

# Project Summary

## Partnerships Victoria Ravenhall Prison Project

February 2015



Prepared by the Department of Justice & Regulation in conjunction with the Department of Treasury and Finance

Authorised and published by the Victorian Government,  
1 Treasury Place, Melbourne

February 2015

ISBN 978-1-921627-95-8

Printed by On Demand, Port Melbourne



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# Foreword

This Project Summary provides information about the contractual and commercial aspects of the Ravenhall Prison Project (Project) and is divided into two parts. The first part is an overview of the Project, including the rationale for undertaking it under the Partnerships Victoria framework, and summarises the tender process, the value-for-money calculation, the public interest considerations for the Project and the Project timetable. The second part details the key commercial features of the Project, including the main parties and their general obligations, the broad allocation of risk between the public and private sectors and the treatment of various key Project issues.

Partnerships Victoria forms part of the Victorian Government's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure and service delivery. The Partnerships Victoria framework uses private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National Public Private Partnership Policy and Guidelines and supplementary Partnerships Victoria Requirements. Further information on the Partnerships Victoria framework is available at [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au).

This summary should not be relied upon to completely describe the rights and obligations of the parties in respect of the Project, which are governed by the Project Agreement and associated documents. The Project Agreement and associated documents are available online at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au).

**Figure 1: Artist's impression of the new prison**





# Contents

<b>1</b>	<b>Project overview</b>	<b>5</b>
1.1	The Ravenhall Prison Project	5
1.2	A Partnerships Victoria public private partnership	9
1.3	Project Scope	10
1.4	Procurement process	10
1.5	Value for money	13
1.6	Public Interest Test	15
1.7	Project milestones	15
<b>2</b>	<b>Key commercial features</b>	<b>16</b>
2.1	Project documents	16
2.2	Parties to the Project Agreement and documents	16
2.3	Project contractual relationships	17
2.4	Risk transfer	18
2.5	General obligations of GEO Consortium	21
2.6	General obligations of the State	23
2.7	Payment mechanism and performance regime	24
2.8	Default, termination and step-in regimes	28
2.9	Finance	29
2.10	State rights at expiry of contract	29
2.11	Additional contract provisions	30
2.12	Audit and inspection rights of the State	30
2.13	Current version	30
<b>Appendix 1</b>	<b>Glossary</b>	<b>31</b>
<b>Appendix 2</b>	<b>Useful references</b>	<b>32</b>
<b>Appendix 3</b>	<b>Key contact details</b>	<b>33</b>
<b>Appendix 4</b>	<b>Evaluation Criteria</b>	<b>34</b>
<b>Appendix 5</b>	<b>Public Interest Test</b>	<b>36</b>



# 1 Project overview

## 1.1 The Ravenhall Prison Project

On 15 September 2014, the State of Victoria contracted with GEO Consortium to design, build, finance, operate and maintain a new medium-security men's prison to be located at Ravenhall, in Melbourne's west.

Ravenhall is an essential part of Victoria's prison expansion program. The new prison will initially accommodate 1,000 prisoners, with built capacity for 1,300 prisoners should this be required in the future. The prison will enhance community safety by securely and humanely containing prisoners and providing programs and services designed to reduce reoffending.

The Project represents a significant investment in correctional infrastructure and services through which GEO Consortium will deliver a modern facility that will play a significant role in the Victorian corrections system. The Project will also generate economic benefits including creating 700 jobs during peak construction periods and more than 600 ongoing jobs.

Along with providing vital capacity for the corrections system, Ravenhall will specifically focus on a number of areas such as forensic mental health (FMH) and programs and services designed to reduce reoffending. The prison will include 75 dedicated forensic mental health beds, more than doubling the number of such beds across the Victorian prison system.

### The Consortium

The major GEO Consortium members are GEO Group (prison operator and equity investor), John Holland (builder), Honeywell (facilities management) and Capella Capital (financial adviser). These consortium members have significant expertise in corrections and in public private partnership (PPP) projects. Key alliance partners, including Kangan Institute, YMCA, The Western Suburbs Indigenous Gathering Place Association and Melbourne City Mission, will deliver programs and services both in custody and post-release. Forensicare will provide forensic mental health services at the prison and Correct Care Australasia (formerly GEO Care) will provide health services.

### The prison

The new prison will include a mix of low-rise accommodation, administration, programs, health and mental health facilities, industries and recreation buildings surrounded by a solid perimeter wall. Refer to Figure 3.

The facility will include:

- accommodation for mainstream and protection prisoners
- 75 inpatient forensic mental health beds
- a 25-bed 'Close Supervision Unit' for a small but highly complex group of prisoners with particularly challenging behaviours
- a self-contained 25-bed unit that can be adapted to cater for prisoners with particular needs, initially providing a residential drug treatment program for younger prisoners.

A Corrections Victoria Statewide Services Building will be constructed externally to the prison.

## The Project site

The prison will be located on Department of Justice & Regulation<sup>1</sup> land at Ravenhall, adjacent to Riding Boundary Road and the Deer Park Bypass in the City of Melton. The City of Brimbank boundary lies to the east.

The land is generally flat and consists of open paddocks that contain patches of remnant native grassland and some scattered trees. All required planning, environmental and cultural heritage approvals for this site are in place. The site is buffered to the west by a conservation reserve, the Regional Rail Link, a quarry and landfill, and to the east by the Deer Park Bypass and a conservation reserve. To the north is the Dame Phyllis Frost Centre and to the south is the Metropolitan Remand Centre.

Figure 2: Site diagram



## Community engagement

The local community is playing a vital role in planning and developing the prison. A Community Advisory Group was established in December 2012 to coordinate local input into planning the prison. The group includes members of the local community and representatives from Brimbank and Melton councils, Victoria Police and the Department of Justice & Regulation. A senior representative of GEO Consortium joined the Community Advisory Group at the end of 2014. An independent person appointed by the Minister for Corrections chairs the Community Advisory Group.

The Western Metropolitan Regional Aboriginal Justice Advisory Committee has assisted in providing an Indigenous perspective in planning for the prison.

The Community Advisory Group and the Regional Aboriginal Justice Advisory Committee will continue to facilitate local and Indigenous input to the Project through the Development Phase.

Further community information sessions will be held during the Development Phase.

<sup>1</sup> The Department of Justice became the Department of Justice & Regulation on 1 January 2015.



Figure 3: Prison masterplan



## Project objectives and areas of focus

The State's Project objectives are to:

- provide additional capacity in the Victorian prison system
- provide additional forensic mental health services to prisoners
- provide additional capability in reducing reoffending
- encourage innovative practices and operational efficiencies that support value for money.

Table 1 sets out the areas of focus identified by the State for the prison.

**Table 1: Areas of focus**

Area of focus	Description
New approaches to reducing the risk of reoffending	Adding the prison to the Victorian prison system presents an opportunity to strengthen existing services and develop new approaches to reducing reoffending.
An integrated and holistic model of care for prisoners with a mental illness	The specialist services provided by the prison's forensic mental health services will significantly increase capacity for the treatment of prisoners with a mental illness in the men's prison system. These services are intended to provide flexible treatment options, including integrated levels of care incorporating a range of 'step up' and 'step down' services and greater opportunities for follow-up care. The services provided at the prison will integrate with existing forensic mental health services across the Victorian prison system.
A targeted approach for prisoners with challenging behaviours	The prison system requires targeted management strategies and placement options for a small but very complex group of prisoners with particularly challenging behaviours. Such an approach could provide prevention and early intervention services to minimise the risk of prisoners' behaviours escalating.
Indigenous prisoners	There is a need to respond to the ongoing overrepresentation of Indigenous prisoners in the Victorian prison system. In particular, younger Indigenous prisoners, those serving shorter sentences and those with high transitional needs require access to targeted and culturally appropriate services.
Improved responsiveness to the complexities of younger prisoners	There is a system need to respond to the growing number of young offenders, particularly those who present with violent or challenging behaviours. Young offenders differ from older offenders in many respects, including the type and frequency of their offending. Research shows there are particularly effective ways to work with young people, and that youth-specific programs can help younger prisoners desist from crime.
Programs and services for prisoners serving shorter sentences	Short-term prisoners require access to programs and services appropriate to their risks, needs and sentence length. The management of this group could be enhanced by coordinating programs and services that support prisoners in custody and the community, including: <ul style="list-style-type: none"> <li>• offence-specific and personal development programs tailored to meet individuals' needs and appropriate to their sentence length</li> <li>• effective release preparation and post-release programs.</li> </ul>
Pre and post-release services	Effective release preparation, transitional planning and 'through-the-gate' post-release programs in the community will facilitate effective reintegration by supporting housing, education and training, and employment. These services are also important for prisoners who have a history of non-compliance with community-based supervision or whose parole has been cancelled.

## 1.2 A Partnerships Victoria public private partnership

Ravenhall Prison Project is a PPP under the Victorian Government's Partnerships Victoria framework. The Partnerships Victoria model seeks to achieve better value for money by capturing the expertise and efficiencies of the private sector in designing, financing, building and maintaining infrastructure projects and providing services on a whole-of-life basis where appropriate.

The Partnerships Victoria framework requires that projects comply with the:

- National PPP Policy and Guidelines (National PPP Guidance) that apply across all state, territory and Commonwealth arrangements
- requirements specific to Victoria as detailed in the Partnerships Victoria Requirements (updated in May 2013).

Details of the National PPP Guidance and the Partnerships Victoria Requirements are available at [www.infrastructureaustralia.gov.au](http://www.infrastructureaustralia.gov.au) and [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) respectively.

### Procurement assessment

In 2011, the State considered a range of procurement models in the business case and identified several for detailed assessment, including:

- unbundled construction-based models – procuring the design and construction of the prison is separate from its ongoing operation and maintenance
- the following PPP procurement models:
  - the 'core services' model – bundling design and construction with hard facilities management and lifecycle responsibility in a PPP contract, with support services (such as treatment and transitional programs and health services) separately provided and government providing custodial services
  - the 'core services plus' model – bundling design and construction with hard facilities management, lifecycle responsibility and support services in a PPP contract, with government providing custodial services
  - the 'full service' model – bundling design and construction with hard facilities management, lifecycle responsibility, support services and custodial services in a single PPP contract.

