

4 Overview of Public Private Partnerships

- 4.1** A public private partnership (PPP) is a contractual agreement between public and private sector partners for the delivery of infrastructure and/or services. In most cases, the public sector partner remunerates the private sector partner, subject to satisfactory performance, in the form of regular unitary payments over the term of the contract.¹ This differs from the more traditional method of upfront Exchequer funded delivery with operation and maintenance arrangements for the asset provided or procured separately by the public sector. Commitments under PPPs typically give rise to financing obligations on public sector partners extending over 25, or 30 years or longer.
- 4.2** This report has been compiled to provide information on the developments in relation to PPPs since 2012.² Information was provided by the relevant departments/agencies, including details of PPP contracts entered into since 2012, a summary of projects currently in development, and details of periodic evaluations and post project reviews undertaken. The Department of Public Expenditure and Reform (DPER) and the National Development Finance Agency (NDFA) were also consulted.

Aggregate expenditure and commitments

- 4.3** DPER maintains a website that provides information and guidance on the PPP process, updates on developments and information on projects.³ The website also includes a schedule of major PPP projects showing key details including expenditure to date and the current projected total expenditure to project end. Major projects are those where the capital cost of asset creation was €20 million or more.
- 4.4** DPER obtains the information for the schedule of projects from the relevant department/agency and compares it to other available information. Where differences arise, DPER seeks clarification from the relevant department/agency.
- 4.5** The total expenditure to the end of 2016 reported on the website was just over €3 billion and estimated total outstanding commitments at that stage were €6.6 billion. The latest schedule of projects from the website is reproduced in Annex 4A. The projected future payments represent estimates as at the end of 2016 which may change depending on future circumstances. The commitments include those arising from projects which are under construction where service has not yet commenced. The projected total expenditure on PPPs over the life of the contracts has increased from €6.1 billion at the end of 2012 to €9.6 billion at the end of 2016. The increase reflects new contracts signed in that period.
- 4.6** The *Infrastructure and Capital Investment Plan 2016 to 2021* noted that the annual cost of PPPs will be limited to 10% of total annual Exchequer capital spending. DPER estimates that the total annual cost of unitary payments on all existing and planned PPP projects will increase from €225 million in 2016 to €345 million in 2021.

¹ Payments by service users (e.g. road tolls) may also be a feature of some projects.

² Chapter 3 of the *Report on the Accounts of the Public Services 2012*, provided information on the financial commitments arising from PPPs at the end of 2012 and of other developments at that time.

³ www.ppp.gov.ie

- 4.7** DPER has stated that the 10% limit takes into account the aggregate cost of all unitary payments as well as any other costs (such as land acquisition or enabling works). DPER coordinates this control mechanism by monitoring the costs associated with any newly approved PPPs. As part of its ongoing review of PPPs, being undertaken in parallel with the mid-term review of the *Infrastructure and Capital Investment Plan*, DPER is reviewing the policy approach to controlling future PPP liabilities.

Progression of projects since 2012

- 4.8** The status at July 2017 of projects that were included in the Infrastructure Stimulus Package announced in July 2012, or that were in development at that stage, is summarised in Figure 4.1. Most of the projects have been progressed, including two where the required facilities were operational by July 2017. Three projects proposed in 2012 for development as PPPs have not been progressed by that means.
- 4.9** Two further PPP projects that were developed since 2012 have now reached market stage
- Social Housing Bundle 1 comprises six sites in four counties — Dublin (3), Kildare, Wicklow and Louth. The total expected number of social housing units is approximately 530. The contract notice was published in May 2017.
 - Motorway Service Areas Tranche 2 comprises service areas on the M6, M9 and M11. Following the withdrawal in April 2017 of a legal challenge by an underbidder, contract discussions with the preferred bidder have resumed.
- 4.10** There are a number of other projects at various stages of development but which at July 2017 had not yet reached market stage
- Education — the Department of Education and Skills and the Higher Education Authority are assessing proposals from higher education institutions in relation to projects that might be procured through PPP. Suitability assessments are to be conducted on potential projects by the Department of Education and Skills, and the Higher Education Authority in conjunction with the NDFA. Projects considered suitable will be subject to a full appraisal in accordance with the *Public Spending Code*. Pre-procurement work is ongoing for a student accommodation project located on the Grangegorman Campus.
 - Health — in April 2017, the HSE obtained approval from the Department of Health to proceed with the development of a bundle of community nursing homes to be delivered by way of PPP.
 - Courts — the development of a courtroom complex in Hammond Lane, Dublin, primarily for family law and children’s courts, is at pre-procurement stage. The capital appraisal and the PPP procurement assessment have been completed and submitted to the Department of Justice and Equality.
 - Housing — eight sites have been selected for Social Housing Bundle 2 — Cork (3), Galway, Waterford, Clare, Kildare and Roscommon. The total expected number of social housing units is between 456 and 476. It is expected that the PPP procurement process will commence before the end of 2017. The selection of sites for a third social housing bundle is expected to be finalised in 2017.

