

Circular L5/06

Water Services Public Private Partnerships - Public Sector Benchmark and Post Project Review

I refer to Circular PPP 1/05 issued by the Department's Public Private Partnership Unit on 4 February 2005 and enclose a further Guidance Note on assessing and reviewing water and sewerage schemes procured as Public Private Partnerships (PPPs).

The new Guidance Note - ***System for the Assessment and Review of PPP's Within the Water and Wastewater Sector*** - provides local authorities with a standard format for assessing and reviewing certain financial aspects of water services PPPs, including the preparation of a Public Sector Benchmark (PSB) and a Post Project Review.

The Guidance Note accords with the policy framework document for PPP's – ***Project Implementation in the Local Government Sector*** - issued by the Department in December 2003. The PSB is also identified as an important step in advancing PPP projects in the ***Interim Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships: Procedures for the Assessment, Approval, Audit and Procurement of Projects*** published in July 2003. The Interim Guidelines state that the "PSB should consist of a comprehensive, detailed risk adjusted costing of the project elements using conventional procurement over the whole life of the project... the PSB focuses on whole life costs over the contract period and provides a detailed cost valuation of all risks (transferred and retained) within the project".

The importance of the PSB is that it enables a comparison to be made on a like for like basis between traditional and PPP procurement. PPP Tenders must be

evaluated by reference to the PSB to determine whether the PPP approach will deliver better value for money compared to traditional procurement.

The Guidance Note is divided into two parts:

- **Part 1** provides General Guidance on the rationale and objectives of the PSB and Post Project Review, including an outline of the minimum requirements of the PSB for a water services project.
- **Part 2** is the “How to Do” working document for the construction of the PSB and Post Project Review, together with supporting schedules.

The Guidance Note seeks to be informative rather than prescriptive. It provides broad instructions on a system or methodology to:

- simplify the process of reviewing water services projects to evaluate whether value for money has been achieved.
- facilitate the creation of a valuable database of costs and risks for more accurate costing of future projects, and
- ensure that the requirements of PPP Guidelines in relation to the PSB and Post Project Review are fully complied with.

The provisions of the Guidance Note with regard to PSB and Post Project review should be put into immediate effect. The PPP Interim Guidelines require the PSB to be prepared after the Preliminary Report/PPP Assessment has been submitted to the Department and the project has been approved to proceed as a PPP. A PSB should be produced for every water services PPP that has been approved to proceed as a PPP but tenders have not yet been invited. Both Design/Build and Design/Build/Operate projects are regarded as PPPs.

A Post Project Review should be carried out in respect of all PPP projects as soon as the construction phase of the contract has been completed. The aim of the review is to conduct a variance analysis of the public sector outturn cost of the project in comparison to the initial budgeted cost and the PSB. A database should be developed from the Post Project Review process to help benchmark costs for future projects and as a guide for future PSBs. Data from successive Post Project Reviews should be used to inform and update the database.

The Post Project Review must provide an objective assessment of the scheme. Where a Process Auditor has been appointed, the Post Project Review should be prepared by the Process Auditor. In any other case, the Post Project Review may be undertaken by the local authority, preferably by a person who was not directly involved in decision making relating to the project under review. Copies of each Post Project Review should be forwarded to both the Department's Water Services Section and PPP Unit.

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To: Directors of Services (Water Services)
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