The State considered a range of key procurement drivers, including:

- the timeliness and certainty of operational commencement
- the opportunity to deliver better operational and service solutions
- whole-of-life design and maintenance outcomes
- the likelihood of a competitive outcome
- optimal risk transfer
- the level and complexity of interface arrangements
- the industrial relations implications
- market appetite and capability.

After a detailed assessment of the various delivery models in the business case undertaken for the Project, the State selected the 'full service' PPP model as the preferred option. Its key strengths were:

- The 'full service' PPP model was rated highly for the timeliness and certainty of operational commencement, as efficiencies would arise from the removal of operational interfaces with the State.
- The 'full service' PPP model was considered to provide the greatest opportunity to deliver better operational and service solutions.
- The 'full service' PPP model would provide an optimum level of risk transfer.
- The 'full service' PPP model would offer the strongest competitive outcome.

PPP models were assessed as providing superior whole-of-life design and maintenance outcomes compared to unbundled construction-based models.

**Figure 4: View of internal accommodation block**



## 1.3 Project Scope

### Prison capacity

In May 2012, the former government announced funding for a 500-bed prison with some in-ground utility service capacity for expansion to 1,000 beds, and the provision of a physical perimeter for a 1,000-bed footprint.

In September 2013, the government, responding to growing demands on the state's prison system, announced the prison would be built to accommodate 1,000 prisoners.<sup>1</sup>

### Delivery of forensic mental health services

The prison will incorporate 75 dedicated forensic mental health beds, along with forensic mental health services for approximately 100 other prisoners at the prison on an outpatient basis. This will significantly increase capacity for the treatment of prisoners with a mental illness in the men's prison system.

Forensicare, a Victorian Government statutory agency and specialist provider of services for offenders with mental health conditions, provides similar services in the existing prison system. After assessing options for the delivery of forensic mental health services at the prison, the State elected to utilise a nominated subcontractor model, whereby forensic mental health services were included in the PPP scope and Forensicare would be engaged by the winning consortium as the forensic mental health services provider.

## 1.4 Procurement process

The State conducted a competitive tender process to identify the private sector party who would deliver the Project. The procurement process was implemented in accordance with the Partnerships Victoria framework to ensure that the State received the best value-for-money outcome. The procurement process involved three stages:

1. EOI Phase, involving an Invitation for Expressions of Interest (EOI) from the market, receipt and evaluation of EOI submissions and the shortlisting of Respondents to proceed to the RFP Phase.
2. RFP Phase, involving the issue of a Request for Proposal (RFP) to shortlisted Respondents, an intensive interactive tender process, submission of proposals, and a clarification and evaluation phase.
3. Negotiation and Completion Phase, involving a negotiation period, the appointment of a Preferred Respondent, final negotiations, followed by the execution of the Project documents and the achievement of Financial Close.

Table 2 sets out the key dates in the procurement process.

<sup>1</sup> Under the Project Agreement between the State and GEO Consortium, the prison will be built with capacity for 1,300 prisoners, should this be required in the future.

**Table 2: Project procurement – key dates**

Procurement Process	Date
<b>EOI Phase</b>	
Invitation for EOI issued	5 June 2013
EOIs submitted	18 July 2013
Shortlist of Respondents to proceed announced	10 October 2013
<b>RFP Phase</b>	
RFP issued	14 November 2013
RFP proposals received	10 April 2014
<b>Negotiation and Completion Phase</b>	
Preferred Respondent announced	1 August 2014
Contractual Close	15 September 2014
Financial Close	16 September 2014

**Governance structure**

The State instituted a formal project governance structure to oversee the procurement process, including the evaluation of the detailed RFP proposals. The governance structure is represented in Figure 6.

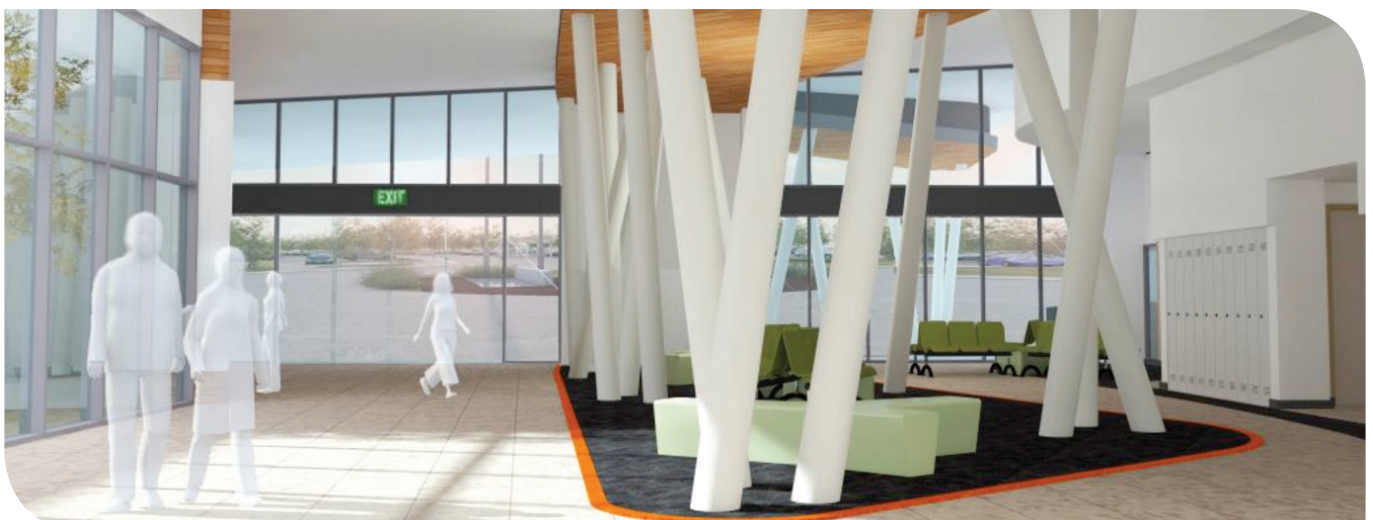
An Evaluation Panel supported by three discipline-based evaluation sub-panels conducted the EOI and RFP evaluations. The sub-panels comprised:

- Commercial Sub-panel
- Services Sub-panel
- Facilities Sub-panel.

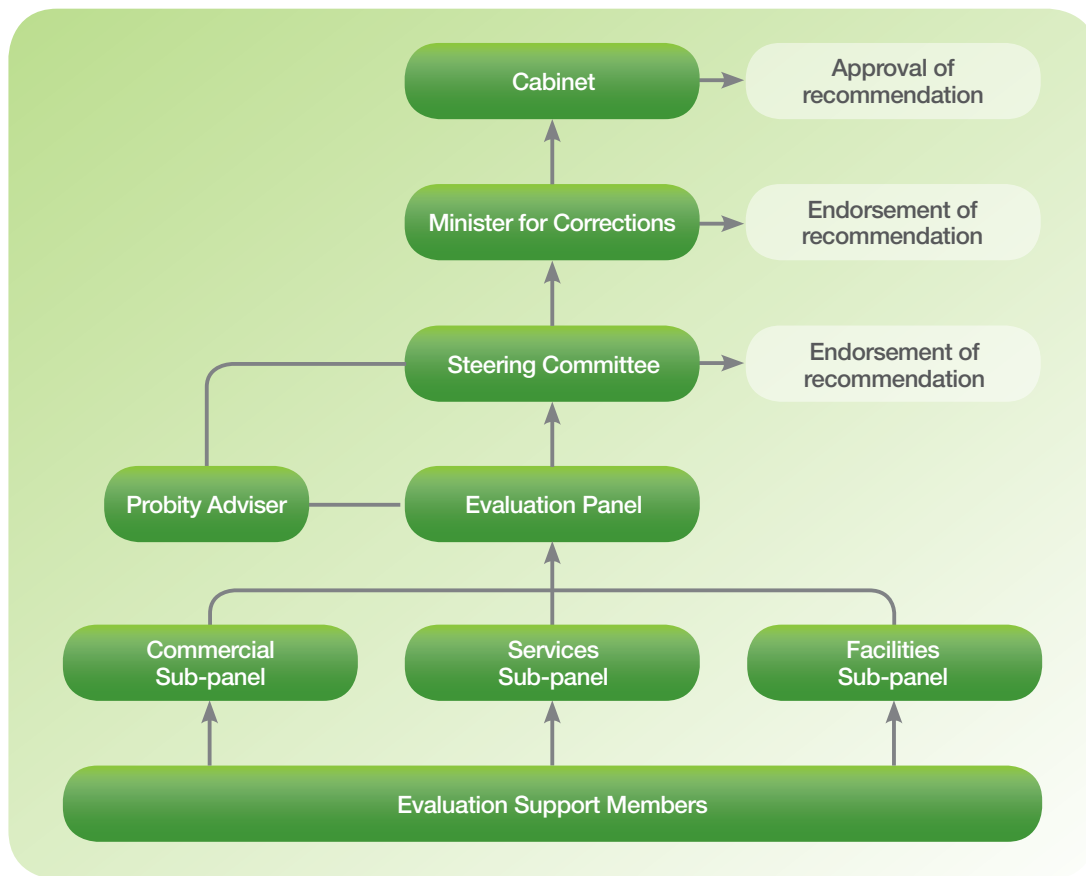
The State selected Evaluation Panel and sub-panel members based on government stakeholder representation (including the Department of Treasury and Finance) and requirements for appropriate and relevant skills and experience. Department of Justice & Regulation staff, specialist advisers and other government agencies, such as the Office of the Victorian Government Architect, supported the sub-panels as required. The Evaluation Criteria used in the assessment of proposals are presented in Appendix 4.

