	<b>65,868</b>	<b>79,078</b>
Maintenance	100	117	274	611
Operational start up	1,900	2,132	2,917	4,825
<b>Total construction price/cost</b>	<b>62,331</b>	<b>59,892</b>	<b>69,059</b>	<b>84,514</b>
<b>Operating fee</b>				
Maintenance	2,160	1,130	1,847	2,492
Operation	15,857	14,294	15,060	15,431
<b>Total annual operating fee</b>	<b>18,017</b>	<b>15,424</b>	<b>16,907</b>	<b>17,923</b>

#### NOTES

1 All figures exclude VAT unless otherwise stated.

2 Construction costs exclude the cost of site acquisition of £3.25 million and contractor capital budget allocations of some £3.768 million excluding VAT.

3 Costs are at August 2003 prices.

Source: Bicester January 2004 Business Plan

## The January 2004 Bicester business case showed the net present cost as £179 million

**17** The January 2004 business case for the Bicester accommodation centre recommended letting a design, build and operate contract for a 750 place centre. The construction phase was to last three years and the operational phase would run for ten years. The business case set out the strategic, economic, commercial, financial, and project management cases for the Bicester project. The Home Office calculated that the net present cost of the project excluding benefits would be £179 million, as it estimated that Bicester would cost around £18 million a year at non-indexed prices to run.

**18** Seven areas of potential benefit from accommodation centres were identified (see Figure 4), five of which were quantified in financial terms and totalled around £10.6 million a year at non-indexed prices. The benefits were less than expected costs and were heavily qualified. Only initial high level work had been carried out to identify them in advance of a more detailed benefits realisation exercise. The benefits were based on assumptions and could not be tested in advance of the trial. Many were intangible and difficult to quantify.

## The estimated capital cost was £30 million more than originally estimated

**19** At this stage of the procurement and even with the forecast benefits, the estimated capital cost of the Bicester centre and that for the centre at RAF Newton, showed that the Home Office would need about £30 million<sup>15</sup> more than the £116 million capital funding originally available.

<sup>15</sup> The capital estimates for Bicester in the January 2004 business case were less than the £116 million capital funding secured for the asylum accommodation project but the Home Office estimated it would need to secure an additional £30 million capital funding if RAF Newton was to proceed.

#### 4 Initial high level estimated annual benefits identified

Estimated benefit		2005 (half year effect) (£'000)	2006 and subsequent full year effect (£'000)
<b>Deterrence effect</b> – the extent to which a more robust and streamlined asylum process deters potential applicants, thus reducing subsequent costs	Intake reduction	0	320
<b>Speed effect</b> – the extent to which a faster process for applicants within accommodation centres achieves savings against the anticipated costs were the same applicants dispersed in the normal way	Earlier cessation of support	1,423	2,982
<b>Efficiency effect</b> – the extent to which a number of processes carried out in one location can lead to efficiency improvements compared to the process being carried out at multiple locations	Transport savings	42	88
	Staff reduction arranging transport	9	18
<b>Removals effect</b> – the extent to which levels of compliance and removal exceed those achieved for dispersed applicants	Reduction in cost of removals	0	0
<b>Substitution effect</b> – the extent to which services, staff and facilities being provided at the same site will lead to equivalent levels not being required at other sites (e.g. provision of local statutory services such as education and health)	Primary healthcare	636	1,272
	Education	378	756
	Base cost of accommodation/support costs	902	1,889
	Asylum caseworkers	130	259
	Appeals caseworkers	184	367
	National Asylum Support Service staff	576	1,152
	UK Immigration Service staff	285	570
<b>Social cohesion benefit</b> – the extent to which moving asylum seekers to purpose-built centres might reduce social impacts and related costs in dispersal areas	Suspension of lettings	425	975
<b>Technical issues</b>	VAT	0	0
<b>Grand total</b>		4,990	10,648

Source: National Audit Office analysis drawn from Home Office January 2004 Bicester business case

#### NOTE

Initial high level benefits were estimated to accrue from October 2005. By the time the Discounted Cash Flow at Appendix 4 was being prepared, the start date for work on the Bicester centre had slipped to 2003-04 and the first benefits were expected from April 2006.

## In May 2004, the project team included wider projected benefits

**20** The Home Office’s Group Investment Board asked the project team to amend the January 2004 business case to include wider benefits expected from accommodation centres, such as faster removal of unsuccessful applicants. This reflected the Department’s aspiration that eventually most applicants would be dealt with through a network of accommodation centres of which Bicester would be the first. The reworked benefits realisation paper assumed a trial programme of two centres, with Bicester opening in late 2005 and RAF Newton in early 2006 and that benefits ‘may be proportionally multiplied to cater for the four centre trial and indeed a possible full 12 centre programme’.<sup>16</sup>

**21** Quantification was based on estimates by the Home Office and other government departments and agencies, including the Department of Health and the former Department for Education and Skills, using data drawn from various models relating to asylum. Two categories of benefit were identified:

- **Narrow quantifiable benefits** – savings to be realised by Bicester, and generated for Government as a whole;
- **Broad benefits** – benefits resulting from replacing the dispersed estate with an accommodation centre estate. This assumed ten accommodation centres would house and process asylum applicants but that some benefits could only be realised once the entire programme had been implemented.