Figure 4.1 PPP projects in development at July 2012, status at July 2017

Project status at July 2012	Status at July 2017
<p>Schools Bundle 4</p> <p>At market stage. Six schools on five sites in Clare, Cork, Kildare, Louth and Tipperary.</p>	<p>Operational. Scope reduced from six to four schools. Four post-primary schools in operation in Clare, Cork, Louth and Tipperary. Service had commenced in all four schools by May 2016.</p>
<p>Schools Bundle 5</p> <p>At market stage. Five schools and one further education college on four sites in Wexford, Wicklow, Meath and Carlow.</p>	<p>In construction. Contract agreed in July 2016. Service commencement expected in three schools by the end of 2017 and the remaining three schools in early 2018.</p>
<p>Grangegorman DIT campus</p> <p>Pre-market stage. Construction of central and east quads.</p>	<p>Preferred bidder stage. Following an unsuccessful challenge by an underbidder, the project is now proceeding to contract stage.</p>
<p>Galway City Bypass</p> <p>Pre-market stage.</p>	<p>Not progressed as PPP. Legal proceedings mainly related to planning approval delayed the project. A new Galway City Ring Road is at design and environmental evaluation stage. If the new project proceeds, it is intended that it would be directly funded by the Exchequer.</p>
<p>N11 Arklow-Rathnew and Newlands Cross</p> <p>Preferred tenderer stage. Award of contract due by end-2012.</p>	<p>Operational. Upgrades to the N11 and Newlands Cross were procured under a single contract and were operational in July 2015 and November 2014, respectively.</p>
<p>N17/N18 Gort to Tuam</p> <p>Preferred bidder.</p>	<p>In construction. Contract awarded in April 2014. Expected to be operational by the end of 2017.</p>
<p>M11 Gorey to Enniscorthy</p> <p>Market stage.</p>	<p>In construction. Contract awarded in October 2015. Expected to be operational in 2019.</p>
<p>N25 New Ross Bypass</p> <p>Market stage.</p>	<p>In construction. Contract awarded in January 2016. Expected to be operational in 2019.</p>
<p>Primary Care Centres</p> <p>Pre-market stage. 20 primary care centres, in two bundles of 10.</p>	<p>In construction (one bundle of 14 centres). Contract agreed May 2016. All centres expected to be operational by 2018.</p>
<p>Garda divisional headquarters</p> <p>Pre-market stage.</p>	<p>Not procured as PPP. Buildings in Dublin (Kevin Street), Galway and Wexford were since procured through traditional Exchequer funding model. They are currently under construction and expected to be completed between the end of 2017 and early 2018.</p>
<p>State Pathology Building</p>	<p>Not procured as PPP. As it was considered that the complex nature of the building may not have attracted suitable interest in the market. The project became operational in 2016. The cost is being shared between the Department of Justice and Equality and Dublin City Council.</p>
<p>Courts Bundle</p> <p>Pre market stage. Refurbishment and extension of courthouses in Cork, Mullingar and Waterford, and new courthouses in Drogheda, Letterkenny, Limerick and Wexford.</p>	<p>In construction. Contract awarded in December 2015. Service commenced in Drogheda Courthouse in June 2017. Construction is expected to be completed in 2018.</p>

Source: Department of Education and Skills, Transport Infrastructure Ireland, Health Service Executive, Courts Service, the Department of Justice and Equality and the National Development Finance Agency

European Commission and European Investment Bank financing

4.11 Private partners in three PPP projects were able to avail of European funding initiatives.

- The N25 New Ross Bypass project availed of the Europe 2020 Project Bond Initiative. The initiative's objective is to stimulate capital market financing for large scale infrastructure projects in the transport, energy, and information and communication technology sectors. It is designed to enable eligible project promoters to attract private finance from institutional investors by providing credit enhancement to those promoters.
- The Primary Care Centres project availed of finance from the European Fund for Strategic Investments. The fund is designed to help overcome the investment gap and strengthen global competitiveness in the European Union by mobilising at least €500 billion of private financing for strategic investments between 2015 and 2020.
- The N17/N18 Gort to Tuam contract was awarded to a consortium which included the 2020 European Fund for Energy, Climate Change and Infrastructure (known as the 'Marguerite' Fund). The fund has six core sponsors including the European Investment Bank. The European Commission has also committed to investing in the fund.
- In June 2017, the European Investment Bank agreed a framework loan arrangement of €160 million to provide financing for the three Social Housing PPP Bundles.

Legal challenges

4.12 PPP projects are vulnerable to legal challenge which can cause significant delays. This has been evident recently in some projects where legal challenges have been taken by underbidders.