The Evaluation Panel reported to an Interdepartmental Steering Committee, which included senior representatives of the Department of Justice & Regulation, the Department of Treasury and Finance and the Department of Premier and Cabinet.

**Figure 5: View of the staff and visitor entry to the prison**



**Figure 6: Evaluation governance structure**



### Procurement outcome

Four interested consortia submitted EOIs and two were selected to proceed to the RFP Phase. The RFP was issued to the two shortlisted consortia on 14 November 2013. The State conducted a comprehensive interactive tender process, involving numerous workshops with each consortium. The consortia submitted their RFP proposals on 10 April 2014.

Following an extensive RFP evaluation process, the State entered into negotiations with GEO Consortium. After the completion of this negotiation period, the State announced GEO Consortium as the Preferred Respondent.

Following this announcement, the parties negotiated the final form of the Project documents and executed the Project Agreement and ancillary contracts that govern the Project.

### Probity

The tender process was undertaken within a robust probity framework, endorsed by the Project's probity adviser, based on the following probity principles:

- fairness and impartiality
- use of a competitive process
- consistency and transparency
- security and confidentiality
- identification and resolution of conflicts of interest
- compliance with government policies as they apply to tendering.

At the completion of the tender process, the probity adviser confirmed that the process had been conducted in accordance with the applicable requirements.

## 1.5 Value for money

The Partnerships Victoria framework seeks to identify and implement the most efficient form of infrastructure and service delivery. The concept of value for money goes beyond the selection of the cheapest solution, focusing on the true value of each delivery option. This involves an in-depth analysis of each proposal received from the private sector and comparison against a State-managed delivery option. The analysis considered quantifiable elements (for example, items that can be quantified in monetary terms or as a quantity of volume or throughput) as well as qualitative considerations.

### Public Sector Comparator

The Public Sector Comparator (PSC) is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed in accordance with the proposed output specification and risk allocation included in the RFP, and is based on the most likely and efficient form of conventional (that is, non-PPP) delivery by the State.

The PSC is expressed in terms of the Net Present Cost to the State, calculated using a discounted cash flow method and taking full account of the costs and risks that would arise through conventional delivery by the State. The PSC includes amounts for the design and construction of the Facilities, and for the lifecycle, asset service, and operating costs during the 25-year Operating Phase of the Project.

The PSC is made up of a number of elements, as indicated in Table 3.

**Table 3: Components of the Public Sector Comparator**

Components of the PSC	Net Present Cost (\$m)
Capital costs	539
Lifecycle and asset service costs	285
Operating costs	2,198
<b>Raw PSC</b>	<b>3,022</b>
Transferred risks	203
<b>PSC (excluding retained risk)</b>	<b>3,225</b>

#### Note:

- All values are expressed in net present values as at 30 September 2014 and discounted at a nominal discount rate of 4.65% per annum in accordance with the Infrastructure Australia guidance that applies under the Partnerships Victoria framework.
- The transferred risk totalling \$203 million Net Present Cost refers only to those capital, lifecycle and operating risks transferred to the private sector under the Partnerships Victoria arrangements (i.e. those risks that the State would otherwise assume) and excludes the State's estimates of its retained risks.

### Scope ladder

Consistent with the Partnerships Victoria Requirements published in May 2013, an affordability benchmark approach including a scope ladder was approved alongside the PSC. The purpose of the scope ladder is to identify any scope items that Respondents can either remove or add should bids be over or under the PSC. Government sought to maximise the Project scope by using the PSC as an upper limit for total cost, or an affordability benchmark.

The scope ladder sought additional capacity to accommodate up to 1,300 prisoners. If a Respondent had capacity within the PSC affordability benchmark, it was required to include as much of this additional capacity as possible, rather than offering the State lower capacity at a cost below the PSC affordability benchmark. The scope ladder is evaluated as part of the risk-adjusted cost of the proposal, however it does not outweigh assessment against the primary evaluation criteria.

## Net Present Cost of GEO Consortium's proposal

The cost of GEO Consortium's winning proposal consists of a State Capital Contribution payable upon Commercial Acceptance and quarterly service payments payable during the 25-year Operating Phase of the Project. The State Capital Contribution of \$310 million is equal to 40 per cent of the debt which was forecast at Financial Close to be outstanding at Commercial Acceptance.

Table 4 sets out the Net Present Cost of GEO Consortium's proposal and compares this cost against the PSC.

**Table 4: Comparison of the cost of GEO Consortium's proposal against the PSC**

PSC (\$m)	Net Present Cost of GEO's winning proposal (\$m)	Savings (\$m)	Savings (%)
3,225	2,529	696	22

**Note:** All values are expressed in net present values as at 30 September 2014. In accordance with the Infrastructure Australia guidance that applies under the Partnerships Victoria framework, the PSC has been discounted at a nominal discount rate of 4.65% per annum, and GEO Consortium's proposal has been discounted at a nominal discount rate of 5.55% per annum (and 5.45% per annum for the State Capital Contribution). The Net Present Cost represents the cost of the Project to the State in today's dollars, taking into account the time value of money (using the discount rates above). This is accepted as the most financially robust and appropriate method for comparing costs of long-term projects.

The \$2,529 million Net Present Cost of GEO Consortium's proposal includes design and construction costs, operating costs, maintenance and facilities management costs over 25 years.

Moreover, the outcomes delivered by GEO Consortium within the contract price include delivery of the full scope ladder such that the prison will have capacity to accommodate an additional 300 prisoners. The State has the option to activate all or part of this additional capacity at an agreed price at any time during the term of the Project Agreement. Use of the scope ladder has future-proofed the prison and provided an efficient and cost-effective way of delivering additional capacity.

The total nominal undiscounted cost of construction and operations including the Forensicare fee is \$6.3 billion. A nominal figure will be reported in the State of Victoria's Annual Financial Report.

## Additional value-for-money benefits of GEO Consortium's proposal

In addition to delivering the full scope ladder at a price 22 per cent below the PSC, GEO Consortium's proposal also provides the following value-for-money benefits:

- GEO Consortium's construction program enables the prison to start taking prisoners in November 2017, ahead of the State's planned timeline of construction completion.
- GEO Consortium's construction program enables early delivery of the Statewide Services Building, which it targets completing in February 2017.
- GEO Consortium has an effective operating model that delivers operational efficiencies.
- GEO Consortium will use innovative technology within the prison.
- GEO Consortium's proposal includes a 25-bed unit providing an innovative suite of targeted individual management strategies for a small but complex group of prisoners with specific needs.
- GEO Consortium has an integrated model of care for prisoners with a mental illness.
- GEO Consortium has established innovative partnerships with community organisations in its Ravenhall Alliance (including Melbourne City Mission, YMCA, The Western Suburbs Indigenous Gathering Place, and Kangan Institute) to deliver better post-release outcomes, including the establishment of a post-release reintegration centre.
- The Project is a strategic project under the Victorian Industry Participation Policy guidelines. GEO Consortium exceeded both the 85 per cent base and 90 per cent stretch targets for local content set under the guidelines over the term of the contract.



- GEO Consortium has committed to targets for Indigenous employment in excess of those set by the State in both the construction and operational phases of the Project.
- GEO Consortium has committed to targets for reductions in recidivism, both overall and for Indigenous prisoners, which exceed the State's requirement.
- GEO Consortium has offered a competitive price should the State decide to make use of the scope ladder capacity available to accommodate an additional 300 prisoners.

### Other costs

In addition to the costs shown above for the PSC and the Net Present Cost of GEO Consortium's winning proposal, the State will also meet a range of other costs in relation to the Project, including:

- payments to Forensicare for the delivery of forensic mental health services at the prison
- payments for pharmaceutical costs incurred at the prison
- payments for utilising the capacity available to accommodate an additional 300 prisoners, which can be activated and deactivated at the State's discretion
- costs of elements of the correctional services system that will interface with the prison, as outlined in 2.6 General obligations of the State on page 21.

## 1.6 Public Interest Test

At various stages throughout the development of the Project, the State made an assessment of the extent to which the Project was in the public interest. The analysis was undertaken in accordance with the Partnerships Victoria guidance on how to evaluate whether a project meets the public interest.

At all stages the State considered that, on balance, the public interest was being protected. Appendix 5 contains a summary of the Public Interest Test.

## 1.7 Project milestones

GEO Consortium's proposal, which has been accepted by the State, included proposed Project milestones ahead of the State's target dates. GEO Consortium's milestones are set out in Table 5.

**Table 5: Project milestones**

Project milestone	Date
Commencement of construction of the prison	Early 2015
Commercial Acceptance	31 October 2017
Ramp-up of prison operations	Late 2017/Early 2018
End of Project term	2042

# 2 Key commercial features

## 2.1 Project documents

On 15 September 2014, the then Minister for Corrections, on behalf of the State, executed the Project Agreement and other associated documents with Project Co and other related parties to design, construct and finance the Project, and to operate and maintain the prison over a 25-year term.

In accordance with government policy, the executed Project Agreement and associated documents are publicly disclosed and available at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au).

