

PPP/PFI

A NEW APPROACH TO ASSESSING VALUE FOR MONEY

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UK PPP EXPERIENCE TO DATE

- **670** signed deals, **430** operational
- Over **50** published NAO reports on PPP/PFI since 1997
- Individual deals and thematic/cross cutting reports
- No overall assessment of PPP/PFI

FOUR PILLARS APPROACH



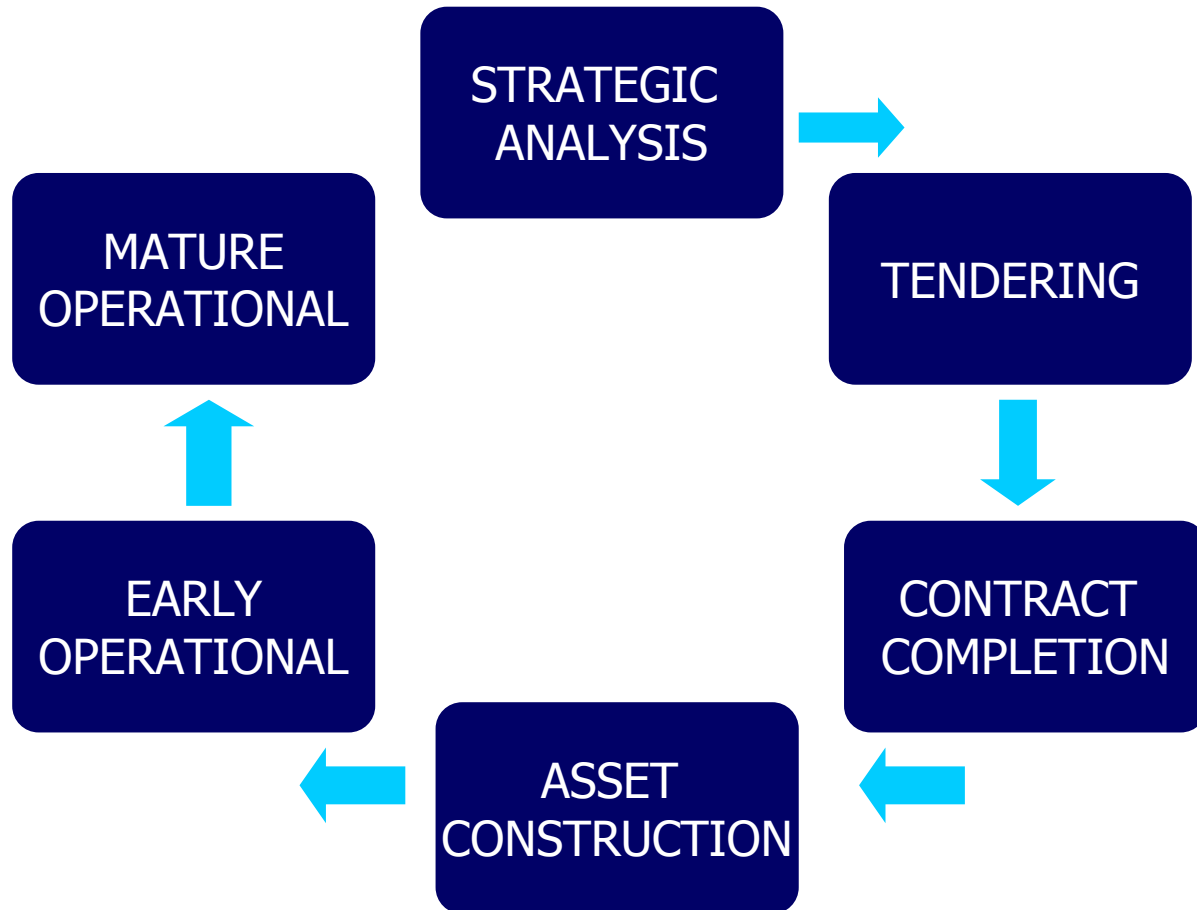
TIME TO UPDATE

- Existing methodology is only pre-deal
- There is little guidance once deals are operational
- The vfm assessment can change over the contract period

BASIS OF THE NEW APPROACH

- Two dimensional matrix
- Chronological approach based on key stages
- Key vfm themes/indicators, supported by detailed audit questions

LIFE CYCLE OF PFI DEALS



KEY LIFECYCLE THEMES

- Suitability to business needs
- Whether it is the best alternative
- Whether stakeholders get what they contracted for
- Quality of delivery of project
- Whether it offers optimum mix of scope, cost and quality
- Quality of risk management

ILLUSTRATIVE MATRIX

	Strategic analysis	Tendering	Contract completion	Asset construction	Early operational	Mature operational
Fit with business needs	Good OBC Clear deliverables	Robust output specification	Clear cut contract	Delivery to specification	Contract being met	Service meeting requirement
Appropriate delivery mechanism	Results of options analysis	Baseline of service performance	Review of evaluation	Delivery to specification	Review of performance	Review of performance
Stakeholder support	Review of consultation	Review of stakeholder buy in	Key stakeholder support	Stakeholders informed of progress	Review of stakeholder satisfaction	Analysis of stakeholder benefits
Quality of project management	Design of project management	Effective team in place	Contract management arrangement	Problem solving arrangement	Post deal evaluation	Effective internal controls
Balance of cost, quality and finance	Analysis of market surroundings	Good quality bids received	Analysis of financing terms	Changes made are vfm	Deal remains affordable	Benchmarking of price and quality
Quality of risk management	Analysis of scope for risk transfer	Risk management procedures	Appropriate risk transfer agreed	Management of risk	Risk transfer sticks	Procedures updated

HOW THE APPROACH CAN BE USED

- As a guide to VFM of individual deals
- At a programme level
- As a “traffic light” system to highlight main risks