- A legal challenge was brought by one of the underbidders for the Grangegorman DIT PPP project in March 2015. This has delayed the project by two years. In October 2016, the High Court dismissed the challenge. Legal costs were awarded against the underbidder.
- In 2015, a challenge to the tender evaluation process for the Motorway Service Areas Tranche 2 was brought by one of the underbidders. A judicial review was heard in the High Court in June 2016 and the challenge was subsequently withdrawn by the underbidder in April 2017. Transport Infrastructure Ireland (TII) had incurred legal costs of €575,000 (excluding VAT) in relation to the case by July 2017. TII has now resumed contract discussions with the preferred bidder.
- The underbidder for the N17/N18 Gort to Tuam Project brought a legal challenge in January 2015. The legal proceedings concluded in July 2017 when the underbidder withdrew the appeal from the Court of Appeal. Legal costs of €120,000 (excluding VAT) were incurred by TII in defending the challenge.

Management of operational PPP projects

4.13 Twenty major PPP projects were operational at July 2017 (see Figure 4.2).

Figure 4.2 Operational PPP projects

Sponsoring or contracting authority/project name	Service commencement
Department of Education and Skills	
Pilot Schools Bundle	2002
National Maritime College of Ireland ^a	2004
Cork School of Music ^a	2007
Schools Bundle 1	2010
Schools Bundle 2	2011
Schools Bundle 3	2014
Schools Bundle 4	2016
Courts Service ^b	
Criminal Courts of Justice	2009
Department of Transport, Tourism and Sport/Office of Public Works^c	
National Conference Centre	2010
Transport Infrastructure Ireland	
M4 Kilcock/Kinnegad	2005
M1 Dundalk Western Bypass	2005
M8 Rathcormac/Fermoy	2006
N25 Waterford City Bypass	2009
N18 Limerick Tunnel	2010
M3 Clonee/Kells	2010
M6 Galway/Ballinasloe	2009
M7/M8 Portlaoise/Cullahill	2010
M50 Upgrade	2010
Motorway Service Areas Tranche 1	2010
Newlands Cross and N11 Arklow-Rathnew	2014/2015

Source: Department of Education and Skills, Transport Infrastructure Ireland, Office of Public Works, Courts Service and the National Development Finance Agency

- Notes:
- a The National Maritime College of Ireland and the Cork School of Music are part of the Cork Institute of Technology.
 - b Drogheda Courthouse, one of seven courthouses in the Courts Bundle PPP Project, reached service commencement in June 2017.
 - c The Department of Transport, Tourism and Sport is the sponsoring authority and the Office of Public Works is the contracting authority.

Variation in costs

- 4.14** Requested variations to a project after the contract has been agreed — during construction or operation — can lead to additional costs to the public sector partner. The significant variations in recent years were
- Variations since 2013 for four of the Schools Bundles resulted in an additional cost to the Department of Education and Skills of €3.7 million. Of this, €2.5 million related to the construction and fit-out works for special needs units in Schools Bundles 2 and 3. The Department of Education and Skills has stated that this was because a new policy on the provision of special needs units was being developed.¹ The Department also stated that some variations implemented had no cost implications.
 - The cost of variations requested by the Courts Service in respect of the Criminal Courts of Justice since 2013 was €510,000. Of this, €448,000 relates to works required in relation to providing judges' chambers to facilitate an additional Special Criminal Court.
 - The cost of variations incurred by TII over the period 2013 to 2016 amounted to €13.3 million. Of this, €5.3 million related to construction stage variations on two schemes — N11 Arklow-Rathnew and Newlands Cross Scheme (€4.2 million), and N17/N18 Gort to Tuam Scheme (€1.1 million). Operation stage variation costs on the M50 PPP scheme were €4.7 million. The remaining variations relate to the installation of additional marker plates, additional signage, landscaping and safety barriers that give rise to recurring annual operating and maintenance costs.

Benchmarking and market testing

- 4.15** Benchmarking and market testing are used in PPP contracts to ensure that the State continues to receive value for money in respect of contract services provided over the life of the contract. Generally, the services to be tested ('testable services') are set out in the contract and either the public or private partner can enforce the testing processes.
- 4.16** Benchmarking involves the PPP company comparing its own (or its subcontractors') charges for providing services to the current market price of equivalent services. Benchmarking can result in an increase or decrease in the unitary charge depending on the outcome of the comparison.
- 4.17** Where public and private partners do not agree on the outcome of a benchmarking process, the PPP contracts generally allow for the parties to carry out a market testing exercise. This involves the retendering by the PPP company of the relevant services in order to test the value for money of current services against competing market suppliers. Any increase or decrease in the cost of such services following market testing should be reflected by an adjustment in the unitary charge.
- 4.18** Individual departments/agencies indicated that a number of benchmarking reviews had been conducted in recent years.

Education projects

- 4.19** Since 2013, benchmarking exercises were completed for Schools Bundles 1 and 2. These resulted in no change to the unitary charge. The Department of Education and Skills decided not to invoke benchmarking where the opportunity arose to do so for any of its other projects.

¹ School Design Guide TGD – 026, Planning and Design Guide, Primary and Post Primary School Specialist Accommodation for Pupils with Special Educational Needs, Department of Education and Skills, 2012.