## 2.2 Parties to the Project Agreement and documents

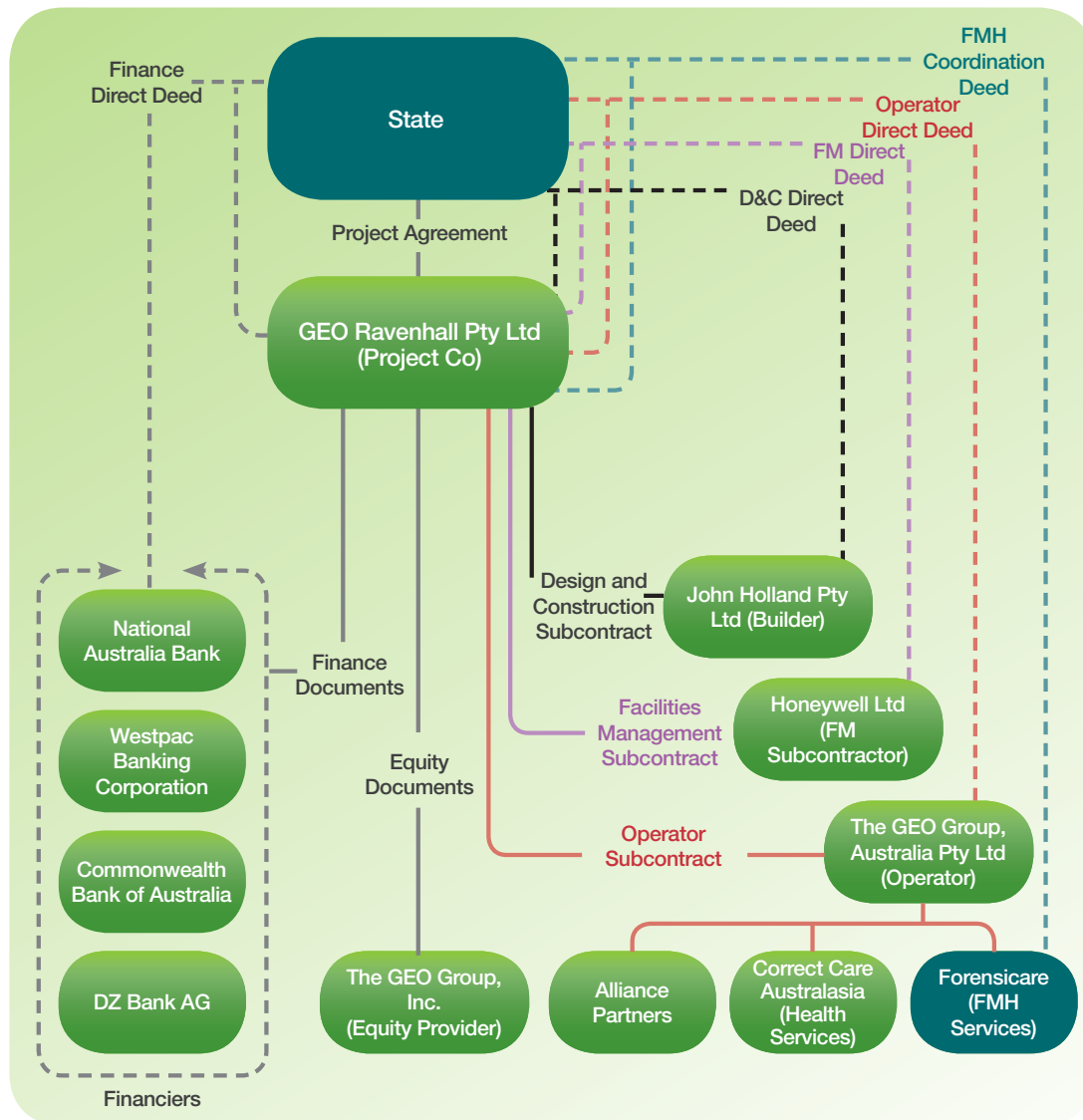
The relevant parties under the contractual arrangements are:

- **The State:** The State is a signatory to the Project Agreement and other ancillary Project documents. The Minister for Corrections is the person empowered to execute these contracts on behalf of the State.
- **Project Co:** GEO Ravenhall Pty Ltd in its capacity as trustee of the GEO Ravenhall Trust is the counterparty to the Project Agreement, and is the main contracting entity with the State. GEO Ravenhall Pty Ltd, in turn, has entered into a range of contractual relationships with its consortium partners to deliver elements of the Project. Notwithstanding this, GEO Ravenhall Pty Ltd will be the organisation ultimately responsible for the delivery of the Project.
- **Equity Provider:** The GEO Group, Inc. has committed to provide the total equity required by Project Co.
- **Financiers:** National Australia Bank Limited, Westpac Banking Corporation, Commonwealth Bank of Australia Limited and DZ Bank AG are the initial lenders providing the total debt required by Project Co. The debt is drawn progressively from Financial Close.
- **Builder:** Project Co has engaged John Holland Pty Ltd to undertake the design and construction of the prison. John Holland Pty Ltd has engaged Guymer Bailey Architects together with Peter Hunt Architect to design the prison, with Jacobs as technical advisers.
- **Operator:** Project Co has engaged The GEO Group Australia Pty Ltd to operate the prison.
- **Facilities Management Subcontractor:** Project Co has engaged Honeywell Ltd to deliver facilities management services and security systems.
- **Alliance Partners:** Project Co has engaged Kangan Institute, YMCA, The Western Suburbs Indigenous Gathering Place Association and Melbourne City Mission as alliance partners to deliver programs and services both in custody and post-release.
- **Health Services Provider:** The GEO Group Australia Pty Ltd has engaged Correct Care Australasia (formerly GEO Care) to provide health services at the prison.
- **Forensic Mental Health Services Provider:** The GEO Group Australia Pty Ltd has engaged Forensicare to provide forensic mental health services at the prison, as nominated by the State. Forensicare is a Victorian Government statutory agency established in 1997 to provide forensic mental health services to adults in Victoria.

## 2.3 Project contractual relationships

The relationship between the State, Project Co and other related parties is detailed in the Project Agreement and associated documents. Figure 8 outlines the structure and principal agreements required for implementing the Project.

Figure 8: Project contractual relationships



## 2.4 Risk transfer

The risk allocation in the Project Agreement is consistent with the Partnerships Victoria framework. In Partnerships Victoria projects, the State seeks to achieve best value for money by allocating risks to the party best able to manage them. This process results in various risks being:

- retained by the State
- transferred to the private sector, and/or
- shared between the parties.

The Project Agreement and associated documents establish the obligations of each party in managing these risks.

Table 6 provides a high-level outline of the risk allocation for the Project. Where a risk is allocated to both parties, the parties may not share that allocation equally. All risks are dealt with in detail in the Project Agreement and associated documents.

**Table 6: Risk allocation**

Risk category	Description or comment	State	Project Co
<b>Planning risk</b>			
Obtaining planning approvals	Risk that necessary planning and environmental approvals are not granted before commencement of construction.	✓ (The State has appropriately zoned for use as a correctional facility, and has obtained the approvals required under the Commonwealth <i>Environment Protection and Biodiversity Conservation Act 1999</i> and under relevant State legislation.)	✓ (Project Co is responsible for all planning approvals other than those for which the State is responsible.)
<b>Site risks</b>			
Contamination	The State will procure a certificate or statement of environmental audit and assign warranties from consultants to Project Co.	✓ (Only where the State causes the contamination; where the contamination has migrated from another site; or (to a very limited extent) where it is necessary to remove contaminated material off site.)	✓
Artefacts and heritage claims	Risk that the site has archaeological or cultural significance (above or below ground).	✓ (Only for continued delay after the first 10 days following a directed suspension.)	✓
Native title	Risk that the site is the subject of a native title claim.	✓ (Only for continued delay after the first 10 days following a directed suspension.)	✓
Rates	Payment of rates for the Project (if applicable).	✓ (Only in respect of the site.)	✓
<b>Design, construction and commissioning risks</b>			
Design risk	Risk that the design development process cannot be completed on time or to budget, or that the design does not meet (or does not allow the Services to be performed as required by) the Output Specification.		✓

Risk category	Description or comment	State	Project Co
<b>Design, construction and commissioning risks</b>			
Construction risk	Risk that construction cannot be completed on time or to budget.		✓
Defects risk	Risk that defects are discovered after construction is completed.		✓
Equipment	Responsibility for the selection, procurement and maintenance of equipment.	✓ (Certain limited State equipment in the Statewide Services Building.)	✓
Fitness for purpose (at completion)	Risk that the Facilities are not fit for purpose or otherwise do not meet the contractual requirements.		✓
State-initiated modifications	Risk that the State will demand a significant variation to the Facilities or Services to be provided by Project Co.	✓ (Except that pricing of Margins and preliminaries for modifications are pre-set in the Project Agreement.)	
Commissioning	Risk that the Facilities cannot be commissioned in accordance with the agreed criteria.		✓
<b>Operational risks</b>			
Fitness for purpose (during the Operating Phase)	Risk that the Facilities are not fit for purpose, including because they do not allow Project Co to perform the Services as required.		✓
Operational costs (non-Reviewable Services)	Risk that operational costs exceed Project Co's budgeted costs over the Operating Phase.		✓
Operational costs (Reviewable Services)	Risk that operational costs exceed budgeted costs over the Operating Phase.	✓ (The State bears repricing risk each time the Reviewable Services are reviewed subject to certain constraints on repricing.)	✓ (Project Co bears all risk during each reviewable services term.)
Operational requirements	Risk that the requirements for operation to meet the State's specification are different than anticipated (subject to the risks identified below).		✓
Forensic mental health services	Risk that the forensic mental health services are not properly performed, exceed budgeted costs or interfere with the delivery of the Services.	✓ (To the extent that Forensicare fails to properly perform the forensic mental health services or interferes with Project Co's delivery of services, despite Project Co meeting its administrative oversight and coordination obligations.)	✓ (To the extent that Project Co's failure to meet its forensic mental health administrative oversight and coordination obligations causes the loss.)
Lifecycle costs	Risks associated with the maintenance, replacement and refurbishment of the Facilities.		✓

Risk category	Description or comment	State	Project Co
<b>Operational risks</b>			
Utility price and volume risk	Risk of change in the price of the utilities required at the Facilities, and energy demand risk.	✓ (Only in respect of the Statewide Services Building during the Operating Phase and in respect of changes in Unit Rates.)	✓ (Project Co bears all risk during design and construction, and all risk during the Operating Phase except in respect of the Statewide Services Building and Unit Rates.)
Handback condition	Risk that on expiry of the term, the Facilities do not meet the required standard.		✓
<b>Changes in law or policy</b>			
Changes in law and policy (general)	Risk that a change in legislation, or mandatory policy, applying generally, will affect the Services or the design or construction of the Facilities.	✓ (The State bears the risk of general changes in law after the Development Phase and changes in policy for the term.)	✓ (During the Development Phase for general changes in law.)
Changes in law and policy (project-specific)	Risk that a change in legislation, or mandatory policy, applying exclusively to the Project will affect the Services or the design or construction of the Facilities.	✓	
Tax risk	Risk of changes in income tax, GST or the law relating to taxes generally.		✓
<b>Force majeure</b>			
Force majeure	Risk of a defined 'force majeure' event affecting construction or the provision of the Services.	✓ (Only to the extent that the State may need to continue to make payments to service senior debt and for uninsurable risks that cause damage.)	✓
<b>Finance risk</b>			
Interest rate risk from Financial Close to the first refinancing	Risk of movements in interest rates.		✓
Interest rate risk from the first refinancing over the balance of the term of the Project Agreement	Risk of movements in interest rates.	✓ (The State takes the risk of base interest rate movements from the first refinancing and shares in the benefit of any reduction in interest margins.)	✓ (Project Co takes the risk of any increase in interest margins from the first refinancing and shares in the benefit of any reduction in interest margins.)
Insurance risk	Risk that insurance cannot be obtained or that premiums increase significantly.	✓	✓

## 2.5 General obligations of GEO Consortium

Project Co is required to design, construct, finance and maintain a medium-security prison with capacity to accommodate 1,300 male prisoners, and to initially operate the prison to accommodate 1,000 prisoners.