**22** The May 2004 benefits realisation exercise assumed six months slippage on Bicester, with the first benefits due in early 2006, rather than mid-2005, reflecting the planning delays. Savings from narrow benefits were estimated at around £24.1 million a year, split £15.9 million for central Home Office budgets, £6.4 million for the National Asylum Support Service and £0.5 million for the former Department of Education and Skills (at 2003 prices). Annual benefits were forecast to more than double by mid-2006 (see Figure 5). Of the £15.9 million benefit to central Home Office budgets, £2.5 million was expected from a reduction in asylum applications, £5.8 million from early cessation of support, a £0.05 million saving in transport arrangement costs, £4.76 million saving anticipated from more effective removals of unsuccessful applicants and a £1.78 million reduction in other staff costs. Not all estimates were

true savings or efficiency gains in the sense of being ‘cashable’. Some £2.78<sup>17</sup> million of the £15.9 million benefit to central Home Office budgets, and some £4.72<sup>18</sup> million of the £6 million to the National Asylum Support Service budget were ‘substitution effects’, freeing up monies invested in other budgets by the transfer of functions performed by them to Bicester. There were no absolute figures available, for example, for the removals benefit, which was based on a potentially unachievable assumption that all unsuccessful cases would be removed.

**23** Broad benefits were estimated at £18.1 million a year for each centre, split £8.1 million for central Home Office budgets (see Figure 6), and £10 million for National Asylum Support Service. These benefits were quantified for a network of ten accommodation centres (column c of Figure 6), then divided by ten to give a notional benefit for each centre (column b). The £8.1 million benefits for the Home Office were then multiplied by an assumed probability that ten centres would be built which, at that time was estimated at 50<sup>19</sup> per cent, as the accommodation centre project apparently had strong political backing, giving expected broad benefits for the Home Office of some £4 million. Whilst the algorithm used to calculate broad benefits is reasonable, the nature and timing of the benefits was probably unrealistic, given the other measures in hand at the time to speed up the end to end asylum process (see paragraph 2) and a steady decline in the number of applicants seeking asylum (see Figures 1 and 2). The accurate forecasting of asylum numbers is difficult, and the overall asylum position at the time was dynamic.

**5** Comparison of narrow benefits forecast in the January 2004 business case and May 2004 benefits realisation paper

	2005 benefits (half year) (£ million)	2006 benefits (full year) <sup>1</sup> (£ million)
January 2004 benefit	5	10.8
May 2004 benefit	–	22.3

*Source: National Audit Office from Home Office data*

**NOTES**

- 1 2006 Quarter 4 figures are assumed to be the same as those for 2006 Quarter 3.
- 2 The May 2004 benefits realisation exercise reflects six months slippage, with the first benefits due in early 2006.

16 During discussions with the Home Office about asylum accommodation centres, the Refugee Council expressed concern about the size of the proposed centres and proposed a smaller, community based model, known as the ‘core and cluster model’. Initial thinking was that the ‘core and cluster model’ would require 12 centres, rather than ten. For planning purposes, the Home Office still assumed it would need ten centres.

17 £1.48 million for asylum casework staff and £1.3 million for appeals caseworkers.

18 £4 million reduction in the National Asylum Support Service budget for the base cost of supporting these asylum seekers in dispersed accommodation and £0.72 million for National Asylum Support Service staff.

19 The calculation was a weighted average of the whole scheme going ahead (50 per cent chance) and not going ahead (50 per cent chance).



**24** We found that a key justification for the Bicester pilot accommodation centre project was that, operationally, the centre would provide a more economical and efficient means of processing asylum applications than existing systems. The Home Office classified these efficiencies as benefits and quantified them in monetary terms. We found that the business case did not state the actual cost of asylum applications under existing arrangements, nor did it explain how the potential efficiencies would be derived.

By May 2004, the net cost of Bicester was estimated at £39 million over the ten year operating life of the contract

**25** In May 2004, the project team resubmitted the business case to the Group Investment Board. Using the increased benefits identified in March 2004 in the business case reduced the net cost of the project from £179 million as at January 2004 (see paragraph 13) to £39 million (see [Figure 7 overleaf](#)). The Home Office considered the additional cost of £39 million to be an acceptable price to

pay for the anticipated unquantified benefits of diverting ten per cent of the supported asylum seeking population to accommodation centres. For the full Discounted Cash Flow calculation see Appendix 4.

