



DPE 022/006/2019

11th December 2019

To: Heads of Departments/Offices

Circular 24/2019:

**Update of the Public Spending Code (PSC),
Guidelines for the Use of Public Private Partnerships (PPPs)
and related rules**

A Dhuine Uasail,

1. The purpose of this Circular is to notify Departments and Offices that the Public Spending Code (PSC) has been updated, in particular as it applies to capital expenditure; that the guidance in relation to Public Private Partnerships (PPPs) has also been updated; and that related guidance material and rules have been consolidated.
2. In particular:-
 - a) The PSC requirements for capital expenditure as notified by DPER Circulars 13/13¹ and 06/2018² have been updated and replaced with "Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment" of December 2019,
 - b) The "Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships: Procedures for the Assessment, Approval, Audit and Procurement of Projects" of July 2006 have been updated and replaced with "Guidelines for the Use of Public-Private Partnerships (PPPs)" of December 2019.
3. Other existing PSC guidance covered by DPER Circular 13/13, in relation to (a) A Guide to Evaluating, Planning and Managing Current Expenditure (b) Quality Assurance Process (c) Value for Money Review and Focused Policy Assessment Guidelines (d) Overview of Appraisal Methods and Techniques (e) Carrying out a Financial Analysis and (f) A Guide to Economic Appraisal: Carrying out a Cost Benefit Analysis, remains in effect, and has been consolidated for ease of reference into standalone guidance documents pending their updating and revision in due course.

¹ Department of Public Expenditure and Reform Circular 13/13 *The Public Spending Code: Expenditure Planning, Appraisal & Evaluation in the Irish Public Service – Standard Rules & Procedures* dated 2nd September 2013

² Department of Public Expenditure and Reform Circular 06/18 *The Public Spending Code Publication of Post Project Reviews*

4. This Circular should also be read in conjunction with DPER Circular 18/2019: [Update of the Public Spending Code Central Technical Reference and Economic Appraisal Parameters](#)
5. All of the Public Spending Code material referred to above is available for reference at: <https://www.gov.ie/en/publication/public-spending-code/>
6. Further guidance in relation to PPPs can be found at: <https://ppp.gov.ie/>
7. This Circular is relevant to all public bodies involved in activities related to the evaluation, planning and management of public expenditure. In particular, all managers with responsibility for an area of public expenditure must ensure adherence to the Public Spending Code.

Objective and Application of the Public Spending Code

8. The PSC applies to both capital and current expenditure and provides details of the obligations that those responsible for spending public money are obliged to adhere to as well as guidance material on how to comply with those obligations.
9. The PSC is designed to ensure that the State gets the best possible value for the resources at its disposal. The requirements in the PSC are based on employing good practices at all stages of the expenditure lifecycle.
10. All Government Departments, local authorities, the Health Service Executive, public bodies, and all bodies in receipt of public funding must comply, as appropriate, with the relevant requirements of the PSC. In the case of State companies, the Board of each must satisfy itself annually that the Company is in full compliance with the PSC.

Update of the Public Spending Code

11. As part of the ongoing reform of Ireland's public investment management system, the Department of Public Expenditure & Reform has reviewed the PSC, in particular as it applies to capital expenditure. The purpose of the review is to strengthen the existing guidance to better reflect the realities of project delivery with a particular focus on financial appraisal, cost estimation and risk management.
12. The review has been conducted in tandem with the review of construction procurement strategy and renewal of the Capital Works Management Framework (CWMF) by the Office of Government Procurement. The CWMF is designed to complement the PSC and will be updated in due course to ensure consistency of approach. Updates to the CWMF will be notified separately. In the event of inconsistencies owing to the sequencing of updates, the PSC as updated by this Circular has primacy.

13. The review of the PSC has been informed by:
- a) a consultation process with the public sector³ centred around six main themes of structure and usability of the Code, strengthening and harmonising the guidance, greater clarity of governance and roles & responsibilities, improved cost estimation, revised project lifecycle, and increased transparency through publication of appraisal information;
 - b) International best practice, including the IMF's Public Investment Management Assessment Report⁴; and
 - c) lessons learned on public investment management in Ireland.
14. A summary of the key changes in the PSC in respect of capital expenditure management are set out, for information and ease of reference, in the Appendix to this Circular. It should be noted in particular that, a new two stage external review process for projects estimated to cost over €100 million will be introduced in 2020 and DPER will conduct a programme of spot checks of business at different points in the project lifecycle across different expenditure levels and sectors.
15. The update of the PSC is a key enabling reform for Project Ireland 2040 to ensure better project appraisal mechanisms, more commercial delivery of projects, and better estimation and management of project costs. The PSC complements Our Public Service 2020 providing guidance and methodologies to achieve better outcomes, greater efficiency and more cost effective solutions.
16. The updated Public Spending Code follows on from the Government decision of 10th December 2019 in this regard.

Evolution of the Public Spending Code

17. There will be ongoing updates to the PSC. Further technical guidance to support the changes notified in this circular and informed by the consultation process will follow in 2020. Further consultation on individual elements will take place, as required.

Updated Guidance on PPPs

18. The Public Private Partnership (PPP) guidance from July 2006 has been revised, both to better reflect evolving good practice that has developed over the years, to ensure alignment with the revised provisions of the Public Spending Code, and to introduce certain new and updated provisions. In particular, new elements of the "Guidelines for the Use of PPPs" include:-
- a) changes in relation to the calculation of the Public Sector Benchmark (PSB), and in particular the move to a value range rather than a single point estimate for the PSB
 - b) an explicit acknowledgement that the Value for Money Comparison (VfMC) exercise, comparing the highest ranking PPP bid against the PSB, is not a simple pass/fail test in terms of whether the PPP should proceed, but rather one key component of a balanced and detailed final decision making process; and

³ Proposed Reforms to the Public Spending Code *Evaluating, Planning and Managing Public Investment* Consultation Paper April 2019

⁴ International Monetary Fund (2017) *Public Investment Management Assessment – Ireland*.