### Development Phase

Project Co is required to design, construct and commission a medium-security prison with capacity to accommodate 1,300 prisoners. In parallel with these activities, Project Co is also required to undertake all operational readiness activities necessary to enable it to implement the services and receive prisoners once commissioning has occurred.

In addition to the prison infrastructure delivered by Project Co, the Statewide Services Building will be designed, built and financed by Project Co.

Project Co must ensure that the Builder complies with the Victorian Code of Practice for the Building and Construction Industry and the Implementation Guidelines to the Code of Practice at all times.

### Operating Phase – Services to be provided by Project Co

Project Co is required to provide a full range of services at the prison, including correctional, health, forensic mental health and facilities management services and pre and post-release programs, during the Operating Phase of the Project, and must meet the same standards as all other Victorian prisons. Project Co is also responsible for lifecycle works and will take whole-of-life asset condition risk in relation to the prison.

The prison will be a reception prison, capable of accepting prisoners on their initial entry into the correctional system. Although it is a medium-security prison, the forensic mental health inpatient beds will be accessible to all male prisoners within the Victorian system, irrespective of their security rating or legal status. The management unit and close supervision unit will accept prisoners from across the State's male prison system.

Project Co is required to provide Facilities Management (FM) Services in relation to the Statewide Services Building over the Operating Phase.

Table 7 summarises the services Project Co will provide. (This is not an exhaustive list. The full details of the services are contained in the Project Agreement.)

Figure 7: GEO Consortium members



**Table 7: Summary of Services to be provided by Project Co**

Service bundle	Includes
<b>Services (excluding Statewide Services Building)</b>	
Prisoner Management	<ul style="list-style-type: none"> <li>• applying prisoner management principles and standards</li> <li>• interface within the prison and across the prison system</li> <li>• compliance with legislation and policies</li> <li>• risk management</li> <li>• continuous improvement</li> <li>• the provision of accommodation and services for 1,000 prisoners at all times</li> </ul>
Safety and Security Services	<ul style="list-style-type: none"> <li>• practices consistent with Corrections Victoria's Offender Management Framework</li> <li>• prisoner placement within the prison</li> <li>• all elements of prison operations that relate to maintaining the safety and security of the prison, including provision and management of custodial staff, incident prevention, management and reporting, separation of prisoners and disciplinary processes</li> <li>• provision of dynamic, technological and static security systems</li> <li>• movement control</li> <li>• management beds</li> </ul>
Programs and Reintegration Services	<ul style="list-style-type: none"> <li>• a structured prisoner day that provides all prisoners with meaningful and constructive activity</li> <li>• rehabilitation programs</li> <li>• offence-based programs</li> <li>• alcohol and other drug programs and services</li> <li>• educational and vocational training (including industries)</li> <li>• pre and post-release transitional support services</li> <li>• recreation programs</li> <li>• personal development and life skills</li> <li>• personal and professional visits</li> </ul>
Health Services	<ul style="list-style-type: none"> <li>• primary general and mental health services</li> <li>• secondary health sub-acute ward</li> </ul>
Forensic Mental Health Services	<ul style="list-style-type: none"> <li>• specialist outpatient services</li> <li>• prevention and early intervention services</li> <li>• crisis assessment and outreach services</li> <li>• inpatient services including acute service, sub-acute service and complex transition services</li> <li>• reintegration services relating to forensic mental health</li> <li>• reception and 'at-risk' assessments</li> <li>• integration of forensic mental health services delivered by Forensicare with all other services within the prison</li> </ul>
Hospitality Services	<ul style="list-style-type: none"> <li>• laundry services</li> <li>• food</li> <li>• hygiene</li> <li>• bedding</li> <li>• prisoner clothing</li> </ul>



Service bundle	Includes
<b>Services (excluding Statewide Services Building)</b>	
Administration Services	<ul style="list-style-type: none"> <li>prisoner records</li> <li>human resources (staff selection, training and deployment)</li> <li>business services</li> <li>information systems management</li> <li>requests and complaints</li> <li>prisoner shop</li> <li>prisoner property</li> </ul>
<b>Services (including Statewide Services Building)</b>	
FM Services	<ul style="list-style-type: none"> <li>general services</li> <li>building management services (including whole-of-life building and furniture, fittings and equipment (FF&amp;E) refurbishment and replacement)</li> <li>utilities and medical gases</li> <li>waste management and disposal services</li> <li>grounds maintenance services</li> <li>pest control services</li> <li>cleaning services</li> <li>lifecycle services</li> </ul>

## Innovation and intellectual property

The Project Agreement requires Project Co to report to the State on an ongoing basis in relation to any potential further innovations that can be brought into the Project, particularly in the areas of:

- the effectiveness of rehabilitation and reintegration programs
- the reduction of reoffending
- improvement in the mental and general health of prisoners
- improved efficiency or effectiveness in service delivery.

The Project Agreement includes processes through which the parties can implement such innovations within a continuous improvement framework.

If Project Co develops any new intellectual property for the Project, that intellectual property will be owned by the State, and the State will be able to use that intellectual property across the prison network.

## 2.6 General obligations of the State

Under the Project Agreement, the State's obligations include the following:

- The State must provide Project Co with the necessary access to allow it to perform its obligations.
- The State may review and comment on design documentation and other material that will be submitted by Project Co in accordance with the Project Agreement.
- The State must pay the State Capital Contribution at Commercial Acceptance and must pay the Quarterly Service Payment (QSP) to Project Co during the Operating Phase subject to reductions that may apply under the performance regime if services are not delivered to the required standard (see Section 2.7 (Payment mechanism and performance regime) for more detail).

## State-retained services

The State will continue to manage the delivery of elements of the correctional services system that will interface with the prison, such as:

- 1) Corrections Victoria, which is responsible for statewide functions including security and intelligence, sentence management, contract management and system performance monitoring
- 2) Justice Health
- 3) Community Correctional Services
- 4) Adult Parole Board
- 5) Office of Correctional Services Review.

## 2.7 Payment mechanism and performance regime

Project Co is required to provide the services as specified in the Project Agreement from Commercial Acceptance (that is, when the prison is completed and commissioned). Failure to do so exposes Project Co to payment reductions in accordance with the payment mechanism set out in the Project Agreement.

### State Capital Contribution

Upon Commercial Acceptance, the State will make a lump sum payment to Project Co equal to 40 per cent of the debt which was forecast at Financial Close to be outstanding at Commercial Acceptance.

The State Capital Contribution was introduced in the context of prevailing market conditions, where the State is looking to pursue an optimal level of private finance in the operations phase and drive a value-for-money outcome.

While a component of the debt funding for the Project will be repaid by the State upon payment to Project Co of the State Capital Contribution, the payment of the State Capital Contribution has no material impact on the risk allocation for the PPP, as Project Co may still incur significant payment reductions if the services are not delivered to the required standard.

### Quarterly Service Payment

Payment for delivery of the services is made by the State over the 25-year Operating Phase in the form of the Quarterly Service Payment (QSP), which is paid quarterly in arrears. The formula for calculating the QSP is detailed in a schedule to the Project Agreement. The QSP comprises payments made to Project Co by the State for the capital cost of delivering the prison, including financing costs, and the cost of delivering the services.

Payments are primarily linked to the availability of prisoner accommodation and the provision of associated services to prisoners. The payment mechanism also provides additional payments that are linked to service delivery and performance. Table 8 summarises the components of the payment mechanism.