The cost estimates for Bicester were reasonable compared with providing new prison places

**26** To demonstrate the reasonableness of the Bicester cost estimates, the project team compared the estimated cost of a place at Bicester with those at three new prisons: Belmarsh 2, Ashford and Peterborough (see Appendix 3 and [Figure 8 overleaf](#)). After deducting the cost of the on-site Hearing Centre<sup>20</sup>, child education and asylum caseworking facilities at Bicester, the capital cost per place (£70,720) at Bicester was broadly in line with those for Ashford and Peterborough. The comparison with prison places is not an exact one but was the closest comparator in the sense of funding 24 hour facilities for a settled population of people, although some services such as security would not be analogous.

## 6 Analysis of broad benefits identified in the March 2004 benefits realisation paper

Benefit (a)	£ million (b)		Basis of calculation (c)
	Home Office	Other	
Intake reduction		10	Reduction in costs for ten accommodation centres being part of a full end-to-end asylum reform calculated as 10 per cent of £1,003 million. <sup>1</sup>
Substitution of casework budget	2.9		Forecast share of casework budget to be spent on dispersed applicants in 2003-04, (adjusted to remove cost of clearing backlogs) = £29 million.
Substitution of UK Immigration Service removals and enforcements budget	2.4		Estimated 10 per cent saving on enforcement and removals budget of £239 million, gives £23.9 million for the whole programme.
Substitution of budget for general overheads	2.8		Estimated 10 per cent saving on general overheads budget of £283 million, <sup>2</sup> gives £28.3 million for the whole programme.
<b>Total</b>	<b>8.1</b>	<b>10<sup>3</sup></b>	

Source: Home Office data

### NOTES

<sup>1</sup> £1,003 million was 50 per cent of the total Home Office Immigration and Nationality Directorate budget for 2003-04 (forecast as at February 2004) plus the Department of Constitutional Affairs' appeal costs.

<sup>2</sup> £283 million comprises £17 million from the Home Office Change and Reform budget, £26 million from Human Resources budget and £240 million from Finance and Services budget.

<sup>3</sup> The project team assumed that £10.1 million benefits would accrue to the National Asylum Support Service and not to central Home Office budgets and so did not take them into account when calculating the broad benefit but did take them into account when calculating the Discounted Net Cost of the project.

<sup>20</sup> Bicester was to have had its own on-site Hearing Centre where one or more Immigration judges would hear and decide unsuccessful applicants' appeals against asylum decisions made by the Home Office in matters of asylum, immigration and nationality.

**7** Updated net present value for the Bicester centre as at May 2004

	Cash values (£'000)	Present values <sup>1</sup> (£'000)
Capital costs	74,091	
Revenue costs	258,032	
<b>Total costs</b>	<b>332,123</b>	
Less narrow benefits	(217,000)	
<b>Sub Total</b>	<b>115,123</b>	
Discounted by 3.5 per cent a year	(15,397)	
<b>Present value of costs less narrow benefits</b>		<b>99,728</b>
Less discounted value of end contract land value <sup>2</sup>		(29,954)
<b>Present value of costs less narrow benefits and land value</b>		<b>69,772</b>
Less discounted value of broad benefits		(30,004)
<b>Present value of costs after narrow and broad benefits</b>		<b>39,768</b>

*Source: Extract from Home Office's Bicester: Discounted Cash Flow Table – Revised Benefits Realisation Exercise – Narrow and Broad Analysis*

NOTES

- 1 Costs are prepared as at March 2004 prices.
- 2 The estimated resale value of the land and buildings at the end of the ten year operating period.
- 3 Figures reflect the full contract period (three years to build plus ten year operating period).

**8** New prison capital costs per place

Facility	Number of places	Adjusted budget (£ million)	Budgeted capital cost per bed space (£)
Ashford	450	30.025	66,723
Peterborough	860	55.761	64,839
Belmarsh 2	600	60.765	101,277
Bicester			70,720

*Source: Home Office data*

**27** The project team also compared the estimated annual operating costs for a place at Bicester (£22,806) with the average cost of a place at an open prison and places at Ford and Kirkham Prisons (see Figure 9). Overall, a place at Bicester was more expensive than Ford Prison, broadly the same as the open prison average and less expensive than Kirkham Prison.

The contract was signed in June 2004 but did not come into effect until the outcome of the planning authority's appeal was known in November 2004

**28** Having selected its main works contractor to design, build and operate the Bicester accommodation centre (see paragraph 16), the project team wanted the main works contract signed before the bid validity period expired at the end of June 2004. This was because the preferred bidder and the reserve bidder had indicated their intention to re-price their bids and reflected advice from the project team's financial consultants. In June 2004, the Home Office signed the contract with Global Solutions Limited to design, build and operate the Bicester centre on the basis of what the Home Office considered to be the most economically advantageous offer.<sup>21</sup>

Trends in asylum numbers and other initiatives were reducing the need for Bicester's facilities

**29** From September 2004, another initiative, the new asylum model, was being developed to speed up the processing of asylum claims, reducing the need for dedicated accommodation. Detailed discussions between the accommodation centre project team and the new asylum model team about how Bicester (and induction centres) might fit in with the new model began in early 2005, a month before details of the new asylum model were published in February 2005.

