

# P3 Value for Money Assessment and Project Report Template

*<Insert Name of Project Here>*

[G1]

*<Insert publication date  
(Month Year format)>*

**< Insert Table of Contents on this page >**

# Value for Money Assessment and Project Report on Public Private Partnership (P3) for <short name of project>

<Insert Date of Publication (Month Year format)>

## 1. Summary: <Describe what question you are answering with this report>

<Provide a very short (300-400 words) executive summary here of the key messages you want the document to convey. Typical statements that you should make here include:

(1) An overview of the value for money analysis outcomes (NPV dollars (and percentage) saved, total NPV value of contract, etc.)

(2) A very brief overview of the project; discuss the project scope in very general terms, and what the impact was on project schedule versus traditional procurement. Was the use of a P3 model the right approach to take?

(3) A brief overview of the project's official inception (announcement by Minister, or Treasury Board approval to move ahead as a P3)

(4) Any special features that make the project unique or innovative in any way (e.g. core school designs, etc.). How did this project align with the overall goals of the GOA or the Ministry (safer roads for Albertans, schools where children live, better health outcomes, etc.)

(5) A brief statement about the signature of the agreement (who are the major parties to the agreement? Ministry/name of SPV). When was it signed? How long is the term? What is Availability date?

- A synopsis on how the savings were derived (5 or 6 bullets discussing economies of scale, construction efficiencies, innovations, etc.)

This report explains what a P3 is and why it may be used, provides a value for money assessment of the P3 for <short name of project>, and provides a project report.<sup>1</sup> <Provide a footnote discussing which Ministries were responsible for the report preparation, as shown below>

---

<sup>1</sup> This report was developed by <Provide Name of Ministry or Ministries> following the value for money methodology in the Government of Alberta's *Management Framework: Assessment Process*.

## 2. Background

### What is a P3?

*<This section briefly discusses what a P3 is, and why Alberta does them (150-200 words). >*

A P3 is a different, non-traditional way for government to create capital assets (such as roads, schools, and other types of government facilities). In the case of *<short name of project>*, the government entered into one agreement with a contractor, responsible for designing, building, *<partially>* financing and *<operating/maintaining>* the *<asset type>* over a *<number of years of contract>*-year period (*<number of years>* years design and construction; *<number of years>*years *<operations/maintenance>*).<sup>2</sup>

A P3 can save time, money and reduce risk to the government by having one contractor design, build, finance, and *<operate/maintain>* a *<facility/road/other(describe)>*. For Alberta P3 projects, the public sector owns the facility and provides public services to Albertans, the same as it does with a traditional approach. In this P3, the *<name of asset owner>* own*<(s)>* the *<description of asset>* and deliver*<(s)>* *<program description>* as they do in their other *<asset description>*.

### What is a traditional approach?

*<This section briefly discusses what the traditional approach looks like and includes references to the government's long-term maintenance obligation for the asset, and how it is paid for (150-200 words).>*

In a traditional approach, the public sector hires an architect to design a *<asset description>*, or other *<facility/road/other(describe)>*, and then hires a construction contractor to build it. Once the *<facility/road/other(describe)>* is built, the public sector operates it *<and maintains it>*, typically by awarding numerous individual contracts for repairs and renewal. The government pays for the construction of the *<facility/road/other(describe)>* by making progress payments (for its own infrastructure) or by making capital grants to entities such as school boards, health authorities, and post-secondary institutions. *<Government/Grant>* funding is also used to operate and maintain the facility.

### What does a Value for Money (VFM) Assessment do?

*<Use the same, or similar wording as shown below (100-150 words)>* A VFM assessment measures whether a P3 is the best option for a particular project. In the case of *<name the project, and describe the two procurement methods compared>*. The VFM for a project is the difference between the two costs. The goal of a P3 is to provide value; to do so, the P3 must cost less – measured by net present value – than the traditional method over the life of the contract.

---

<sup>2</sup> For detailed discussion on P3s, see the Annual Report of the Auditor General of Alberta 2003–2004, at pages 49 to 72 ([www.oag.ab.ca/files/oag/ar2003-2004.pdf](http://www.oag.ab.ca/files/oag/ar2003-2004.pdf)).

**What is net present value?**

*<Use the same, or similar wording as shown here (100-150 words)>* Net present value is the current value of a future sum of money. It is a standard method to compare the value of money over time (a dollar today is worth more than a dollar tomorrow because of interest and inflation) to assess long-term projects. It is produced by applying an interest rate and an inflation rate (collectively called the “discount rate”) to a future sum. The amount and timing of cash flows differ in the two options for producing the *<name the asset class>* (traditional and P3) and the calculation of net present value accounts for those differences. The net present value of the cost to produce and maintain a facility using the traditional approach is called the Public Sector Comparator, or PSC.