**Table 8: Overview of the payment mechanism**

Payment mechanism component	Description
<b>Base components</b>	
Available Prisoner Place Fee	<p>An Available Prisoner Place payment will be made to Project Co to the extent that it provides prisoner accommodation in accordance with the Available Prisoner Place Requirements. Payments will be reduced if Project Co fails to meet these requirements. This includes provision of prisoner accommodation that meets certain physical requirements, such as:</p> <ul style="list-style-type: none"> <li>• compliance with the Cell and Fire Safety Guidelines</li> <li>• provision of potable water</li> <li>• appropriate heating, lighting</li> </ul> <p>as well as the provision of basic operational services, such as:</p> <ul style="list-style-type: none"> <li>• the delivery of appropriate meals</li> <li>• the provision of minimum out of cell hours</li> <li>• the provision of health services</li> <li>• the delivery of appropriate clothing</li> <li>• provision of a safe and secure environment.</li> </ul>
Statewide Services Building Availability Fee	<p>The payment mechanism includes a specific fee element relating to the Statewide Services Building.</p> <p>This payment component is subject to reductions similar to ‘rent relief’ provisions in government leases. This regime would apply in the event that Project Co fails to provide services to this building.</p>
Service Linked Fee	<p>Project Co will be entitled to receive a Service Linked Fee if it meets the Service Delivery Outcome (SDO) and Key Performance Indicator (KPI) thresholds described in the Project Agreement. The fee will be reduced if these thresholds are not met.</p> <p>A small component of the Service Linked Fee is linked to the achievement of KPIs relating to the delivery of pre and post-release reintegration services and the achievement of recidivism targets (payment by results).</p>
Forensic Mental Health Services Fee	<p>The model for the delivery of forensic mental health services involves the Operator subcontracting with Forensicare.</p> <p>Payments to Forensicare under the nominated subcontract will be made on a ‘pass through’ basis from the State, through Project Co then on to Forensicare.</p> <p>Administrative oversight and coordination of forensic mental health services is the responsibility of Project Co and is subject to performance KPIs under the Service Linked Fee.</p>
Pharmacy Costs	<p>Project Co will claim reimbursement for pharmaceutical costs incurred on a ‘pass through’ basis from the State.</p>

Payment mechanism component	Description
<b>Potential payment adjustments</b>	
Extra Prisoner Places	If the number of prisoners exceeds 1,000, Project Co may be entitled to an Extra Prisoner Place payment based on pre-determined rates.
Floating Rate Component	The State will assume base interest rate risk from the date of the first refinancing for the balance of the term of the Project Agreement. As a consequence of this, the payments will be adjusted as required to neutralise the impact on Project Co of movements in base interest rates over each quarter.
Reviewable Services, Utility Costs and Insurance Costs	The Project Agreement includes mechanisms for: <ul style="list-style-type: none"> <li>the cost of FMH Services to be reviewed at 5 years, 10 years and 18 years into the Operating Phase of the Project (that is, in 2022–23, 2027–28 and 2035–36)</li> <li>the cost of other Reviewable Services to be reviewed at 10 years and 18 years into the Operating Phase</li> <li>5-yearly adjustments for the unit pricing impact of utility costs and for the cost of Operating Phase insurances (commencing in year 5 of the Operating Phase).</li> </ul>

## Payment by results

The payment by results mechanism included as a component within the Service Linked Fee includes:

- 1) reintegration KPIs which link payment of the Service Linked Fee to the outcomes of pre and post-release reintegration programs
- 2) a recidivism KPI measuring the recidivism rate for prisoners released from prison annually against the recidivism rate for the rest of the prison system over the same period. Project Co will be entitled to the full amount of this incentive payment where the rate of recidivism for prisoners released from the prison is 12 per cent less than the rate of recidivism for the Victorian prison system as a whole, and the rate of recidivism of Indigenous prisoners released from the prison is 14 per cent less than the rate of recidivism for Indigenous prisoners released from the Victorian prison system as a whole.

## Charge Events

The Project Agreement also contains a small number of ‘Charge Events’ for which, if such an event occurs, Project Co must pay the State a set amount to recompense it for the additional cost it expects to incur. The Charge Events relate to:

- prisoner escape
- act of material indiscipline (including riot and hostage situations)
- unnatural death
- professional misconduct.

## Changes in costs incurred by Project Co

The State has flexibility to make changes to the prison and the services over the term of the Project Agreement.

## Modifications

The State may, at its sole discretion, request Project Co to implement modifications (to the prison or the services) provided the State adequately compensates Project Co. This includes an ability to remove works or services from the Project scope. Under the modifications regime, Project Co must provide an estimate of the cost impact of any modification proposed by the State in a manner which complies with the requirements of the Project Agreement. All costs must be provided on an open book basis.

The State may pay for the modification either by way of a lump sum, milestone payments, or an adjustment to the QSP (where the modification is financed by Project Co). To provide greater transparency and certainty around modification costs, the Project Agreement specifies a range of pre agreed margins and other on-costs Project Co can claim in such circumstances.

### **Additional capacity**

GEO Consortium has offered a competitive price should the State decide to make use of the capacity available to accommodate an additional 300 prisoners. The State has the option to activate (or deactivate) this additional capacity at the agreed price at any time during the term of the Project Agreement.

### **Receptions outside ordinary hours**

The State is required to pay additional costs related to reception of prisoners at the prison outside ordinary hours. These payments will not apply if the State activates the additional capacity above 1,000 prisoners.

### **Change in law**

In addition to State-initiated modifications, the State must pay for cost increases arising from certain changes in law and policy.

### **Other changes in costs**

Subject to certain conditions, Project Co may be entitled to performance relief under the Project Agreement and to payment by the State of certain additional costs and expenses incurred by it as a result of the following events:

- breach by the State of any Project documents
- during the Development Phase, any act or omission of the State (in its contracting capacity) or its Associates, other than any act or omission which is authorised or permitted under the Project Agreement or is an exercise of a government authority's statutory powers
- during the Development Phase, remediation of contamination for which the State is responsible under the Project Agreement
- during the Development Phase, step-in by the State as a result of an Emergency or under a statutory power (but not step-in in circumstances related to a force majeure event or Project Co default)
- during the Development Phase, if the State directs Project Co to suspend work pending resolution of a dispute as to whether design documentation complies with the Project Agreement, and the outcome of the dispute is a finding that the documentation does comply
- during the Operating Phase, a fraudulent, reckless, unlawful or malicious act or omission of the State or any of its Associates acting in connection with the Project
- industrial action which directly affects the Project and which Project Co can demonstrate is a direct result of an act or omission of the State or a State-related party at the Site other than any act or omission which is authorised or permitted under any Project document
- suspension of any works during the Development Phase for more than 10 days or suspension of the delivery of the services required by law or the State because of a native title claim or the discovery of artefacts.

## 2.8 Default, termination and step-in regimes

### Default

A default by Project Co under the contractual arrangements will entitle the State to various remedies. Where a default has occurred, the State will, in most circumstances, be required to give Project Co an opportunity to cure the default. If the default is not cured by Project Co within the required cure period, it will escalate to a major default.

The Project Agreement also elevates a number of events to be immediately classified as major default category (such as when there are persistent breaches or repeated service failures above specific thresholds).

In respect of major defaults, Project Co will be given the opportunity to agree a cure plan (if the default is capable of cure) or agree a prevention plan to prevent the default from recurring (in circumstances where the default is not capable of cure). Where Project Co fails to cure the major default within the required cure period or to comply with an agreed cure or prevention plan (as applicable), this will generally, subject to financier step-in rights, give rise to the State's right to terminate the Project Agreement.

Certain events of default are so severe that they are not subject to a cure regime. They give rise to a State termination right immediately upon their occurrence (for example, insolvency of Project Co or fraud or dishonest conduct by Project Co or the Operator). These events are called default termination events.

### Step-in

In addition to triggering termination rights (or potential termination rights), events of major default and default termination events may trigger additional State rights and remedies including:

- the right to step-in to remedy the situation (that is, the right to assume control and management of the Project)
- the right to require Project Co to replace a subcontractor that caused the major default or default termination event at an agreed point within the applicable cure period.

Step-in rights for the State, as specified in the Project Agreement, can be triggered when:

- a major default or default termination event has occurred and has not been cured
- there is an emergency
- the *Corrections Act 1986* or another law gives a statutory right of step-in.

The default-related step-in right is subject to any step-in rights the financiers may have. During any step-in associated with a default, the QSP will be abated to the extent that the services are not being provided.

### Termination

Where the Project Agreement is terminated before the natural expiry of the intended 25-year Operating Phase, Project Co may be entitled to a termination payment. The Project Agreement can be terminated as a result of the following:

- certain events of default
- a force majeure termination event (including an uninsurable event)
- voluntarily by the State.

The basis for the calculation of the termination payment will be determined by the reason for the termination as summarised in Table 9. In the event that the termination payment is a negative amount, Project Co must pay that amount to the State.

**Table 9: Calculation of termination payments**

Event	Trigger	Termination Payments
Default Termination Event	The State may terminate the Project Agreement if certain events of default have occurred and not been remediated in accordance with the Project Agreement.	The Project's fair market value determined by tendering or an independent valuer. An independent valuer must be used in certain circumstances, including where there is no liquid market.
Termination for Force Majeure	The occurrence of a force majeure termination event (including an uninsurable event for which the State does not act as the insurer of last resort).	The outstanding debt as at the termination date plus other agreed costs.
Voluntary Termination	The State may at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Agreement for convenience.	The outstanding debt as at termination date plus the fair market value of the equity as assessed by an independent expert together with other reasonable costs.

## 2.9 Finance

Project Co is responsible for the provision of debt and equity finance for the Project. Its funding structure comprises senior debt drawn progressively from Financial Close and equity committed at Financial Close by way of an equity letter of credit, with the equity funding drawn down as a lump sum during construction.

As stated in Section 2.7, 40 per cent of the forecast amount of debt outstanding at Commercial Acceptance will be repaid by the State Capital Contribution. The remaining debt is for an initial period of 5 years from Financial Close. It is assumed that debt will then be refinanced at regular intervals over the remainder of the Project term. The State will not share in any refinancing losses, but will be entitled to 50 per cent of the benefit of any refinancing gain, after allowing Project Co to recoup any prior refinancing losses.

### 2.10 State rights at expiry of contract

The Project Agreement requires Project Co to hand back the prison and the Statewide Services Building to the State at the expiry of the Operating Phase for nil consideration and in a condition that meets the requirements of the Project Agreement. The State will then resume full control of the prison and the Statewide Services Building.

To ensure that the assets are in sound working order, the prison and the Statewide Services Building will be independently inspected on a six-monthly basis in the years leading to the expiry of the Operating Phase to ensure that all lifecycle and maintenance works have been completed and that the prison and the Statewide Services Building will meet the relevant handback condition. The handback provisions are described in the Project Agreement.

If Project Co fails to maintain the prison and the Statewide Services Building to the standard required to satisfy the handback requirements, the State will be entitled to withhold a portion of the QSP to cover the expense of any shortfall.