21 Taken from business case 2, not validated by the NAO.

## By November 2004, appeals against outline planning permission for Bicester were exhausted

**30** The planning authority's appeal was heard by the Court of Appeal in July 2004 and in October 2004, the Court of Appeal upheld outline planning approval. In November 2004, Cherwell District Council announced it would not appeal against the Court of Appeal's decision. The Home Office still needed planning approval for the detailed design of the Bicester centre and in November 2004 it submitted a planning notification to the local planning authority.

## By January 2005, forecast costs had risen from £77.6 million to £87.7 million

**31** By January 2005, planning and judicial delays, plus changes to the design to provide a larger appeal hearing centre, had increased the capital cost of the project from £77.6 million to £87.7 million. The main components of the £11.8 million increase were a £3.2 million provision for further indexation of costs at £350,000 a month, (although there was some uncertainty around this element, as the Home Office was in discussion with the contractor regarding a separate settlement for the legal delay); £3.3 million increased contingency for Home Office-originated design change, in view of the contractor's perception of the worsening risk profile associated with the project; and £3.1 million for increased consultancy spend (see Figure 10).

**32** The overall effect of the £11.8 million forecast increase in costs was to increase the net cost of the Bicester accommodation centre over the ten year operating life of the contract from £39.8 million to £51 million. The Home Office forecast no increase in the anticipated benefits from the centre. Analysis by the project's cost consultants indicated that termination of the contract could cost the Home Office an additional £6 million.

### 9 Comparative prison operational costs per bed space

Facility	Adjusted number of bed spaces	Annual operating cost (£ million)	Cost per bed space (£)
Open prison average			22,290
HMP Ford	411	7.797	18,972
HMP Kirkham	479	13.373	27,920
Bicester			22,806

Source: Home Office data

### 10 Analysis of the forecast £11.8 million increase in costs as at January 2005

	Amount (£ million)
Further indexation at £350,000 a month, representing a nine month delay, including a contingency for construction issues	3.2
Increased contingency for potential Home Office changes, including £1.5 million to expand the on-site appeal courts from two to three permanent hearing rooms and a multi-purpose room	3.3
Increased contingency to take account of the Commission for Architecture and the Built Environment's comments on the detailed designs	0.5
Increased spend on the directly-engaged consultant team, including construction project managers, legal team and technical experts	3.1
Value added tax	1.7
	<b>11.8</b>

Source: Home Office data

#### NOTE

1 The Value added tax of £1.7 million was not taken into account when calculating the increased capital cost of the project.

## By February 2005 improvements to the asylum system reduced the need for Bicester

**33** In February 2005, a more detailed paper from the project manager to Home Office senior management signposted the need to update the business case for capital cost increases and the potential role of Bicester in the new asylum model. The value for money case for Bicester relied on the assumption that it was to have been part of a wider programme of several centres, whereas thinking by February 2005 was that it would be a singleton centre within the new asylum model. General improvements in the processing of asylum cases, such as the expansion of detained fast-tracking (where the applicant is detained in a Removal Centre while their application is processed) and the advent of non-detained fast-tracking, had improved the baseline against which Bicester's planned performance would be measured. Preparatory works on site at Bicester had started but the Home Office acknowledged that it seemed increasingly unlikely that the detailed designs would be granted approval by the planning authority in the first instance, potentially delaying the start of works beyond April 2005.

## By April 2005, the business case was no longer sustainable

**34** In April 2005, the Senior Responsible Officer advised the Accounting Officer that the project was no longer economically viable. Capital costs had risen following the lengthy legal delays; and anticipated benefits had reduced due to a 'marked' improvement in the handling of asylum claims for dispersed asylum applicants.

## In June 2005, the Bicester project was cancelled along with the proposed network of accommodation centres

**35** On 10 June 2005, the Minister of State for Immigration announced that the Home Office would not be proceeding with the proposals for a network of ten accommodation centres, and on 14 June 2005, that the Home Office would not be proceeding with the Bicester proposal but was exploring the possibility of using the Bicester site as an asylum removals centre. To date, a decision is still awaited on the future use of the site.

**36** Figures provided by the Immigration and Nationality Directorate indicate that by the end of March 2006, the Home Office had spent some £33.7 million on the Bicester project (see Figure 11). Of this, Home Office has calculated that around £28 million was spent on acquisition and planning and developmental work relating to the Bicester site. The Home Office told us that it could not analyse separately the consultancy costs for other potential sites, such as RAF Newton and HMS Daedalus.<sup>22</sup>

**37** Some £15.5 million of the £33.7 million committed by the Home Office in respect of accommodation centres related to the contract for the main works for Bicester. The £15.5 million included some £7.6 million related to payments due in respect of design work, and termination payments of £7.9 million. The £7.9 million comprises payments in August 2005 totalling £6.1 million and £1.8 million in 2006. These termination payments include £1.1 million for value added tax.