- c) confirmation that the PSB should be published post-construction, once an appropriate period of time has elapsed such that there is no longer an issue with commercial sensitivity.

Effective Date and Transition Period

- 19. The requirements of the updated Public Spending Code apply with effect from 1st January 2020.
- 20. All new public investment proposals from 1st January 2020 onwards should accordingly comply with the requirements in “Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment”. For public investment proposals which are already progressing through the project expenditure lifecycle, Sponsoring Agencies and Approving Authorities should ensure that these comply with the requirements in the updated guidance as they move forward.
- 21. For proposals over €100 million which are already progressing, the Sponsoring Agency should engage with the Approving Authority and the Department of Public Expenditure and Reform to agree, on a case by case basis, how the proposal will comply with the requirements in the updated guidance.
- 22. The revised Guidelines for the Use of PPPs likewise apply with effect from 1st January 2020.

Dissemination and Implementation

- 23. You are requested to bring this circular to the attention of –
 - a) All staff in your Department who might be involved in the evaluation, planning and management of public expenditure; and
 - b) All public bodies under the aegis of your Department;and to ensure that arrangements are put in place to implement its terms in the areas under the aegis of your Department.
- 24. It is the responsibility of each Government Department to ensure that public sector bodies draw up their own sector specific procedures for evaluating, planning and managing public investment as appropriate. This sector specific guidance must be consistent with the Public Spending Code Guide to Evaluating, Planning and Managing Public Investment. Departments should engage with the Department of Public Expenditure and Reform to ensure that these sector specific guidelines are consistent with the PSC.
- 25. Existing sector specific guidance on evaluating, planning and managing public investment will need to be updated to reflect the updates as notified by this circular. Departments should engage with the Department of Public Expenditure and Reform to ensure that updated sector specific guidelines are consistent with the PSC.

Enquiries

26. Enquiries in relation to this Circular can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.
27. Enquires in relation to the Guide to Evaluating, Planning and Managing Public Investment can also be addressed to the Investment Projects and Programmes Office (IPPO), Department of Public Expenditure and Reform, telephone +353 1 6767571, LocCall: 1890 661010 or email ippo@per.gov.ie

Mise le meas,



Ronnie Downes

Assistant Secretary

Central Expenditure Policy & Reporting

Appendix to Circular 24/2019:

Summary of Key Changes in the Public Spending Code in respect of Capital Expenditure

This Appendix provides a summary of the key changes to the requirements for capital expenditure. It does not set out all the changes in the “Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment” in full nor is it a substitute for those provisions. All managers with responsibility for capital expenditure should accordingly read the updated PSC in full.

The key changes in the PSC in respect of capital expenditure include:

- Improved structure and usability of the PSC: Clear guidance documents for current and capital expenditure proposals can be accessed at:- <https://www.gov.ie/en/publication/public-spending-code/>;
- Clarity on roles and responsibilities: Section 2 of the guide sets out the roles of the Sponsoring Agency, the Approving Authority (formerly the Sanctioning Authority), the Parent Department, and the Department of Public Expenditure and Reform;
- Revised project lifecycle to reflect the realities of project delivery:
Subject to approval, each proposal must work its way through the project lifecycle:
 - Prepare a Strategic Assessment Report – critical for early scrutiny of objectives, consideration of options, and identification of risks,
 - Develop a Preliminary Business Case including detailed demand analysis, financial and economic options appraisal, and risk assessment,
 - Complete a Detailed Project Brief and Procurement Strategy,
 - Prepare tender documents and conduct the required public procurement process,
 - Update the Final Business Case to take account of information from the tender process including updates to scope and cost,
 - Award the appropriate contract, actively implement the contract, and regularly report to the Approving Authority,
 - Complete and disseminate a Project Completion Report incorporating lessons learned into sectoral guidance,
 - Complete and disseminate an ex Post Evaluation Report incorporating lessons learned into sectoral guidance;
- Strengthening and harmonising guidance:
 - Approving Authority decision gates have been put in place for all proposals estimated to cost €10 million or more at Strategic Assessment (Gate 0), Preliminary Business Case (Gate 1 – Approval in Principle), Pre-Tender (Gate 2), and Post Tender Final Business Case (Gate 3),
 - Proposals estimated to cost less than €10 million may commence at Decision Gate 0 and Approving Authorities should engage with Sponsoring Agencies on the appropriate type

of economic appraisal and ex-post evaluation requirements. These should be set out in sectoral guidance,

- The Strategic Assessment Reports and Business Cases for proposals estimated to cost more than €100 million should be submitted to DPER for technical review. The purpose of these reviews is to support consistent application of the Public Spending Code. As a further support, DPER will conduct a programme of spot checks of business cases at different points in the project lifecycle, across different expenditure levels and different sectors,
- The Government is the Approving Authority for proposals estimated to cost more than €100 million;
- Increased transparency through publication of business cases, project completion and ex post evaluation reports; and
- Improved governance and assurance for major public investment projects: introduction of a new two stage external review process for projects estimated to cost over €100 million which it is intended will be operational in mid-2020. The new process will be developed in conjunction with the Project Ireland 2040 Coordination Group and updates will be notified separately.