Criminal Courts of Justice

- 4.20** A 2016 benchmarking of a number of testable services identified an increase in the cost for testable services of just over 2%, but because this is below the percentage threshold provided in the contract, no increase was applied.¹

National Conference Centre

- 4.21** Catering services were benchmarked in 2016 with the report issued in January 2017. The report concluded that the benchmarking exercise “demonstrated that the quality, cost effectiveness and competitiveness of the current provider are in line with the market and in key areas it exceeds its competitors”. Catering services are not a cost to the project (or paid for in the unitary charge) as a commission is paid by the catering service provider to the PPP company.
- 4.22** As the private partner was due to tender for cleaning services, waste management services, maintenance services and utilities management services, OPW agreed that benchmarking of these services was not required and that the result of the tender could be considered as market testing. Tenders have been completed and OPW indicated that while the process is ongoing, there may be an increase in the cost of the maintenance services and utilities services, while a reduction in the cost of cleaning services and waste management services is likely. The PPP company is only required to undertake benchmarking and market testing exercises in respect of those testable services which a party other than the operator is performing. Apart from those services mentioned above, there are currently no other services subject to benchmarking and market testing.

Performance and availability deductions

- 4.23** Generally, PPP contracts include clauses that link the payment to performance and the availability of the facilities and services contracted for. Between 2013 and 2016, total deductions of just over €1 million have been applied to unitary charges (Figure 4.3).

Figure 4.3 Deductions to unitary charges 2013 to 2016^a

Project	2013	2014	2015	2016	Total
	€000	€000	€000	€000	€000
Pilot School Bundle	3	1	—	2	6
National Maritime College	—	—	2	1	3
Cork School of Music	—	—	—	—	—
Schools Bundle 1	3	1	1	25	30
Schools Bundle 2	179	39	54	208	480
Schools Bundle 3	—	7	26	66	99
Criminal Courts of Justice	5	4	—	162	171
National Conference Centre	—	4	76	96	176
TII projects	—	—	10	43	53
Total	190	56	169	603	1,018

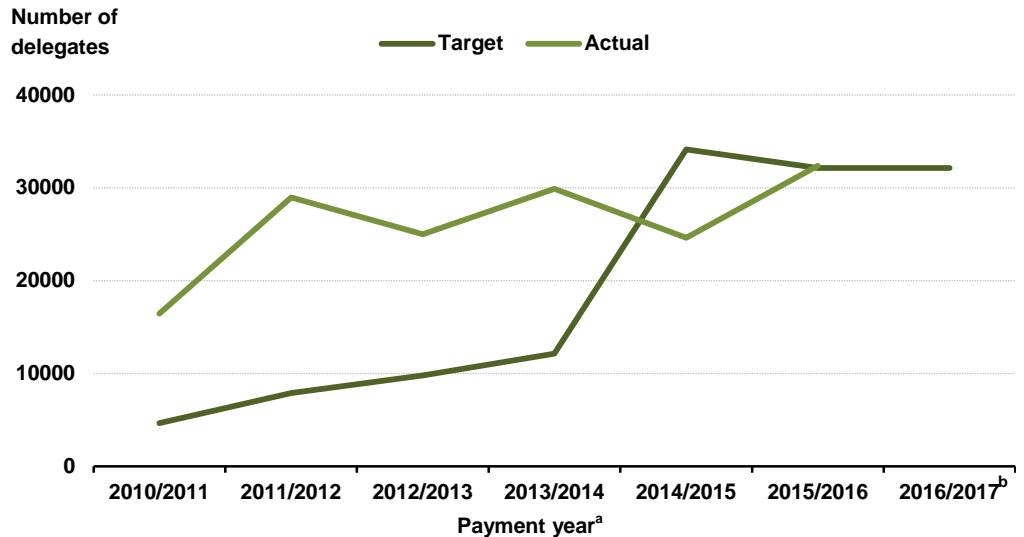
Source: Department of Education and Skills, Courts Service, Office of Public Works and Transport Infrastructure Ireland

Note: a Schools Bundle 4 not included as it only became operational during 2016.

¹ The contract provides that where market costs are found to be between 95% and 105% of the financial model, no change will be made to the unitary charge.

- 4.24 Deductions in relation to Schools Bundle 2 totalled €480,000 over the four years to 2016. The main issues that gave rise to these were primarily related to equipment failure, unavailability of rooms and some service performance issues. Deductions for Schools Bundle 3 related mainly to availability.
- 4.25 The deductions for the Criminal Courts project arose due to the unavailability of rooms on a number of occasions. The most significant deduction amounting to €140,000 was in relation to the unavailability of uninterrupted power supply in all rooms containing network devices and digital communication equipment.
- 4.26 The failure to meet the number of international delegates for 2014/2015 set out in the National Conference Centre contract, gave rise to a deduction of €164,000 in 2015/2016 (Figure 4.4). At the time of reporting, numbers for 2016/2017 were being examined by OPW and the NDFA. OPW stated that the target number of 32,140 international delegates is likely to be met.