**38** One of the largest cost elements of the accommodation project was the other consultancy costs (some £10.3 million), of which £6.3 million related to Bicester. These costs relate to the project team assembled by the Home Office, staffed mainly by specialist consultants.

22 Royal Naval Air Station HMS Daedalus.

**11** Analysis of costs incurred on accommodation centres to 30 March 2006

	<b>Total costs incurred (£'000)</b>	<b>Of which Bicester accounts for (£'000)</b>	<b>Other sites (£'000)</b>
Home Office civil servants pay (including Agency staff) <sup>1</sup>	1,864	616	1,248
Consultancy			
GSL <sup>2</sup> – Design and construction	7,559	7,559	0
– Termination payment	7,926	7,926	0
Other consultancy costs <sup>3, 4</sup>	10,278	6,304	3,974
Legal costs <sup>5</sup>	990	658	332
Land acquisition from MOD <sup>6</sup>	3,264	3,264	0
Land enabling work	1,278	1,278	0
Other administration costs <sup>5</sup>	537	352	185
	<b>33,696</b>	<b>27,957</b>	<b>5,739</b>

Source: Home Office Data

## NOTES

1 Home Office staff pay costs have been allocated to Other sites in 2001-02, 2002-03 and 2003-04, and to Bicester for 2004-05 and 2005-06.

2 GSL – Global Solutions Limited.

3 Other consultancy for 2001-02 includes an estimate of £400,000 provided by the Home Office.

4 Where other consultancy costs relate to Bicester and Other sites, these have been split 68 per cent to Bicester and 32 per cent to Other sites.

5 Legal and Other administration costs have been allocated to Bicester and Other sites, on the basis of 50:50 for 2003-04 and 100 per cent to Bicester for 2004-05 and 2005-06.

6 Land acquisition costs comprise £3.25 million transfer cost of the land and £14,000 in respect of Ministry of Defence's fees, which is an intra government expense at nil cost to the taxpayer.

**39** Of the £33.7 million shown in Figure 11, £29.1 million was noted by the Home Office in its financial statements as a constructive loss (£11 million in 2004-05, £16.6 million in 2005-06 and £1.5 million in 2006-07). Included in the loss was design work commissioned from Global Solutions Limited; consultancy costs relating to the planning and application process and legal costs for public enquiries and the planning appeal process.

## Future plans for the site

**40** The Home Office is considering whether the land could be used as a detention centre for failed asylum seekers before deportation, and has prepared a business case. On the basis of this future use, the Home Office has retained some £4.6 million of the capital costs incurred (the site acquisition costs and land enabling work) on its balance sheet (at cost) as a possible contribution to the construction of a new removal centre.

# APPENDIX ONE

## Methodology

### Introduction

**1** This review set out to examine whether the Home Office managed the Bicester Accommodation Centre pilot well. Within this scope, we considered whether:

- whether the decision to pilot accommodation centres was taken after due consideration of the need for the centres, their expected cost and benefits, and the cost and benefits of other available options to speed up the processing of asylum applications and remove unsuccessful applicants;
- whether the Bicester business case and the benefit realisation exercises were soundly based and reasonable;
- whether key decisions with cost implications were taken at the right time and took full account of the risks to value for money; and
- whether the Home Office acted soon enough to reduce costs and terminate the project when it became clear that asylum numbers were falling and that the Bicester centre would not be needed.

### Document review

**2** We reviewed key documentation including site search reports; several versions of the Bicester business case; the accommodation centre benefits realisation papers; the detailed briefing document; the criteria and process used to select the preferred bidder; tender evaluation criteria and scoring; and Gateway Review reports.<sup>23</sup> We also reviewed some of the cost reports and summaries and validated a sample of contractors' and consultants' invoices to check that they had been correctly recorded in the project cost

summaries and in the Home Office's financial statements. We also made use of the Home Office's dedicated website for the Bicester centre and the *Information Centre about Asylum and Refugees in the UK* (ICAR) website, including the statements submitted to the independent public inquiry, which closed in March 2003. We used these sources to:

- establish the sequence of events in the Bicester project;
- identify the factors taken into account by the accommodation centre project team; and
- establish the extent to which they were constrained by external factors.

**3** We used the latest versions of the business case (May 2004) and the benefits realisation paper (April 2005) to assess the reasonableness of the costs and benefits claimed for the project. We considered the reasonableness of the capitalisation of costs and the write-off of capitalised costs after the decision was taken not to proceed with the pilot. Data on asylum application numbers came from our earlier work on asylum statistics *Asylum and migration: a review of Home Office statistics (HC 625, Session 2003-04)* and from published Asylum Statistics.