## 2.11 Additional contract provisions

Changes have been incorporated in the various contractual documents to address lessons learned from previous projects and to implement reforms made to the Partnerships Victoria framework. These initiatives strengthen the State's position, particularly in Builder default scenarios.

The following changes apply to the Ravenhall Prison Project, taking into account the particular circumstances of the Project:

- Parent guarantees are provided by the ultimate Australian parent of the Builder and by the ultimate parents of the Operator and the FM Subcontractor.
- The relevant parent company is a party to the Builder Direct Deed and the Operator Direct Deed, and the ultimate parent of the FM Subcontractor has provided equivalent commitments through a separate document.
- Performance bonds cannot be varied or assigned without the State's consent.
- Government may raise any performance concerns directly with Project Co's financiers.
- Subcontractors with valid claims during the Development Phase are protected so that they receive priority payment ahead of financiers in certain circumstances.
- The circumstances in which unanimous bank group decisions are required in the case of insolvency of the Builder, the Operator, the FM Subcontractor or any of their parent guarantors, or in a project abandonment scenario, are limited to prevent a minority bank impeding decision-making.
- If the Project Agreement is terminated and the termination payment calculation results in a negative amount, Project Co must pay that amount to the State.
- The payment of any termination payment amount owing by Project Co to the State must be given priority over repayment of Project Co's financiers.
- The State is given certainty of the maximum remedy periods for achieving construction completion.
- The Project Agreement provides for regular meetings of a senior representatives group, comprising senior representatives of the State and GEO Consortium (including its financiers) – this will ensure that all parties have a common view, at a senior level, of the progress of the Project and the performance of the services.

It is also a feature of PPP contracts that the Independent Reviewer has the ability to undertake 'look forward' tests at any time during the construction phase of the Project to determine whether GEO Consortium will achieve construction completion on time. If the Independent Reviewer forms an opinion that construction completion will be late, GEO Consortium is required to develop and implement a cure plan to rectify the situation and achieve completion as soon as practicable.

## 2.12 Audit and inspection rights of the State

The Project Agreement has contractual rights for the State to be given access to information and data, including to:

- inspect, observe or test any part of the works, infrastructure or Project Activities; and
- examine and make copies of the accounts and other records, reports and all documents reasonably requested of GEO Consortium or any of its key subcontractors in connection with the Project.

The State has the ability to disclose information in connection with the Project to satisfy the disclosure requirements of the Victorian Auditor-General or to satisfy the requirements of Parliamentary accountability.

## 2.13 Current version

This document may be updated from time to time. Please check the Partnerships Victoria website at [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) for the current edition.



# Appendix 1 Glossary

Terms used in this Project Summary have the meaning given to them in the Project Agreement unless otherwise defined in this Glossary or elsewhere in this document.

Term	Meaning
Commercial Acceptance	The date on which, following completion of all design, construction and operational readiness activities, Project Co meets the requirements of the Project Agreement to enable it to accept prisoners into the prison.
Contractual Close	The date on which the State and Project Co entered into the Project Agreement. This occurred on 15 September 2014.
Development Phase	The period from Financial Close to Commercial Acceptance (when the prison is ready to accept prisoners).
EOI	Expressions of Interest
Facilities	The prison and the Statewide Services Building.
FF&E	Furniture, fittings and equipment
Financial Close	The date on which Project Co satisfied all of the conditions that had to be met before its financiers made funds available to it. This occurred on 16 September 2014.
FM	Facilities Management
FMH	Forensic Mental Health
Forensicare	The Victorian Institute of Forensic Medicine, a Victorian Government statutory agency.
KPI	Key Performance Indicator
Operating Phase	The period from Commercial Acceptance to the expiry of the Project Agreement in 2042.
PPP	public private partnership
Preferred Respondent	A Respondent who has been selected, following the RFP Phase, as preferred to proceed to the Negotiation and Completion Phase.
Project	Ravenhall Prison Project
Project Agreement	The Project Agreement entered into between Project Co and the State on 15 September 2014.
Project Co	GEO Ravenhall Pty Ltd in its capacity as trustee of the GEO Ravenhall Trust, the counterparty to the Project Agreement and the main contracting entity with the State.
PSC	The Public Sector Comparator for the Project, being the risk-adjusted cost of the most likely efficient form of public sector service delivery that could be employed to satisfy all elements of the output specification.
QSP	Quarterly Service Payment
Respondent	A person, legal entity or body corporate invited to submit a proposal.
Reviewable Services	Services that are repriced at predetermined times during the Operating Phase. These include prisoner management services, safety and security services, program and reintegration services, health services, hospitality services, administration services and some facility management services.
RFP	Request for Proposal
SDO	Service Delivery Outcome
State Capital Contribution	A lump sum payment made by the State to Project Co at Commercial Acceptance.
Statewide Services Building	A Corrections Victoria building to be constructed externally to the prison.
VIPP	Victorian Industry Participation Policy

## Appendix 2 Useful references

Project documentation, including the Project Agreement, is available at:  
[www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

Partnerships Victoria policy guidance and Project information is available at:  
[www.dtf.vic.gov.au](http://www.dtf.vic.gov.au)

Department of Justice & Regulation website:  
[www.justice.vic.gov.au](http://www.justice.vic.gov.au)

Corrections Victoria website:  
[www.corrections.vic.gov.au](http://www.corrections.vic.gov.au)

# Appendix 3 Key contact details

## **Department of Justice & Regulation**

Website: [www.justice.vic.gov.au](http://www.justice.vic.gov.au)

121 Exhibition Street  
Melbourne VIC 3000

Phone: (03) 8684 0000

## **Partnerships Victoria**

Website: [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au)

Department of Treasury and Finance  
1 Treasury Place  
East Melbourne VIC 3002

Phone: (03) 9651 5111

# Appendix 4 Evaluation Criteria

The State evaluated each proposal against detailed evaluation criteria.

## 1 Services Solution

The State evaluated the following aspects of each Respondent's Services Solution:

- Operating Philosophy and Prisoner Management, including:
  - the proposed operating philosophy and prisoner management solution; and
  - the extent to which the proposal will deliver a safe and secure prison environment that enables the State to fulfil its duty of care obligations, while maximising delivery against the Project objectives and key areas of focus.
- Safety and Security – the safety and security solution proposed to deliver the Project.
- Program and Reintegration Services – the solution proposed to deliver effective program and reintegration services for the Project.
- Health Services – the delivery of Health Services based on contemporary practice.
- Forensic Mental Health Services – the management of Forensic Mental Health Services and the integration of the Forensic Mental Health Services into the prison operations.
- Hospitality Services – the Hospitality solution proposed to deliver the Project.
- Administration Services – the Administration solution proposed to deliver the Project.
- FM Services – the Respondent's plans and method statements to provide and manage the FM Services.
- Operational Readiness and Ramp-up – the robustness of the proposed Operational Readiness and Ramp-up Plan for the implementation of the Services and introduction of prisoners at the Facilities.
- Services Output Specification Departures – the nature and extent of proposed departures from the Services requirements of the Output Specification and the impact of those departures on prisoners and the operations of the prison.

## 2 Facilities Solution

The State evaluated the following aspects of each Respondent's Facilities Solution:

- Masterplan and Design Solution – the degree to which the Respondent demonstrated the appropriateness and quality of the design solution and the extent to which the proposed design supports the Respondent's operational philosophy and approach, and reflects and complies with the Output Specification.
- Technical Solution – the degree to which the Respondent demonstrated the appropriateness and quality of the technical solution and the extent to which the proposed technical solution reflects and complies with the Output Specification.
- Security Systems – the degree to which the Respondent demonstrated the appropriateness and quality of the security systems solution and the extent to which the proposed security design reflects and complies with the Output Specification and Respondent's security philosophy.
- Construction Management – the degree to which the Respondent demonstrated the appropriateness of their construction management solution and the extent to which this proposed solution complies with the Respondent's design and construction of the Facilities and relevant Schedules to the Project Agreement.
- Facilities Output Specification Departures – the nature and extent of proposed departures from the requirements of the Facilities Specification, and the impact of those departures on the design, operability and functionality of the Facilities.

### 3 Commercial and Financial Solution

The State evaluated the following aspects of each Respondent's Commercial and Financial Solution:

- Project Co Management and Interfaces – Project Co's management structure, intra-consortium relationships and stakeholder management.
- Commercial Solution – the commercial solution proposed to deliver the Project.
- Financial Capacity and Assumptions – the financial capacity of the Respondent and Respondent Members to deliver the Project in its entirety.
- Funding Structure – the appropriateness, competitiveness and flexibility of the funding structure.
- Certainty and Robustness of Funding – the certainty and robustness of funding.
- Contractual Departures – the nature and extent of the proposed departures from the draft State Project Documents.

### 4 Value and Risk Proposition

The State evaluated the following aspects of each Respondent's value and risk proposition:

- The Risk-Adjusted Net Present Cost of the Proposal (including the Scope Ladder) – the whole-of-life, risk-adjusted cost of each Proposal, taking into account its financial and risk consequences.
- Service Linked Fee – the degree to which the Service Linked Fee will motivate Service performance, continuous improvement and innovation over the Operating Phase.
- Other Risks – any other risks or benefits to the State associated with the proposal.
- Commitment to VIPP – the Respondent's commitments to the Victorian Industry Participation Policy (VIPP), as detailed in the submitted Local Industry Development Plan (LIDP), recognising the Project's strategic significance with regard to VIPP.
- VFM Enhancements – any alternative offers submitted for consideration by the State that would provide a value-for-money enhancement.

# Appendix 5 Public Interest Test

In line with the Partnerships Victoria Requirements, the Ravenhall Prison Project's (the Project) Public Interest Test was updated prior to contract execution. The Project continues to satisfy the public interest assessment that covers criteria such as equity and transparency.

