

## SASKATCHEWAN HOSPITAL NORTH BATTLEFORD VALUE FOR MONEY REPORT BACKGROUNDER

The Province of Saskatchewan is building a new Saskatchewan Hospital North Battleford using a design-build-finance-maintain (DBFM) public-private partnership (P3) model. Construction of the new facility began in summer 2015 and will be complete in spring 2018.

The new publicly owned and operated 284-bed facility will have 32 more beds than the existing hospital. The facility will consist of 188 beds replacing the current 156-bed facility and 96 secure beds for male and female offenders living with mental health issues. The two populations will remain separate, as will their programming and treatment. This is an innovative approach for delivering mental health care and supports to two separate groups of people with significant psychiatric rehabilitation needs.

### Value for Money (VFM) Assessment

VFM measures whether a P3 is the best option for a particular project. In the case of the Saskatchewan Hospital North Battleford project, Ernst & Young's (EY) assessment compared the estimated costs of building, maintaining, and rehabilitating the facility using two different models: traditional design-bid-build (DBB) and a P3. The difference between the costs (including the cost of financing and other owner's costs) is the savings, or VFM. For a P3 to provide value, the P3 must cost less than the traditional approach over the life of the contract.

As determined by EY, by using a P3 approach, the total project cost was \$407 million, compared to \$497 million for a traditional DBB. This represents a \$90 million (or 18%) savings over the 30-year term (plus construction period).

The following chart provides an overview of the cost of building the project using the traditional DBB model and the P3 model for the combined project.

Net Present Value (\$ millions)	Traditional Option (DBB)	P3 Option (DBFM)
Payments to the Private Sector Partner	309.8	363.4
Retained Risks	176.1	33.8
Ancillary Costs	6.6	10.0
Competitive Neutrality Adjustment	4.7	-
<b>Total Net Present Value (\$ million)</b>	<b>497.2</b>	<b>407.2</b>
<b>Value for Money (cost differential)</b>	<b>90.0</b>	
<b>Percentage Savings</b>	<b>18.1%</b>	

### Fairness Advisor

An independent and expert external Fairness Advisor was engaged to monitor the competitive selection process and concluded that it was fair and impartial. The Fairness Advisor concluded the Request of Qualifications (RFQ) and Request for Proposals (RFP) processes were conducted in a fair manner and in accordance with the procedures that had been set out. The reports are available at [www.saskbuilds.ca](http://www.saskbuilds.ca).