**4** By the time we began our review, many of the key papers and cost schedules had been archived. Not all of the papers requested from the Home Office could be located, for example, the minutes of the meeting(s) between the Home Office and HM Treasury relating to the Comprehensive Spending Review in July 2003, at which the reduced funding available for the first two pilot accommodation centres was agreed.

<sup>23</sup> Gateway Reviews are carried out on major IT-enabled construction and procurement programmes and projects. These can be reviewed at six stages of the procurement lifecycle. In the case of the Bicester project, Gateway Reviews took place at Gateways 2 and 2A (Procurement Strategy) and Gateway 3 (Investment Decision).

## Interviews with key officials

**5** The majority of the project team and consultants with first hand involvement of the pilot scheme had left the Department by the time we started our review of the Bicester scheme, and our discussions took place instead with their replacements on the Home Office team. We were, however, able to discuss the benefits realisation exercise with one of the Financial Advisors at an early stage in our enquiries, which helped put the benefits exercise into context.

## Cost, benefit and budget analysis

**6** We analysed the cost, benefit realisation and budget information and net present value calculations to test the assumptions made in the cost/benefit analysis supporting the case for the accommodation pilot at Bicester.

# APPENDIX TWO

## Timeline of events

Oct 2001	Home Secretary announced major overhaul of the asylum system. Strategic business case for accommodation centres submitted to HM Treasury.
Feb 2002	Home Office issued OJEC notice and subsequently staged a bidders conference.
May 2002	Public announcement regarding the Bicester site. Home Office submitted planning application to Cherwell District Council. Pre-Qualification Questionnaires issued to 21 prospective bidders.
June 2002	Public consultation on the planning application by the Council.
July 2002	The Council objected to the planning notification. The Home Office selected five consortiums to bid for the project.
Aug 2002	Department announced appeal against the Council's objection.
Nov 2002	The Nationality, Immigration and Asylum Act 2002 passed. Bicester business case approved by the Home Office and Gateway 2 Review held.
Dec 2002 – Mar 2003	Local planning inquiry held.
July 2003	Gateway 2a Review held. Preferred Bidder selection process began. HM Treasury confirmed £116 million capital budget available for the accommodation centres project from 2003 to 2006.
Aug 2003	Secretary of State for Local Government and the Regions granted planning approval for Bicester.
Sept 2003	The three bidding consortiums submitted Final Invitation to Negotiate responses for evaluation.
Oct 2003	The Council sought judicial review.
Dec 2003	Gateway 3 Review held.
Jan 2004	Global Solutions Limited selected as preferred bidder. Bicester business case prepared for Home Office Group Investment Board.
Feb 2004	Bicester business case submitted to Home Office Group Investment Board.
Mar 2004	Judicial review hearing held.
April 2004	Judicial review rejected the Council's planning challenge. Council to appeal.



May 2004	Full business case resubmitted to Group Investment Board with results of the benefits realisation exercise included.
June 2004	Home Office signed main works contract with preferred bidder.
July 2004	Court of Appeal hearing held.
Sept 2004	The Home Office began development of the new asylum model.
Oct 2004	Court of Appeal upheld Secretary of State's decision.
Nov 2004	Council announced it would not appeal against the Court of Appeal's decision. Home Office submitted the detailed planning application to the Council.
Jan 2005	Home Office Finance Director notified by project team that the capital cost of Bicester has increased by 13 per cent since February 2004.
Feb 2005	The Council resolved to object to the detailed planning application. Ministers advised of project capital cost increases.
April 2005	Senior Responsible Officer advised Accounting Officer and ministers that Bicester was no longer economically viable.
June 2005	Immigration Minister announced that the network of ten centres would not go ahead and a few days later that the Home Office would not be proceeding with Bicester.

# APPENDIX THREE

## Comparison of Bicester costs with those for prisons

### Capital costs

**1** As part of its May 2004 benefits submission, the Home Office compared the cost of building and operating Bicester with the capital costs of three prisons. To arrive at the construction cost, the Home Office stripped out the land acquisition cost, value added tax (VAT) at 17.5 per cent and contractor costs (see Figure 12).

**2** Next, it deducted an allowance of ten per cent for Bicester being the first of a planned network of accommodation centres. It also stripped out the cost of providing a hearing cost centre and the cost of constructing facilities for functions that would not be needed at a prison, such as case-working, reporting and child education, which it estimated would occupy 50 per cent of Bicester's main buildings (see Figure 13).

**3** Assuming 750 bed spaces, the Home Office's adjusted capital cost per bed space for Bicester was £70,720. The Home Office compared the capital cost of a bed space at Bicester with a bed space at new prisons in Ashford, Peterborough and Belmarsh (see Figure 14). A bed space at Ashford and Peterborough prisons was less expensive, but Belmarsh was more expensive. Disregarding the First Movers Disadvantage allowance, a bed space at Bicester would cost £80,136.

### Operating Costs

**4** When comparing Bicester's forecast running costs with the cost of running a prison, the Home Office started with the base annual operational cost for Bicester of £25.633 million and then deducted staffing, transport, insurance and other costs that would not be incurred by a publicly run prison (Figure 15).

