

PPP Assessment Framework

Guidance for completing a qualitative assessment on a project's PPP suitability at Strategic Business Case stage to inform the Procurement Strategy

Purpose

This document provides guidance to Responsible Agencies for completing an initial, high-level, qualitative assessment to determine whether a capital project is potentially suitable for a Public Private Partnership (PPP). Defined terms are consistent with those used in the NSW Public Private Partnership Policy and Guidelines (TPG22-21).

Agencies must complete the PPP Assessment Form at [Attachment A](#) and submit this to NSW Treasury.

Context

Agencies should refer to the NSW Public Private Partnership Policy and Guidelines (TPG22-21) when completing the PPP Assessment Form. TPG22-21 requires that:

'...a public infrastructure project with a total estimated capital value exceeding \$200 million must be assessed for possible PPP procurement, having regard to value-for-money drivers as part of the Procurement Strategy...'

When should a high-level assessment be done?

Consistent with TPG22-21, a qualitative assessment of the suitability of a capital project for a PPP should be performed as soon as possible during the development of a Strategic Business Case so that this assessment informs the Procurement Strategy. Project objectives and project specific criteria must be known to enable evaluation of possible procurement options.

Undertaking the high-level assessment

The assessment should be holistic and consider the project's objectives and project specific procurement characteristics/criteria, consistent with the PPP Assessment Form. Input should be sought from relevant disciplines from within the Responsible Agency (e.g. project delivery, finance, commercial and legal) and/or external advisers, as required.

Individual project circumstances must be considered in applying the PPP Assessment Framework to ensure optimal project outcomes are achieved.

Assessment of a project for possible PPP procurement

Responsible Agencies must complete the PPP Assessment Form and submit the form to NSW Treasury, specifically the Infrastructure and Structured Finance Unit (ISFU). NSW Treasury will assess the submission and will formally advise whether it supports the Responsible Agency's recommendation. Where NSW Treasury does not support the Responsible Agency's recommendation, discussions are to be held between NSW Treasury and the Responsible Agency.

Financial and accounting impacts

Considerations of the PPP structure, budget impacts or accounting treatment should be explored in greater detail if this high-level qualitative assessment determines that the PPP model is a viable procurement option.

Attachment A - PPP Assessment Form

Information to be compiled and provided by the Responsible Agency for a qualitative assessment on a project’s PPP suitability.¹

Project specific information:

Table 1 below should be used to collect project specific information on the project’s scope, outputs, whole-of-life opportunities and potential risks.

Table 1: Project specific information

Project Name	
Assessment Date	
Category	Responsible Agency Commentary
1. Project overview	
Please provide a high-level description of the project, including any asset related services that may be required post-construction, e.g. cleaning, catering, facilities management, service delivery, operations, maintenance, etc.	
Please describe the project objectives and outcomes.	

¹ The information for this guidance note is primarily sourced from the ‘National PPP Guidelines’, Volume 1: Procurement Options Analysis (Dec 2008). Accessible via www.infrastructure.gov.au.

Category	Responsible Agency Commentary
Is there a critical project completion date?	
Project status (i.e. scoping/Strategic Business Case/Final Business Case, etc.)	
2. Cost and Funding	
Is the project's expected capital value over \$200 million (including contingency)?	
Can the project be bundled with the scope and/or services of another project, precipitating a total value in excess of \$200 million?	

Category	Responsible Agency Commentary
If approved, what is the likely anticipated amount of project funding required (and is this amount capped or flexible)?	
What is the value of the operations and maintenance component of the project (as a percentage of capital expenditure)?	
3. Scope and service outputs	
Can the project scope and service outputs be clearly defined and measured?	
Can the project scope be clearly described in a technical specification?	

Category	Responsible Agency Commentary
What is the nature and extent of any physical and contractual interfaces with other projects and/or works packages?	
What are the anticipated precinct outcomes (if any)?	
To what extent is there scope for alternative, or innovative ways of achieving the defined service outputs/outcomes?	
What is the likelihood the project scope may be subsequently varied/augmented and how may this impact project counterparties?	

