Public Private Partnerships in the Education Sector

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Outline

- Capital Expenditure: Scale and structures
- Where PPPs fit
- Education Sector PPP Programme
- Experience and Lessons Learned
Government and Infrastructure Investment

- Government has collective responsibility for formulating overall budgetary policy.
- Within this overall framework, Government agrees the annual aggregate and department Vote levels of expenditure, which are submitted for Dáil/Parliamentary approval.
- Dáil votes – thereby annually granting monies for Departments.
- Government approves rolling multi-annual capital investment envelopes-€17bn 2012-2016.
Irish Framework for PPPs

- **Legal Framework**
  - State Authorities (Public Private Partnership Arrangements) Act 2002
  - National Development Finance Agency Act 2002
  - National Development Finance Agency (Amendment) Act 2007

- **Institutional Supports**
  - Three expert public sector procurement agencies
  - National Development Finance Agency; National Roads Authority; Railway Procurement Agency
  - Established in response to complexities and challenges of PPP process

- **Central Guidance**
  - From project appraisal through to project close
  - Dovetails with main Public Spending Code but also includes specific technical tools used to evaluate PPPs
Irish Experience

- Pilot projects from 1999
- Framework for PPPs 2001
  - sets out high level principles
  - social partnership dimension
  - Value for Money emphasis
- PPP structures have evolved since
Role of Department of PER for PPPs

- D/PER has the same role in relation to PPP projects as it does in relation to capital investment projects generally
  - Sets overall capital investment framework
  - Establishes basic principles to be observed for the appraisal, assessment, procurement and evaluation of projects.

- Central PPP Unit
  - Co-ordination of the delivery of a new PPP Programme as part of the Government’s Stimulus Package
  - Develops general policy framework, including, where necessary, the legal framework within which PPPs operate
  - Provides central guidance to Departments and other State Authorities

- No direct role in individual projects – that is primarily the responsibility of the Sponsoring Department/Agency.
Value for Money Procurement

- Value for Money the driver of PPP in Ireland
- Four formal VFM tests within PPP process
  - PPP Procurement Assessment - qualitative
  - On completion of PSB – quantifies initial procurement assessment
  - Tender Evaluation Stage
  - Contract/Financial Close

- Key test is comparison to Public Sector Benchmark
  - PSB is a comprehensive estimate of cost of procuring project traditionally
  - like with like comparator for private sector bids
  - bid must beat or equal PSB to proceed as PPP

—Affordability is also a key factor
Main Types of PPPs

- Broad definition of PPPs in Ireland – PPPs should not be thought of as a generic class
- Some PPPs do not even involve private finance
  - Design Build, Operate, Maintain and Finance (DBFOM) – “classic PPP” arrangement
  - Concession - financed by User Charges (e.g. tolled roads)
  - Design Build Operate (DBO) – projects without private financing and remunerated directly by Exchequer (e.g. Water/Waste Water projects)
  - Atypical projects (e.g. Design, Build, Finance social housing projects; Luas Operate only)
Track record of Successful PPPs

- Economic infrastructure
  - 9 major urban motorways/bypasses
  - Motorway Services Stations

- Accommodation projects
  - e.g. Education/ Major criminal courts complex, International Convention Centre

- Local Government Sector
  - Water/Waste Water (DBO, not privately-financed)
Some Education Statistics

• 3,159 Primary Schools
• 723 Post Primary
• 15 PPP schools in total
• Student Numbers:
  – 509,040 Primary Level
  – 359,047 Post Primary
• 70,000 new school places required by 2017 – Mix of procurement methods will be used for delivery
Live Education projects

• 5 in total comprising
  – 3 School bundles; 15 schools in total
  – 2 Third Level Institutions
• One school bundle (School Bundle 3) in construction (8 schools)
• The successful closure of this PPP deal in November 2012 was a key milestone in re-opening our PPP Market
## Expected Enrolments/Demand up to 2018

<table>
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<th>Year beginning</th>
<th>First Level</th>
<th>Second Level</th>
<th>PLCs</th>
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<td>340,200</td>
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<td>552,800</td>
<td>342,300</td>
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Education Sector Projects
Banagher PPP School
Ballincollig Community School
## Annual Costs of Education
### PPPs

<table>
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<tr>
<th>Year</th>
<th>Total €000</th>
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<td>2017</td>
<td>50,356</td>
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<tr>
<td>2018</td>
<td>50,532</td>
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Potential Advantages of PPP

- Better Value for Money
  - Utilise private sector expertise
  - Optimal transfer of risk
- Improve delivery of projects
  - Payments linked to delivery/performance
- Spread the cost of financing over the life of the project
- Focus on lifecycle /longterm costs
- Incentivising sustainability, Innovation and R&D
- Transfer of responsibility to PPP co for full completion & on-going maintenance
Review of Experience to date

- Pilot schools review by C & Ag- helped shape policy guidance & Subsequent contracts for all PPPs including schools
- Experience during the operational phase of schools has also informed new contracts
- Few formal evaluations of operational PPPs- One on-going in the Water sector DBOs
- PER hope to initiate a review of schools projects this summer
Ongoing Contract Management

- Stringent performance requirements to ensure on-going value for money - requires close monitoring
- Undertaken by D/Education for 3rd level & by NDFA for 3 school contracts in place
- Is resource intensive and hands on
- In addition to State monitoring, funders also visit schools quarterly
Some Observations

• Learning curve for School Principals
• PPP schools are very well maintained vis-à-vis traditional schools - More systematic programme of maintenance e.g. Roof Replacement on Pilot Schools
• Tend to have better architectural design features due to competition
• Also have innovative features e.g. turbines/photo voltaic cells installed to supplement the power supply for SB2
Other benefits/impacts

• Professional Facilities Management organisation available – to identify what’s to be done and ensure it’s done properly
• Frees up School Management to focus on education issues - key benefit that’s not captured in economic vfm
• Long-term commitment by all parties
New PPP Programme/Stimulus Plan

- Stimulating domestic growth and job creation are key priorities for the Government
- Last July Government launched a new PPP Programme
- €1.4 billion for new projects in
  - Health Sector: Primary Care Centres
  - Education: Schools - 2 further schools bundles of 6 schools each, Grangegorman - Level Institution – These will go to the market this year
  - Transport: Roads
  - Justice sector: Garda/Police Headquarters & Courts
Lessons Learned

- PPP is just one form of procurement – for projects of the right risk, scale, and operational profile
- PPP is not...
  - immune to planning and legal delays
  - a special category of infrastructure
  - free money
  - a panacea
Challenges

- Negotiation/procurement skills required
- On-going capacity needed during operational phase
- Sustainability given long-term commitments
- Securing finance for projects in current environment
Useful Websites

• www.ppp.gov.ie

• www.ndfa.ie

• www.nra.ie