---

### 3. VFM Assessment of the P3 used for <describe the asset class>

#### Money and time saved by using P3: Quantitative measures of value

This VFM assessment uses net present value as of <insert date of bid submission>, when bids were received. It includes the costs to <describe the component activities design/build/finance/maintain/operate, etc. and the agreement term>. It also includes the impact of risk transfer (as discussed later in this section) but excludes costs common to both methods, such as <describe any major exception items that were not included in the VFM analysis>.<sup>3</sup>

<provide a brief summary – max. 50 words – of the financial outcomes, both as a lump sum and a percentage of the PSC. If a financial advisor was involved in the calculation of the numbers on bid day, attach a copy of the advisor’s summary report in Appendix A and refer to it here>

<Insert a very simple graphical representation of the value for money here as “Figure 1” – an Excel histogram chart will suffice. Ensure that the scale for the NPV axis starts as zero, otherwise there can be a perception that the government is manipulating the figures to show only part of the picture.>

Private financing by the contractor costs more than public financing by government, but in the case of <insert the project name here>, that cost was more than offset by the following factors:

<Provide a numbered list here of the top 3-5 items that offset borrowing costs, e.g. risk allocation, innovations, schedule savings, etc. Include an explanation of how the item generated quantitative value (max. 100-150 words per item) >

#### Qualitative measures of value

<If there are any qualitative measures of value that can be illustrated, provide a numbered list of them here. Include an explanation of how the item generated qualitative value (max. 100-150 words per item) >

#### Major risks allocated in P3 contract

An important factor in the delivery of P3 projects is an acceptable allocation of risks to the party or parties best able to manage them. In some cases, the contractor is the appropriate party to manage a risk; in others, the government can better manage the risk; in yet a third case, the risk may be best shared between the two parties.

---

<sup>3</sup> Capital and renewal costs for both methods were developed by <name the consultant that prepared the base cost estimates>. Inflation and discount rates were provided by the Ministry of Finance and Enterprise. <Name the consultant, if any, that provided the financial modeling> developed the financial model.

Table 1 (Appendix B) shows a sample of the risk allocation between the government and the contractor in the P3 contract and schedules. This list is not comprehensive. The P3 contract shows all the allocated risks.

*<Provide a numbered list here of 5-7 of the key risks that can be explained in simple terms. Try to get a selection of risks that are transferred, retained, or shared. Include a brief explanation of the risk and to which party it is allocated (max. 50-100 words per risk) >*

---

## 4. Project report

### Project goals

*<Provide a bulleted list here of the top 4-5 strategic GOA or Ministry goals with which the project is intended to align. Much of this information will be available in the Business Case, and can be paraphrased or pasted directly here.>*

Table 2 (Appendix C) *<describes/lists> <high level project description here. Include a list of locations, map, etc. that provides details and potentially a visual of the project>.*

*<Provide a bulleted list here of any specific exclusions from the project costs that should be itemized: honoraria, furniture and equipment, cost of procurement team, etc.>*

### Project outcomes

*<Provide a bulleted list here of the top 4-5 strategic outcomes that can be expected as a result of the project. Much of this information will be available in the Business Case, and can be paraphrased or pasted directly here.>*

### Approaches considered

The government considered two alternative approaches to deliver the *<describe the asset in ten words or less>*:

*<Insert a bulleted list of the two alternatives that were considered for project delivery, including a brief description on how funding would flow to the project over the 30+ years, and the contracting process in each case. The two alternatives will be traditional design-bid-build and DBFM or DBFO (basis of P3)>*

### Selection process

*<Insert a brief statement on the fairness of the process (include the word, or variations on the words “transparency” and “fairness”>. A Fairness Auditor, <insert name of Fairness Auditor here>, prepared a report on the fairness of the process (Appendix D) <Insert the Final Fairness Auditor’s Report in Appendix D>.*

A Request for Qualifications was publicly issued on *<Date: Month Day, Year>*. *<Total number of respondent teams>* teams responded and were evaluated on experience, personnel qualifications, past performance and financial capability. The three teams asked to submit proposals were *<Insert the names of the bid teams – ensure the names are correct>*.<sup>4</sup>

The Request for Proposal (RFP) process ran from *<Insert dates in Month Day, Year format>*. The “made-in-Alberta” approach to P3s ensures the process is competitive throughout. During the RFP process, the teams made financial and technical submissions to ensure that they met the project’s minimum specifications. The government issued a draft form of the

---

<sup>4</sup> The companies that make up the teams are listed in Table 5 (Appendix E).



contract during the RFP process. The teams provided comments on it. Before receiving financial bids, the government issued the final form of the contract that the successful proponent signed. There were no negotiations on this contract after financial bids were received.