Figure 4.4 International conference delegates, August 2010 to July 2017



Source: Office of Public Works

Notes: a The payment year in the contract is August to July.

b Actual numbers for 2016/2017 were not available at the time of reporting.

- 4.27 Deductions applied by TII are due to works resulting in lane non-availability on the N11 Arklow/Rathew PPP project. In relation to the M50 Upgrade Scheme, TII has stated that it amended the terms of the contract at the start of the operational period which had the effect of eliminating exposure to non-availability deductions. In return, TII secured the continuous provision of five recovery vehicles at a cost of €37,000 per month. TII has also stated that the enhanced vehicle recovery service has resulted in significant benefits through more efficient incident clearance and reductions in incident related delays.

Revenue and risk sharing arrangements

- 4.28** There are a number of projects where the contract contains provisions for the sharing of revenue and/or the sharing of risk in relation to volumes or costs.

Education projects

- 4.29** School bundle contracts provide for sharing of income arising from use of facilities by third parties when schools are not being otherwise used. The Department of Education and Skills has stated that there has been limited third party use of schools and, therefore, there has been no material profit sharing.
- 4.30** The contracts for the National Maritime College of Ireland and the Cork School of Music also provide for sharing of revenue arising from third party use and/or catering income. Since September 2013, this has given rise to revenue to the State of approximately €135,000 in the case of the Cork School of Music and €28,000 for the National Maritime College of Ireland.

National Conference Centre

- 4.31** There is a revenue sharing arrangement in place in the event that the National Conference Centre exceeds thresholds specified in the contract. However, any revenue above the specified threshold is used in the first instance to pay the commercial rates before any amount becomes payable to OPW.¹ In 2012, the revenue available amounted to €34,000 and was used to pay part of the rates bill for the Centre. In 2013, the revenue available was €2.4 million, of which €1.1 million was used to pay rates. The balance was shared, with OPW receiving €600,000 (45%). A successful appeal of the rateable valuation on the Centre resulted in a reduction in the rates payable from 2011. In 2015, a rates refund of €1.7 million due to OPW was agreed with Dublin City Council. This was used to pay rates for 2015 and 2016 (€704,000 for each year) with the balance (€325,000) used to pay part of the rates for 2017. No revenue share was payable to OPW in 2014, 2015 or 2016 as the PPP company revenue did not exceed the threshold set out in the contract in those years.
- 4.32** In 2015, savings of €35,000 arising from an insurance risk share review for the three year period August 2011 to August 2014 accrued to the OPW. A further review is due to be carried out in 2017.

Criminal Courts of Justice

- 4.33** Savings of €617,000 accrued to the Courts Service arising from an insurance risk share review.

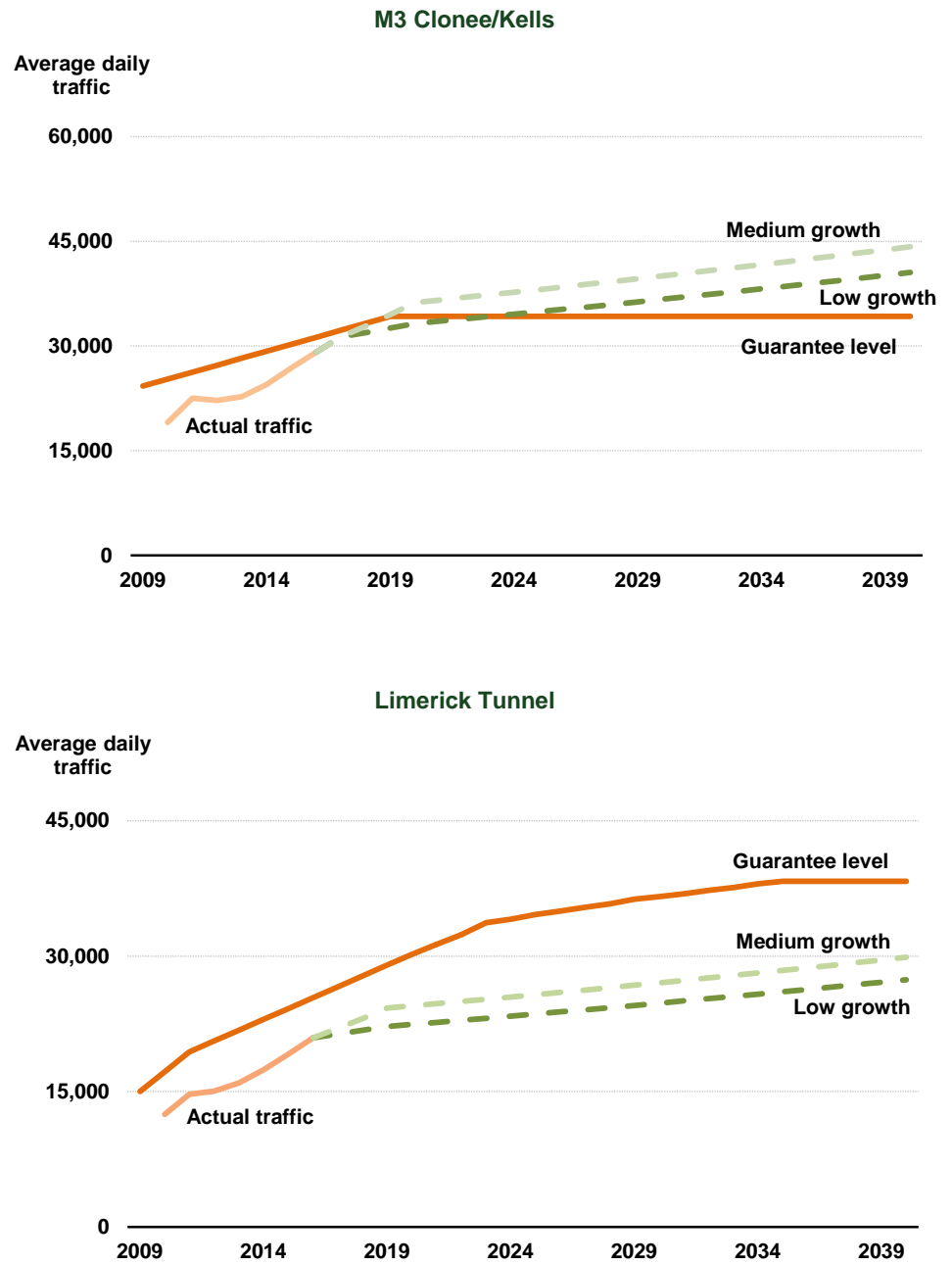
¹ Rates are payable to Dublin City Council.