Category	Responsible Agency Commentary
4. Whole-of-Life Opportunities	
<p>Can services be bundled together to create a long-term operations and maintenance opportunity?</p>	
<p>What is the expected useful life of the asset under consideration against the possible PPP concession term?</p>	
5. Revenue sources	
<p>Is there an opportunity to collect user charges (e.g. tolls) or other commercial revenue during the term?</p>	
6. Procurement Options	
<p>What other procurement and/or delivery options are under consideration (other than a PPP)?</p>	

Category	Responsible Agency Commentary
<p>Please describe the high-level advantages and disadvantages of alternate procurement/delivery models.</p>	
<p>What market feedback (if any) has been received in relation to the potential PPP model for the project?</p>	
<p>What social and economic benefits can be realised if the project is delivered as a PPP (in comparison to other models)?</p>	
<p>Are there any public interest issues that should be considered?</p>	

Category	Responsible Agency Commentary
7. Risk	
<p>Can material risks associated with the project be defined and priced? Please also consider whole-of-life risks.</p>	
<p>What are the unquantifiable risks that could have a material impact on the project’s cost and achievement of project objectives?</p>	
<p>Are there material risks/uncertainties associated with the project that the Government is best placed to manage, and if so, is the cost of transferring this risk prohibitive? Please also consider whole-of-life risks.</p>	
8. State’s procurement capability	
<p>Does the Responsible Agency have adequate internal staff and resourcing and the required skills and capability to procure the project as a PPP?</p>	

Value-for-money drivers

PPPs have the potential to provide value-for-money when certain characteristics are present. The value-for-money drivers in Table 2 should be considered when assessing a project's PPP suitability. Please note there may be additional value-for-money drivers that are project specific.

This Table does not consider the financial or accounting considerations of the PPP model. NSW Treasury can work with the Responsible Agency to explore the quantitative considerations of PPP procurement if the qualitative assessment determines there are sufficient value-for-money drivers for a PPP procurement.

Table 2: Value-for-money drivers for PPP

Value for money drivers	Description	Relevant for project (Y/N)	Project's Relevant Factors
Complex risk profile and opportunity for risk transfer	Complex project risk profile and the ability to transfer risks to the private sector where the private sector is best able to manage those risks.	Y	
		N	
Interface risk	Opportunity for a single party to manage complex physical and contractual interface risks.	Y	
		N	
Better upfront integration of design, construction and operational requirements and whole-of-life costing	Single point of responsibility for design, construction, finance, operation and maintenance of the asset resulting in improved efficiency through whole-of-life costing as design and construction become fully integrated up-front with operations and asset management.	Y	
		N	

Value for money drivers	Description	Relevant for project (Y/N)	Project's Relevant Factors
Outcomes focus and private sector innovation	The nature of the services to be provided by the private sector allow for the development of output specifications, a performance-based contract and increased opportunity for the private sector to develop innovative solutions in meeting these output specifications	Y N	
Asset utilisation	Reduced cost to Government through more efficient design and asset management strategies to meet performance specifications.	Y N	
Competitive process	Market interest in the delivery of the project, creating an opportunity to run a competitive tender process and seek innovative project solutions from the market that meet Government cost objectives.	Y N	
Opportunity for superior value for the State	Given the circumstances in which the project is to be delivered (e.g. a precinct), are there advantages in progressing this project as a PPP to yield a better value outcome for the State (Note: the increased value may be realised across multiple agencies)	Y N	

Value for money drivers	Description	Relevant for project (Y/N)	Project's Relevant Factors
Responsible Agency's recommendation of the project's suitability as a PPP			
Responsible Agency's assessment is: <ul style="list-style-type: none"> a. PPP procurement is potentially suitable and should be included as an option in the procurement options analysis; or b. PPP procurement is not suitable for the project. 			
NSW Treasury review and recommendation:			
Support Responsible Agency's recommendation:		Y N	
Notes			
NSW Treasury review date:			

Copy of completed recommendation to be returned to Responsible Agency.