Once the three teams provided RFP submissions, they all submitted financial bids based on the final form of the contract. These bids are summarized in Table 3 (Appendix F). *<Insert the name of the proponent submitting the lowest NPV bid>* submitted the lowest price, on a net present value basis, and won the contract. *<If the name of the low bidder changed when it signed the agreement, describe how the low bidder(X) created a special purpose company (Y) to carry out the work of the contract.>*

### **Key terms of P3 contract**

**What the government must pay:** The total cost of the *<Insert the full duration of the contract term here>* -year contract is about *<Insert the nominal sum of cash flows in hundreds of millions, or billions>* or in *<specify the month year of the discount date>* dollars, about *<Insert the discounted sum of cash flows in hundreds of millions, or billions>*.

*<Describe the fundamental payment terms here in bulleted format. (Lump sum at availability or milestones / progress payments; provincial contribution (if any); any early completion bonuses, etc.)>*

Capital payments are fixed, while maintenance and renewal payments are indexed<sup>7</sup>.  
*<Describe the formula used to calculate the index factor in the footnote>*

*<Briefly describe, in layman's terms, the payment mechanism around the completion of the project, including a high-level description of what happens if the contractor does not meet Total Availability by Target Total Availability Date>*

**What the contractor must do:** The *<Insert the length of the term here>* year contract between the government and the contractor has a *<Insert length of construction project here>* construction period and a *<Insert length of maintenance/operating period here>* maintenance *<or maintenance/operating>* period. It requires the contractor to:

- *<Briefly describe the contractor's obligations in bullet form here>*

**Payments reduced for non-performance:** *<Briefly describe the key terms of the payment mechanism here. Refer the reader to the appropriate Schedule in the project documents, which should be up on the website by the time this report is released>*

*<Refer the reader to the sample of payment adjustments in Appendix G>*

*<Refer the reader to the procurement documents and redacted copy of the Agreement on the website>*

---

<sup>7</sup> *<Describe the formula and data sources used to calculate the index factor here>*

*<Take this opportunity to discuss any potentially controversial contract terms or other aspect of the project that have presented themselves during the procurement, e.g., who owns the asset? What happens at the end of the agreement term? How do we know the contractor will stay around for the duration of the contract? Etc.>*

### **Monitoring during and after construction**

*<Describe how construction monitoring will be carried out, and by whom. Explain the monthly reporting obligation placed on the contractor>*

*<Describe how monitoring will be carried out during the maintenance/operations period, and how the province reserves the right to conduct inspections and testing. Also, explain how the lender will engage a consultant to review the contractor's performance.>*

### **Accounting treatment**

The accounting treatment for P3 projects follows generally accepted accounting principles set out by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The obligation is “on-book”, so the province records the obligation as the asset is built and records the cost of building the asset as a capital expense. *<Depending whether the asset is owned by the province or by a SIO or grant funded entity, there may be some differences in accounting treatment to work through. Treasury Board can provide the appropriate wording to this section.>*

### **Project schedule**

The P3 contract was signed on *<Date: Month day, year>* and construction started on some sites by *<Date: Month year>*. The contractor must deliver the *<asset name>* by *<Date: Month day, year>* or face a payment reduction. An independent certifier will certify when the *<asset name>* are available for use. The *<asset(s)>* will open to *<name of the end-users: students, traffic, patients, etc.>* by *<Date: Month day, year>*.

The *<operation/maintenance>* period starts after the *<asset(s) is/are>* available and continues until *<Last month of Agreement>*, when the license granted to the contractor to access the *<asset(s)>* for *<operation/maintenance>* and renewal activities will expire. The contractor must hand back the responsibility for *<maintenance and/or operations>* and *<renewal or rehabilitation>* of the *<asset(s)>* in the condition specified in the contract. The government and the contractor will assess the *<asset(s)>* to ensure *<it is/they are>* in the condition specified in the contract when the contract expires. After the contract expires, the *<name of the end-users>* will be responsible for operating, maintaining, and renewing the *<asset>*.

