

## PAC Briefing Note on Water PPP - Focused Policy Assessment

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### *Background*

The Central Expenditure Evaluation Unit within the Department of Public Expenditure and Reform carried out a Focused Policy Assessment (FPA) on compliance with the VFM procurement requirements for Public Private Partnerships in the Local Authority Sector.

The FPA examined a sample of water and wastewater treatment plants to assess the extent to which the required VFM analysis was carried out for water investment projects in the Local Authority sector.

The following were the terms of reference for the Focused Policy Assessment (FPA):

- To assess the extent to which the required VFM procurement analysis is being carried out for water investment projects in the Local Authority sector.
- To assess, at a high level, the quality of the VFM tests carried out
- To examine how VFM analysis informs the final procurement decision for projects
- To assess the management information maintained by DECLG in relation to water PPPs.

### *Current status*

The FPA is at a well advanced stage. It is proposed that the FPA will be published when completed.

### Speaking Note

As Secretary General, and for the purposes of attending today, I have been provided with an outline of the findings and recommendations of the draft report which I can share with Committee if it wishes. I expect to see the finalised full report in due course before it is published.

The main *findings* of the report are:

1. In some cases, appraisal and procurement analysis was not fully used to inform management decisions on projects
2. In a small number of cases, the appraisals carried out did not always meet required standards in terms of options analysis and sensitivity analysis.
3. There is a heavy reliance on consultants to carry out the majority of appraisal and PPP work.

The main *recommendations* of the report are as follows:

1. Water services in Ireland are going through significant change. To ensure that VFM is achieved for capital expenditure in water it is recommended Irish Water should comply with the best practice appraisal principles in the Public Spending Code.
2. Consistent with the C&AG's recommendations in this area, a programme of post project reviews (PPRs) should be undertaken for eligible projects (those in operation) to gather data which can be used to develop benchmarks for water. The projects in Bray and Kildare Town are good potential candidates for post project reviews as there are PSBs against which to assess outturn and both projects are in operation.