**Table 10: Public Interest Test**

Element	Standard	Assessment
<p><b>Effectiveness</b></p> <p>Is the Project effective in meeting government objectives?</p>	<p>The Project aligns with all relevant government policies and, in particular, the following key policies:</p>	<p>The Project is consistent with a number of State Government objectives and policies, including those specifically related to the provision of correctional services.</p> <p>Project tender documents and the private party's (Project Co) proposal outline the output/service delivery solution that is consistent with government policy.</p> <p>The extent to which the Project meets or otherwise supports the achievement of relevant government objectives and policies is outlined below.</p>
	<ul style="list-style-type: none"> <li>State Government law and order program</li> </ul>	<p>The Project supports this policy objective by contributing to additional prisoner capacity to enable the safe, secure and humane containment of prisoners in the future, and by facilitating improved rehabilitation outcomes.</p>
	<ul style="list-style-type: none"> <li><i>Charter of Human Rights and Responsibilities Act 2006</i></li> </ul>	<p>The Project recognises and seeks adherence with the government's obligations under the Charter of Human Rights and Responsibilities Act, which establishes an individual's right to humane treatment when deprived of liberty. In particular, the Project will involve the delivery of services and construction of a new prison configured to assist the government in meeting its obligations.</p>
	<ul style="list-style-type: none"> <li><i>Department of Justice Four Year Outlook 2013–2017</i></li> </ul>	<p>The Department of Justice Four Year Outlook 2013–2017 identifies community safety as an overarching goal. To meet this goal, a departmental priority is to invest in prison infrastructure in order to increase prison capacity. The Project will assist in meeting this objective by permanently increasing capacity for male prisoners by 1,000 beds, with the option to activate up to 300 additional beds at any time during the life of the contract.</p> <p>Department of Justice &amp; Regulation (including Corrections Victoria) policies require a review of the prison system capacity and Corrections Victoria's ability to meet its operational requirements. The Project supports the achievement of these goals by addressing projected capacity requirements, and by increasing operational flexibility, effectiveness and efficiency within the prison system.</p>

Element	Standard	Assessment
<p><b>Accountability and transparency</b></p> <p>Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> <li>the community can be well informed about the obligations of government and the private sector partner?</li> <li>these obligations can be oversighted by the Auditor-General?</li> </ul>	<p>The Project is to comply fully with all Victorian Government accountability and transparency policies and obligations and the Department of Justice &amp; Regulation's annual reporting obligations, including under the:</p> <ul style="list-style-type: none"> <li><i>Freedom of Information Act 1982</i></li> <li>Department of Treasury and Finance Managing Probity: Procurement guide</li> <li><i>Audit Act 1994</i></li> <li>Correctional Management Standards for Men's Prisons in Victoria.</li> </ul>	<p>Departmental (including Corrections Victoria) obligations to the community are defined through legislation and government policy. The Project will support compliance with these obligations.</p> <p>The community will be well informed about the obligations of both the Victorian Government and any private sector partners through several mechanisms. Details of the relevant contracts, subject to commercial-in-confidence considerations, will be published in accordance with Victorian Government policy. It is also a requirement to table in Parliament and publish online a user-friendly Project Summary that includes an explanation of the public private partnership contract. Further, information on the Project's performance will be available in the department's Annual Report.</p> <p>The Project Communication Plan will ensure local communities are provided with an adequate level of transparency of key components of the Project. There will be ongoing consultation with affected communities and relevant user groups through regular meetings of the Community Advisory Group and other community engagement activities during the Development Phase.</p> <p>The Freedom of Information Act will apply to the Project. The Auditor-General will have access to Project information in accordance with the Audit Act.</p> <p>An independent probity adviser has overseen the procurement process to ensure the process is fair and transparent and conducted in accordance with the Project Probity Plan. The probity adviser has provided sign-off to government following the conclusion of the negotiation process with the Preferred Respondent.</p> <p>The Commissioner, Corrections Victoria, plays a monitoring role in relation to the department and Project Co's obligations and performance with respect to correctional standards during the Operating Phase.</p>

Element	Standard	Assessment
<p><b>Affected individuals and communities</b></p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p>	<p>The Project must conduct:</p> <ul style="list-style-type: none"> <li>• an appropriate public consultation process with those individuals/groups identified as being affected by the Project</li> <li>• environmental and other assessments of the site</li> <li>• a social and regional impacts assessment.</li> </ul>	<p>The following individuals/groups were identified as being affected by the Project:</p> <ul style="list-style-type: none"> <li>• government stakeholders</li> <li>• courts system</li> <li>• prison management and staff</li> <li>• prisoner families</li> <li>• local communities.</li> </ul> <p>Key government stakeholders have been consulted during the procurement process.</p> <p>A Communication Plan that incorporates appropriate consultation and communication processes with the above stakeholders in relation to the Project has been implemented. This included seeking all relevant stakeholder input, including input from the local community and Indigenous representative groups, prior to finalising Project Co's scope of works.</p> <p>The Correctional Facility Development Plan, developed in consultation with the Ravenhall Prison Project Community Advisory Group, outlines the main features of the prison development and responds to relevant site planning and environmental issues, including management of any potential impacts.</p> <p>Full site surveys have been undertaken to assess environmental and other site issues, and an Environment Protection Authority Victoria-appointed environmental auditor has certified that the site is suitable for use.</p> <p>The Project is designated a Strategic Project under the Victorian Industry Participation Policy. Project Co has submitted a Local Industry Development Plan and exceeded the minimum 85 per cent local content requirement to ensure the Project adequately addresses local employment and procurement issues.</p> <p>Project Co will comply with the Victorian Code of Practice for the Building and Construction Industry and the Implementation Guidelines to the Code of Practice.</p>



Element	Standard	Assessment
<p><b>Equity</b></p> <p>Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?</p>	<p>The key disadvantaged groups expected to use the infrastructure and access the services are those with physical impairment, the aged and frail.</p> <p>The Project must comply with all relevant government policies and laws including:</p> <ul style="list-style-type: none"> <li>• <i>Charter of Human Rights and Responsibilities Act 2006</i></li> <li>• Correctional Management Standards</li> <li>• <i>Disability Act 2006</i> and the <i>Disability Discrimination Act 1992</i></li> <li>• Employment and equity laws and policies.</li> </ul>	<p>The Project aims to ensure the safe and secure containment of prisoners, and complies with all relevant equity laws and regulations (e.g. Charter of Human Rights and Responsibilities Act and Correctional Management Standards).</p> <p>The building standards to be met by Project Co will ensure equity of access is adequately addressed for prisoners, staff and visitors with disabilities.</p> <p>Contractual provisions include adequate safeguards to ensure that Project Co complies with all laws, which include the common law and the principles of equity.</p>
<p><b>Public Access</b></p> <p>Are there safeguards that ensure ongoing public access to essential infrastructure?</p>	<p>The Project must ensure ongoing public visitor access (as appropriate) and ongoing supply of correctional services in the event of breach of contract.</p>	<p>Adequate public transport is provided to Ravenhall via bus, train, car and bicycle.</p> <p>The contractual arrangements require Project Co to allow appropriate public visitor access. Contractual provisions include adequate safeguards to ensure the continued supply of services to the public. The contract will include step-in rights for the State to take over the facilities in the event of a contract breach.</p>

Element	Standard	Assessment
<p><b>Consumer rights</b></p> <p>Does the Project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable?</p>	<p>Government must ensure the following policies and laws are complied with:</p> <ul style="list-style-type: none"> <li>• <i>Charter of Human Rights and Responsibilities Act 2006</i></li> <li>• <i>Four Year Outlook 2013–2017</i>.</li> </ul> <p>In addition, there are a number of government responsibilities that need to be addressed in relation to:</p> <ul style="list-style-type: none"> <li>• the general prison population</li> <li>• mental health beds.</li> </ul>	<p>The Project is focused on assisting Corrections Victoria to meet its responsibilities to prisoners by reducing the negative impacts of overcrowding by providing appropriate levels of privacy for prisoners.</p> <p>The Project will ensure compliance with the Charter of Human Rights and Responsibilities, which establishes an individual's right to humane treatment when deprived of liberty. This will be achieved by the provision of new prison infrastructure, including a specialist mental health unit.</p> <p>Appropriate governance and contractual arrangements are in place to ensure all other government obligations are met.</p>
<p><b>Security</b></p> <p>Does the Project provide assurance that community health and safety will be secured?</p>	<p>The Project needs to ensure:</p> <ul style="list-style-type: none"> <li>• all relevant occupational health and safety standards are met</li> <li>• government can meet its duty of care obligations to prisoners, staff and visitors.</li> </ul>	<p>The Project aims to ensure the safe and secure containment of prisoners and facilitate reduced rates of reoffending, which will promote community health and safety. It will achieve this through the provision of innovative program delivery, including post-release support, and will include appropriate services for prisoners with a mental illness.</p> <p>Project Co is required to comply with the same standards that apply to all other Victorian prisons.</p> <p>The Project Agreement requires compliance (by all contractors involved) with the <i>Occupational Health and Safety Act 2004</i> (the Act) and all relevant codes of practice that establish health and safety guidelines supporting the Act.</p>
<p><b>Privacy</b></p> <p>Does the Project provide adequate protection of users' rights to privacy?</p>	<p>Applicable privacy standards with which the Project is required to comply are set out in:</p> <ul style="list-style-type: none"> <li>• <i>Freedom of Information Act 1982</i></li> <li>• <i>Privacy and Data Protection Act 2014</i></li> <li>• <i>Ombudsman Act 1973</i>.</li> </ul>	<p>The Project will ensure the protection of rights to privacy through adherence to the Freedom of Information Act and the Privacy and Data Protection Act.</p> <p>Both Corrections Victoria and the private sector parties are contractually bound to meet the same requirements that allow public access to relevant documents that are not commercially privileged.</p> <p>Prisoners' rights to privacy will be protected.</p> <p>Prisoners will be able to access the Victorian Ombudsman's office and the office of the Commissioner, Corrections Victoria, when appropriate.</p>