**Appendix A: Commentary by <name of financial advisor>**

*<Attach Value for Money Analysis prepared by financial advisor>*

## Appendix B: Sample of risk allocations

**Table 1: Sample of Risk Allocations between Government of Alberta and Contractor** <sup>8</sup>

*<Amend table for specifics of this project and complete allocations*

	Traditional		P3	
	GOA	Contractor	GOA	Contractor
<b>Construction Risks</b>				
Design interaction with site conditions				
Construction interaction with site conditions				
Site safety				
Construction methodology				
Construction costs				
Unforeseen site conditions				
Labour issues				
Material issues				
Design errors				
Schedule issues				
Construction quality issues				
Scope changes				
Delayed site access				
Material inflation				
Wage inflation				
Not meeting agreed milestone dates				
Adverse weather conditions				
Labour disputes				
Fire during construction				
Vandalism/theft/arson during construction				
Damage and/or injuries to third party				
Damage to work				
Damage and/or loss to utilities				
Defective materials				
Public interface				
Workplace health and safety				
Insufficient performance bonding				
Subcontractor insolvency				
<b>Other Risks</b>				
Land acquisition				
Life cycle management				
Stakeholders management				
Coordination and approvals through users				
Third party objections				
Patent infringement				
GOA supplied data – accuracy				
GOA supplied data – sufficiency				
GOA supplied data – interpretation				
Utilities hook up/connections				
Concept approvals – environmental				

	Traditional		P3	
	GOA	Contractor	GOA	Contractor
<b>Development permits</b>				
Development permits				
Building permits				
Occupancy permits				
Environmental permits				
Utilities crossing requirements				
Regulatory requirements				
Building Code compliance				
Land Use approvals				
Utilities approvals				
Municipal requirements				
<b>Environmental Risks - Known</b>				
Geotechnical				
Contamination				
Archaeological				
Flood plain analysis				
<b>Environmental Risks - Unknown</b>				
Geotechnical				
Contamination				
Archaeological				
Flood plain analysis				
<b>Technical Risks</b>				
Core school design				
Modular design and performance				
Structure safety				
Design quality issues				
Material behaviour				
Construction process innovation				
Construction performance specification risks				
Operation performance specification risks				
Lack of building system integration				
Aggressive schedule				
Delayed schedule				
Future IT risk				
<b>Financial and Economic Risks</b>				
Sourcing of capital – construction				
Allocation of capital – operations				
Cash flow management – construction				
Cash flow management – operations				
Inflation risks prior to financial close				
Exchange rate risks				
Base interest rate changes before Agreement signed				
Interest rate changes after closure				
Inflation on operations, maintenance and renewal				
Inflation on construction				
Insurance				

	Traditional		P3	
	GOA	Contractor	GOA	Contractor
Change orders				
Government withdrawing from P3s	n/a			
<b>Demand Risks</b>				
Modular additions above original projections				
Modular additions (escalation impact)				
Growth in student population over design capacity				
Changes in school programming				
Under-utilized school facilities				
Appropriateness of schools				
<b>Operations and Maintenance Risks</b>				
Changes in legislation				
Damage to property				
Increased maintenance costs				
Performance issues				
Change in performance standards				
Labour issues				
Material issues				
Non-availability of facility or portions thereof				
Vandalism during O&M period				
Fire damage				
Flood and other natural disasters				
Water, air and/or soil pollution				
Labour disputes				
School security issues				
Unplanned major replacements				
Soft maintenance issues				
School Board labour relations				
Consequential damage due to contractor non-performance				
Facility condition risk at 20/25/30 years				
Third party damages risk				
Liability insurance				
<b>Business Risks</b>				
Bankruptcy of contractor				
Subcontractor default				

---

<sup>8</sup> The project agreement should be consulted for a comprehensive allocation of risks between the parties. The final form of the project agreement is available at *<insert URL here>*.

## Appendix C: Project Scope

Table 2: *<provide a description of the scope of the project here>*

*<If possible and appropriate, provide a map of the project location>*



**Appendix D: Commentary by Fairness Auditor**

## **Appendix E: Proponent Teams**

**Table 3: Composition of proponent teams invited to participate in RFP process**

## Appendix F: Summary of bids received

Table 4: Financial bids received from proponents on **<Date: Month Day, Year>**

Item	Public Sector Comparator (\$million)	P3 Procurement (\$million)		
			S	
Total net present value of design, construction, finance and operations and maintenance				
Value for money of P3 procurement				
\$	Not applicable			
%	Not applicable			

<sup>10</sup> <Insert name of successful low NPV bidder> was the proponent group that developed and submitted the successful proposal. Once the RFP process was completed, the project leads for <Insert name of successful low NPV bidder> formed a special purpose organization, <Insert name of contractor> to carry out the work of the contract.

## Appendix G: Payment adjustments

Table 5: Sample of key payment adjustments included in P3 contract<sup>9</sup>

Issue	Payment Adjustment

---

<sup>9</sup> The project agreement should be consulted for details on all payment adjustments. The final form of the project agreement is available at <Insert URL>

---