*Transport projects***4.34** There are a number of risk sharing arrangements in place for road schemes that have given rise to payments by or to the private partner

- Toll revenue sharing — PPP contracts for tolled roads provide that revenue arising from tolls above threshold traffic levels specified in the contract is shared.¹ In 2016, this arose in the case of the M1 Dundalk Western Bypass (€1 million paid to TII) and the M4/M6 Kilcock-Kinnegad (€2.5 million paid to TII).
- Traffic risk sharing — the contracts for the M3 Clonee/Kells and the Limerick Tunnel projects provide for TII making traffic related guarantee payments to the private partner if actual traffic levels do not meet levels set out in the contract. In 2016, €1.2 million was paid to the private partner under the M3 Clonee/Kells contract and €4.6 million in the case of the Limerick Tunnel contract. Figure 4.5 shows the traffic guarantee threshold, the actual traffic volumes to 2016, and the projected volumes — at low and medium traffic growth scenarios. Based on low traffic growth scenario, the State will continue to make traffic guarantee payments to 2025 in the case of M3 Clonee/Kells while on a medium traffic growth scenario those payments may cease as early as 2019. In the case of the Limerick Tunnel, the State will continue to make traffic guarantee payments for the duration of the contract under both scenarios.
- Insurance risk sharing — seven contracts provide for insurance risk sharing. Insurance risk share reviews are carried out every three years. A total of €1.2 million was paid to TII by private partners in 2016 arising from these reviews.
- In May 2016, TII achieved savings of €23 million (€10.27 million in net present value terms) following the refinancing of the N17/18 Gort to Tuam PPP road project. The NDFA provided financial advice to TII throughout the negotiations with the private partners.

¹ This applies to all tolled PPP contracts except for the M50 upgrade where the private partner does not collect the tolls.

Figure 4.5 M3 Clonee/Kells and Limerick Tunnel, actual and projected traffic 2009 to 2039 (low^a and medium^b growth scenario)



Source: Transport Infrastructure Ireland

- Notes:
- a Low growth: 7.5% between July and December 2017, 2% in 2018, 2019, 2020 and 1% thereafter.
 - b Medium growth: 7.5% between July and December 2017, 5% in 2018, 2019, 2020 and 1% thereafter.

Post project reviews

- 4.35** The *Public Spending Code* requires project sponsors to ensure post project reviews are carried out for all capital projects valued in excess of €20 million.¹ This applies whether the project was procured through PPP or by traditional procurement.
- 4.36** The aim of post project reviews is to identify any lessons for future projects. Post project reviews should be undertaken once sufficient time has elapsed and should consider both the appraisal and management procedures employed, and the project outcome. Post project reviews have been carried out for 10 of the 17 projects that have been operational for five years or more — nine transport projects and the Criminal Courts project.
- 4.37** TII has conducted post project reviews on average six years after the completion of the project.
- 4.38** Following the October 2012 post project review of the Criminal Courts PPP project, the Courts Service Internal Audit Unit conducted a management review of the PPP contract in 2016.²
- 4.39** No post project reviews have been published to date. During this examination, the Courts Service has indicated that it will arrange for the publication on its website of the 2012 post project review of the Criminal Courts project.
- 4.40** Post project reviews have not been carried out on any of the education projects. The Department of Education and Skills has stated that a planned review of the Pilot Schools Bundle — which commenced operation in 2002 — has not been carried out due to resource constraints. It has indicated that it expects a review of the project to be completed in 2018.³