**5** Overall, Bicester's annual operating cost per place (£22,806) was higher than the open prison average annual running costs and those for Ford prison but lower than costs for Kirkham prison (Figure 16).

#### 12 Calculating the cost of constructing Bicester asylum accommodation centre

	(£ million)
Capital cost adjusted for optimism bias	90.624
Less Land acquisition cost	3.250
<b>Subtotal</b>	<b>87.374</b>
<b>Less VAT</b>	<b>13.013</b>
<b>Subtotal</b>	<b>74.361</b>
<b>Less Contractor costs</b>	<b>3.759</b>
Construction costs	70.602

Source: Home Office data

#### 13 Calculating the adjusted capital cost for Bicester

	(£ million)
Construction costs	70.602
Less 10% First Mover Disadvantage allowance <sup>1</sup>	7.060
<b>Subtotal</b>	<b>63.540</b>
Less cost of Hearing Centre	3.500
Less Main Building cost reduction	7.000
<b>Total</b>	<b>53.040</b>

Source: Home Office data

#### NOTE

<sup>1</sup> The Home Office believed Bicester was incurring a higher cost by being the first centre, and the allowance was to reflect this and adjust costs as if Bicester were one of a number of centres.

**14** Calculating the prisons' capital cost per bed space

Prison	Number of places	Adjusted budget (£ million <sup>1</sup> )	Budgeted capital cost per bed space (£)
Ashford	450	30.025	66,723
Peterborough	860	55.761	64,839
Belmarsh 2	600	60.765	101,277

Source: Home Office data

## NOTE

1 Based on the original budget, amended for a 25 per cent reduction in security costs, and indexing the prison costs to Quarter 2 2004 prices, so as to create a meaningful and consistent comparator with Bicester.

**15** Bicester accommodation centre amended operational costs

	(£ million)
Base annual operational cost	25.633
<b>Less Staff costs<sup>1</sup></b>	3.320
<b>Less Transport costs<sup>2</sup></b>	3.000
<b>Less Insurance cost<sup>2</sup></b>	1.627
<b>Less Sundry costs<sup>3</sup></b>	0.581
<b>Total</b>	<b>17.105</b>

Source: Home Office data

## NOTES

- 1 The cost of functions (mainly case-working and immigration related) which are not undertaken by a prison.
- 2 The cost of the local minibus service and insurance which are not required for publicly run prisons.
- 3 Such as interpreters' fees.

**16** Comparative prison operational costs per bed space

Prison	Adjusted number of bed spaces <sup>1</sup>	Annual operating cost <sup>2</sup> (£ million)	Cost per bed space (£)
Open prison average			22,290
HMP Ford	411	7.797	18,972
HMP Kirkham	479	13.373	27,920

Source: Home Office data

## NOTES

- 1 The Home Office adjusted the number of bed spaces to reflect Prison Service advice that actual utilisation within open prisons tends to be 85 per cent of available bed spaces.
- 2 The Home Office operating costs, prepared in 2001-02 were indexed at 2.5 per cent per annum (10 per cent overall) for the four years to the anticipated opening of the Bicester centre.

# APPENDIX FOUR

## The Discounted Cash Flow calculation for Bicester

### Discounted Cash Flow table cost plan option using figures at current (real) values (for analysis of benefits, see Figure 4)

All sums in £'000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Costs</b>							
1. Set up and decommission							
1.1 Capital e.g. fit out of office/ dilapidations before lease expiry	0	4,952	29,751	36,407	0	0	0
1.2 Revenue e.g. removal costs/ operation forgone during set up	0	0	0	1,702	0	0	0
2. Ongoing costs							
2.1 Revenue e.g. rent, rates, utilities, staff costs, maintenance	0	0	0	0	25,633	25,633	25,633
<b>Total cost</b>	0	4,952	29,751	38,109	25,633	25,633	25,633
<b>Benefits</b>							
3. Costs saved/efficiencies							
3.1 Revenue e.g. staff time saved and cost savings	0	0	0	0	10,648	10,648	10,648
<b>Total benefits</b>	0	0	0	0	10,648	10,648	10,648
Net cost (benefit)	0	4,952	29,751	38,109	14,985	14,985	14,985
Discount factor (3.5% real costs of capital)	1	0.9662	0.9335	0.9019	0.8714	0.842	0.8135
Net present costs (or benefit)	–	4,785	27,773	34,371	13,058	12,617	12,190

Source: Bicester Business Case, January 2004

#### NOTES

- 1 The Discounted Cash Flow reflects the proposed term of the initial contract. The site has been amortised over 30 years, although the projected design life is 60 years. After its initial term, it was expected that the contract would be re-let.
- 2 The impact of inflation has been stripped out.
- 3 Value added tax was stripped out as this did not constitute a cost to Government.

Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Cumulative Totals
0	0	0	0	0	0	0	0	71,110
0	0	0	0	0	0	0	0	1,702
25,633	25,633	25,633	25,633	25,633	25,633	25,633	0	256,330
25,633	25,633	25,633	25,633	25,633	25,633	25,633	0	329,142
10,648	10,648	10,648	10,648	10,648	10,648	10,648	0	106,480
10,648	10,648	10,648	10,648	10,648	10,648	10,648	0	106,480
14,985	14,985	14,985	14,985	14,985	14,985	14,985	-	222,662
0.786	0.7594	0.7337	0.7089	0.6849	0.6618	0.6394	0.6178	
11,778	11,380	10,994	10,623	10,263	9,917	9,581	-	179,330

# APPENDIX FIVE

## Detailed evaluation criteria and weightings

Principal criteria	Weighting (per cent)	Sub-weighting of main elements
Project management approach	10	<ul style="list-style-type: none"> <li>■ Approach for delivery of the facility (8)</li> <li>■ Measures of success (8)</li> <li>■ Excellence in construction (8)</li> <li>■ Management and integration of design, construction and operational implementation teams (8)</li> <li>■ Management of professional teams (8)</li> <li>■ Communications strategy with internal and external stakeholders (8)</li> <li>■ Named representatives (3)</li> <li>■ Professional advisers (3)</li> <li>■ Risk management strategy (8)</li> <li>■ Value engineering strategy (8)</li> <li>■ Indicative programme for delivery (30)</li> </ul>
Legal response	10	<ul style="list-style-type: none"> <li>■ Acceptance of commercial and contractual terms (60)</li> <li>■ Completion of required Schedules (10)</li> <li>■ Full mark up of the Form of Guarantee (30)</li> </ul>
Financial response	15	<ul style="list-style-type: none"> <li>■ Construction specific pricing information (10)</li> <li>■ Equipment Specification Costs details (2.5)</li> <li>■ Construction period payment mechanism details (10)</li> <li>■ Pricing information for the operational period (5)</li> <li>■ Operational start up and specification costs (22.5)</li> <li>■ Operational period payment mechanism and availability and performance evaluation details (45)</li> <li>■ Net present value calculation (5)</li> </ul>
Design and construction proposal	30	<ul style="list-style-type: none"> <li>■ Design process management commentary (3)</li> <li>■ Cultural image of the facility (5)</li> <li>■ Innovation (2)</li> <li>■ Approach to services planning (2)</li> <li>■ Construction management (9)</li> <li>■ Construction design and management (2.5)</li> <li>■ Value engineering (2)</li> <li>■ Design quality (4)</li> <li>■ Design strategy (3)</li> <li>■ Sustainable design strategy (5)</li> <li>■ Secure design strategy (2)</li> <li>■ Site analysis (4)</li> <li>■ Site development (7)</li> </ul>

Principal criteria	Weighting (per cent)	Sub-weighting of elements
Design and construction proposal <i>continued</i>	35	<ul style="list-style-type: none"> <li>■ Compliance with planning (3)</li> <li>■ Landscaping and external management (2)</li> <li>■ Physical security (4)</li> <li>■ Building services requirements (12)</li> <li>■ Building requirements (16)</li> <li>■ Information management and technology (3.5)</li> <li>■ Equipment to be provided on site (7)</li> </ul>
Approach to the delivery of services and maintenance	35	<ul style="list-style-type: none"> <li>■ Management strategy from scheduled opening date to contract termination (1)</li> <li>■ Organisation structure (2)</li> <li>■ Liaison/communication (1)</li> <li>■ Information management (1)</li> <li>■ Implementation (1.5)</li> <li>■ Performance management (1)</li> <li>■ Human resources (1)</li> <li>■ Pension scheme proposals (1)</li> <li>■ Risk management and contingency planning (1)</li> <li>■ Operations management (7)</li> <li>■ Child protection (1)</li> <li>■ Healthcare (10)</li> <li>■ Education (10)</li> <li>■ Purposeful activity (6)</li> <li>■ Library (2.5)</li> <li>■ Sport and physical activity (1.5)</li> <li>■ Youth club (1)</li> <li>■ Volunteer management (1.5)</li> <li>■ Interpretation services (5)</li> <li>■ Religious observance (2)</li> <li>■ Reception (2)</li> <li>■ Helpdesk (2)</li> <li>■ Security (6)</li> <li>■ Catering and vending (3)</li> <li>■ Payment systems (1)</li> <li>■ Retail services (4)</li> <li>■ Transport services (6)</li> <li>■ Cleaning (3)</li> <li>■ Waste (0.5)</li> <li>■ Health and safety (2)</li> <li>■ Environment (1)</li> <li>■ Fire protection (1)</li> <li>■ Building fabric and equipment maintenance (1)</li> <li>■ Mechanical and electrical maintenance (1)</li> <li>■ Draft maintenance plan (4.5)</li> <li>■ Handback (0.5)</li> </ul>





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