

Chapter 46

SaskBuilds—Evaluating Potential P3s

1.0 MAIN POINTS

By September 2017, SaskBuilds had improved its processes for evaluating infrastructure projects to determine whether the projects should use a public-private partnership (P3) approach. It implemented four of five recommendations. SaskBuilds revised its P3 Project Assessment and Procurement Guideline to specify the minimum content required in its public value-for-money report, and to require the release of public value-for-money reports within a reasonable timeframe. In addition, it set conditions and requirements for the minimum savings under the P3 projects.

SaskBuilds had identified lessons learned on the P3 infrastructure projects, and built a few of them into the Government's process for making decisions about other infrastructure projects. As of September 2017, it had not fully leveraged its analysis or worked with others to include feasible benefits and efficiencies in future public sector conventional procurement approaches. Doing so would assist the Government in overcoming problems sometimes attributed to projects using a conventional procurement approach.

2.0 INTRODUCTION

SaskBuilds is responsible for evaluating the suitability of the Government using a P3 approach for specific infrastructure projects. To do these evaluations, SaskBuilds works with the ministry responsible for the services that the infrastructure project is expected to deliver. Since our 2015 audit to September 2017, SaskBuilds had evaluated the suitability of one project for use of a P3 approach.

In 2015, we reported SaskBuilds had effective processes for evaluating infrastructure projects at the business-case development stage to determine whether the projects should use a P3 approach except for the matters reflected in five recommendations.¹

This chapter describes the status of those five recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SaskBuilds' progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskBuilds' management agreed with the criteria in the original audit.

We reviewed SaskBuilds' Guideline for the evaluation of potential P3 projects and other relevant documents (e.g., request for proposal documents). We also interviewed management of SaskBuilds on the actions taken to implement the recommendations.

¹ 2015 Report – Volume 1, Chapter 16, pp. 183-204. Available at www.auditor.sk.ca/publications/public-reports/.



3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2017, and SaskBuilds' actions up to that date.

3.1 Requirement for Public Reporting Set

We recommended that SaskBuilds specify the minimum content required in its public value-for-money report that it is to publish after Government signs an agreement with the successful bidder (i.e., financial close). (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

Status – Implemented

We recommended that SaskBuilds require release of public value-for-money reports related to infrastructure projects within timeframes consistent with those set out in The Executive Government Administration Act. (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

Status – Implemented

In February 2016, SaskBuilds revised its P3 Project Assessment and Procurement Guideline to specify the minimum content required in its public value-for-money reports and a timeline for the release of value-for-money reports.

SaskBuilds publishes value-for-money reports to provide the public with an understanding of the project and the basis for the Government's decision to use a P3 procurement approach.

The revised Guideline requires value-for-money reports to include a project overview; project delivery options, including the methodology and procurement options; key terms of the project agreement, including project costs and quality; performance monitoring; and a risk allocation summary.²

Under the revised Guideline, SaskBuilds must publish the reports within 120 days of the approval of the project agreement—a timeframe consistent with *The Executive Government Administration Act*. Since our 2015 audit but prior to the revision of its Guideline, SaskBuilds issued three value-for-money reports within the timeframe set out in the revised guidelines (e.g., Regina Bypass value-for-money report was issued within 103 days of its approval).

² A risk allocation summary estimates and compares the total costs of using traditional project delivery compared to P3 delivery; it identifies and quantifies the risks that will be retained by the public sector entity under each model. SaskBuilds views an appropriate risk allocation as a significant contributor to value-for-money and the success of a P3 project. SaskBuilds Guideline, p. 25.

3.2 Required Further Assessment when Minimal Savings Estimated

We recommended that SaskBuilds specify, at the start of its evaluation, the minimum estimated savings that a P3 approach must demonstrate over a conventional approach before it recommends to the Government to sign an agreement with a successful bidder. (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

Status – Intent of Recommendation Implemented

Instead of setting a minimum savings under the P3 projects, SaskBuilds took a different approach to recognizing the uncertainty that exists in the estimated value-for-money savings, and to explicitly consider that uncertainty before recommending a P3 approach.

Since our 2015 audit, SaskBuilds formally requires further analysis before recommending a P3 approach where estimated savings under a P3 approach are minimal.

In February 2016, SaskBuilds revised its P3 Project Assessment and Procurement Guideline as follows. The Guideline requires that:

the P3 approach must demonstrate positive [value-for-money], considering quantitative benefits, qualitative benefits and providing sensitivity analysis. If minimal value-for-money savings (less than 3%) exists on a project, sensitivity analysis should be incorporated as a major consideration in the recommendation.

We found that SaskBuilds used this approach in a project that it evaluated in 2015 subsequent to our audit. For the project, the value-for-money savings was calculated as less than 3%. SaskBuilds considered the extent of uncertainty reflected in the sensitivity analysis and recommended that this project proceed under the conventional procurement model.

3.3 Improved Process for Allocation of Risks and Benefits

We recommended that SaskBuilds assemble and make available to all risk workshop participants key empirical data to facilitate better evaluation of infrastructure project risks, calculate related costs, and support decisions. (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

Status – Implemented

Since April 2015, SaskBuilds provided risk workshop participants with key empirical data (e.g., historical costs of the past projects) to facilitate evaluation of infrastructure project risks and costs, and to support decisions.

We found that for the 2015 project that SaskBuilds evaluated, it gave risk workshop participants adequate information and data (e.g., historical costs of the past projects), to assist them in evaluating the risks of that project.



We recommended that SaskBuilds leverage its analysis of value-for-money for infrastructure projects to evaluate and include feasible benefits and efficiencies in future public sector conventional procurement approaches. (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

Status – Partially Implemented

As of September 2017, SaskBuilds had identified and documented the benefits and barriers of using a P3 procurement approach. But, it had not yet fully leveraged it to work with others in Government to include feasible benefits and efficiencies in future public sector conventional procurement approaches.

Since our 2015 audit, SaskBuilds shared, on an ad hoc basis, lessons learned from P3 projects with other government agencies. For example, during its involvement with capital planning for the ministries, SaskBuilds shared some of its knowledge gained through P3 procurement such as inclusion of lifecycle costs (which includes operational, maintenance and rehabilitation costs) into the capital planning process. Also, for a project that SaskBuilds evaluated in 2015, it incorporated some of the features of a P3 project into that conventional project including:

- The use of a fairness advisor during the procurement process to ensure the process is fair, open and transparent
- Payment of honorariums to qualified bidders who were unsuccessful to promote higher quality bid submissions
- Exchange of information with bidders to increase collaboration and promote innovation during the procurement process

In addition, SaskBuilds developed a process to collect and document lessons learned from the P3 projects and to start applying them to new P3 projects, and if applicable, to conventional procurement. By September 2017, it had identified about 120 lessons learned from P3 projects. It was actively analyzing the list and had plans to share its lessons learned with ministries as they identify new infrastructure projects.

Analyzing benefits and barriers of P3 projects and sharing best practices and lessons learned may assist the Government in overcoming problems sometimes cited with the use of conventional procurement approaches (e.g., not using life-cycle costing, having realistic budgets and time for each phase and/or clearly and formally defining responsibilities of each party and key individuals at each phase).