Conclusions

- 4.41** Ireland's programme of PPPs continues to expand, with a number of projects currently in construction and others being developed. A limit of 10% has now been set on the annual cost to the Exchequer of PPPs as a proportion of all capital spending. For this limit to operate effectively, it is important that there is clear definition of the parameters and effective control and monitoring.
- 4.42** The Department of Public Expenditure and Reform reports cumulative expenditure of over €3 billion to the end of 2016 on major PPP projects and estimated total outstanding commitments of €6.6 billion. This represents an increase of €3.5 billion (58%) since 2012 in the total projected costs of PPP projects, most of which relates to new contracts agreed since then.
- 4.43** As a result of a number of projects currently being procured as PPPs and further projects expected, it is now estimated that the annual cost of PPP unitary payments will increase from €225 million in 2016 to €345 million by 2021.

¹ The *Public Spending Code* is the set of rules and procedures that apply to ensure that expenditure appraisal and value for money standards are upheld across the Irish public service.

² Details of the October 2012 post project review are summarised in Chapter 3 of the Report of the Accounts of the Public Services, 2012.

³ The Department indicated in 2012 that it expected a review of the Pilot Schools Bundle to be completed by the end of 2013.

- 4.44** Managing performance of PPP contracts, enforcing benchmarking and market testing provisions, and managing ongoing risk sharing arrangements are important factors in ensuring that the State receives value for money over the life of the contract and validating the cost of services. Benchmarking exercises have identified savings in a number of projects. Enforcement of performance and availability provisions of contracts have also led to deductions to unitary charges and more importantly, provide an incentive to ensure that the facilities and services contracted for are delivered.
- 4.45** Post implementation evaluation of PPP projects and of projects that are procured using traditional methods is important in identifying lessons that can be learned for future projects. Such post project reviews should be carried out when sufficient time has elapsed to allow the project to become fully operational, but the extent to which reviews have been carried out is variable. Of the 17 projects that have been operational for more than five years, ten have been reviewed. Nine transport projects have been reviewed with the reviews being conducted on average six years after project completion. In addition, the criminal courts project, which became operational in 2009, was reviewed in 2012. Other than these, no other evaluation has been completed of operational PPP projects.
- 4.46** To date, no post project reviews have been published. Publication would assist in improving accountability for and public understanding of whether PPPs achieve value for money.

Recommendation 4.1

DPER should ensure that post project reviews of PPP projects are carried out after sufficient time has elapsed to allow the project to become fully operational and should ensure that the reviews are published.

Response of Accounting Officer of Department of Public Expenditure and Reform

Part agreed. While DPER is responsible for the guidance that requires post project reviews of major capital projects to be carried out, ensuring that such reviews are completed is the responsibility of the relevant department. DPER will continue to stress the importance of compliance with the requirement to conduct post project reviews. A requirement to publish post project reviews (subject to redaction of any commercially sensitive information) will be included in a revision of the *Public Spending Code* currently underway and in revised PPP guidance to be issued in the near future.

Annex 4A Department of Public Expenditure and Reform schedule of contracts, at end-2016

The following table lists the individual projects reported by the respective departments and agencies. Only projects with an estimated capital development value of €20 million or more are included. All amounts include VAT (unless otherwise stated).

Financial nature of PPP arrangements

The structure put in place to compensate the private sector partner for delivering the assets and/or services can vary between projects. In many cases, the public sponsors of the project take on contractual commitments to make regular payments to the private sector partner over the life of the project. In other cases, projects are designed on a concession basis, whereby the private sector partner receives some or all of the compensation in the form of charges imposed on the users of the service.

Scope of PPP projects

The private sector elements contributed to each project are indicated as follows

D Design of service/infrastructure

B Build/construct/extend/renovate capital assets

F Provide finance (e.g. provide/secure private equity and borrowing; collect user charges)

O Operate assets (e.g. facilities management; employment of services staff)

M Maintain assets over contract life.

Figure 4A.1 Department of Public Expenditure and Reform schedule of contracts, at end-2016

Department/ Agency	Project classification	Operational from/to	Contract value ^a	PPP unitary payments to end-2016 ^b	Projected future PPP unitary payments in nominal terms ^c	Other PPP payments where available ^d	Projected total cost of all PPP payments	PPP Company
			€m	€m	€m	€m	€m	
Health								
Primary Care Bundle	DBFM	2017/2042	140.0	—	422.3	35.5	457.8	Healthcare Centres PPP Ltd
OPW								
National Conference Centre	DBFOM	2010/2035	189.8	269.2	477.3	32.9	779.4	Spencer Dock Convention Centre Dublin Ltd
Justice								
Criminal Courts Complex	DBFOM	2009/2035	132.4	149.7	455.9	17.9	623.5	IPP CCC Partnership Ltd managed by Amber Infrastructure Ireland
Courts Bundle	DBFOM	2017/2042	149.9	—	362.8	20.9	383.7	BAM PPP PGGM Consortium
Total Justice			282.3	149.7	818.7	38.8	1,007.2	
Education								
5 Pilot Schools	DBFM	2002/2027	63.7	161.3	129.1	TBC ^e	290.4	Schools Public/Private Partnership (Ireland) Ltd
National Maritime College	DBFM	2004/2029	51.4	112.3	75.5	TBC ^e	187.8	Focus Education (NMC) Ltd
Cork School of Music	DBFM	2007/2032	49.3	85.4	144.8	TBC ^e	230.2	CSM PPP Services Ltd
Schools Bundle 1	DBFM	2010/2035	59.9	63.7	181.9	TBC ^e	245.6	MPFI Schools 1 Ltd
Schools Bundle 2	DBFM	2011/2036	81.7	75.7	266.7	TBC ^e	342.4	Pymble Schools Ltd
Schools Bundle 3	DBFM	2013/2039	100.0	55.4	355.0	TBC ^e	410.4	BAM PPP Ltd
Schools Bundle 4	DBFM	2016/2042	61.3	14.0	201.6	TBC ^e	215.6	BAM PPP Ltd
Schools Bundle 5	DBFM	2017/2042	90.9	—	255.7	TBC ^e	255.7	Inspired Spaces Consortium
Total Education			558.2	567.8	1,610.3	0.0	2,178.1	

Figure 4A.1 Department of Public Expenditure and Reform Schedule of contracts, at end-2016 (continued)

Department/ Agency	Project classification	Operational from/to	Contract value ^a	PPP unitary payments to end-2016 ^b	Projected future PPP unitary payments in nominal terms ^c	Other PPP payments where available ^d	Projected total cost of all PPP payments	PPP Company
			€m	€m	€m	€m	€m	
Transport Infrastructure Ireland								
M3 Clonee Kells ^f	DBFOM	2010/2052	521.2	395.8	266.7	43.9	706.4	Eurolink Motorway Operations (M3) Ltd
Limerick Tunnel ^f	DBFOM	2010/2041	382.5	220.6	32.8	28.2	281.6	DirectRoute (Limerick) Ltd
M50 Upgrade	DBFOM	2010/2042	219.1	148.7	718.1	77.8	944.6	M50 (Concession) Ltd
Newlands Cross and N11 Arklow/ Rathnew	DBFOM	2014-2015/2040	131.2	20.7	421.0	23.6	465.3	N11 Arklow Rathnew PPP Limited
M17/18 Gort/Tuam	DBFOM	2017/2042	271.4	—	894.3	37.9	932.2	DirectRoute (Tuam) Ltd
M11 Gorey/ Enniscorthy	DBFOM	2019/2044	234.5	—	476.0	31.7	507.7	Gorey to Enniscorthy M11 PPP Limited
N25 New Ross	DBFOM	2019/2044	150.6	—	304.2	32.1	336.3	New Ross N25 Bypass Designated Activity Company
M4 Kilcock/ Kinnegad	Concession	2005/2033	301.8	168.2	5.4	5.7	179.3	Eurolink Motorway Operations (M4) Ltd
M1 Dundalk	Concession	2005/2034	112.6	—	3.1	3.8	6.9	Celtic Roads Group (Dundalk) Ltd
M8 Fermoy	Concession	2006/2024	182.7	134.2	15.7	1.8	151.7	DirectRoute (Fermoy) Ltd
N25 Waterford	Concession	2009/2027	262.3	155.1	39.3	2.4	196.8	Celtic Roads Group (Waterford) Ltd
N6 Galway/ Ballinasloe	Concession	2009/2035	297.8	300.3	51.6	19.6	371.5	N6 (Concession) Ltd
M7/8 Portlaoise	Concession	2010/2023	300.1	72.4	7.7	5.6	85.7	Celtic Roads Group (Portlaoise) Ltd
MSA	Concession	2010/2010	62.7	47.1	—	—	47.1	Superstop Ltd
Total TII			3,430.3	1,663.1	3,235.9	314.1	5,213.1	
Total^g			4,600.6	2,649.8	6,564.5	421.3	9,635.6	

Source: Department of Public Expenditure and Reform

- Notes:
- a The cost of investment referred to in the project contract (excluding VAT). It represents the nominal design and construction cost of the project.
 - b Represents the cumulative unitary payment amounts made by the Departments to the PPP companies.
 - c Represents the Departments' future nominal liabilities in respect of the projects. Projected future nominal committed payments are calculated on an assumed future annual inflation of 2% per annum.
 - d Other PPP payments captures capital expenditure payments related to a PPP project but do not come under the unitary payments heading, i.e. land acquisition, enabling works, VAT bullet payments and authority variations.
 - e A review of other PPP payments is currently being undertaken by the Department of Education and Skills. Total PPP cost figures are also subject to change in that context.
 - f Includes payments required under the traffic guarantee contract mechanism. The nominal value of remaining payments does not include any amounts for future payments under this mechanism.
 - g Total PPP cost figures and future commitments are subject to change.