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## PRESS RELEASE

### **Auditor General releases report on ReGen from December 2021**

The report, *The Integrated Solid Waste Management System for the Cayman Islands (ReGen) – as at October 2021*, was issued today by the Office of the Auditor General (OAG). ReGen is the proposed solution to integrated waste management. The report covers the ReGen project from its inception in 2014 to October 2021.

Sue Winspear, the Auditor General, says, “In August 2021, I was asked by the then Governor and incoming Government to review ReGen and the Project Agreement signed in March 2021. I agreed to undertake a performance audit and issued a draft report to the civil service in early December 2021.” Ms. Winspear continues, “I understand that the Government used that report and my recommendations in its ongoing negotiations with the Contractor. However, we did not receive a formal response from the civil service on the report.”

Ms. Winspear says, “On 25<sup>th</sup> July 2024, the then Minister for Sustainability and Climate Resiliency announced that the Government had decided to start discussions to exit the ReGen Project Agreement. At that time, I decided to issue to Parliament the report that I sent to the civil service in December 2021. However, I subsequently decided not to publish the report at that time given the Civil Service said that it contained commercial sensitivities.” Ms. Winspear continues, “Since August 2024, the civil service has provided comments on the factual accuracy of the report and provided significant amounts of additional evidence. I have updated the report accordingly and am publishing it today.”

Significant portions of the report are redacted.

The Auditor General says, “The discussions to exit the Project Agreement are on-going. Therefore, significant portions of the report are redacted because they contain commercially sensitive information.” Ms. Winspear continues, “My Office will publish an unredacted version of the report after the Government exits the Project Agreement.”

The report states that ReGen is the first public private partnership (PPP) agreement that the Government has entered.

The Auditor General says, “PPP agreements can provide governments with options to invest in infrastructure without having to pay the upfront construction costs. However, PPPs are a form of borrowing and governments must pay contractors for operating the service or facility over the life of the contract.” Ms.

Winspear continues, “Most governments have moved away from PPPs as they generally do not provide value for money.”

The report states that ReGen’s construction costs increased significantly after procurement. The Government increased the minimum amount of waste it planned to send to the facility and changed the scale of the energy recovery facility, for generating electricity from the treatment of non-recyclable waste.

Ms. Winspear says, “Overall, ReGen’s estimated construction cost rose significantly after the preferred bidder was selected. However, the Government did not review these cost increases to ensure they were reasonable.”

The report states that the Government did not reassess the the value for money of the PPP, and whether a PPP was the best way to finance ReGen, before signing the Project Agreement.

Ms. Winspear adds, “In the case of ReGen, the Government would have paid the Contractor a monthly unitary charge for operating the facility over the 25-year contract period. This was estimated to be a significant amount of money in March 2021. However, my review found that the estimate was likely to be understated. I also noted that the Government had not assessed how the unitary charges would affect its future borrowing limits and financial ratios.”

The Auditor General says, “The cost of ReGen increased significantly between the procurement and signing the Project Agreement. However, no updated value for money assessment was done. It is very likely that an updated value for money assessment would have shown that conventional funding or borrowing would provide better value for money than the PPP.” Ms. Winspear continues, “In addition, the Government’s financial health had significantly improved since it prepared ReGen’s Outline Business Case in 2016 and it had been funding major capital projects using conventional funding for a number of years.”

The report states that ReGen’s Project Agreement contains adequate safeguards for most project risks, but some safeguards needed to be strengthened.

More information about the report can be obtained by contacting Sue Winspear at (345) 938-3201 or Angela Cullen, Deputy Auditor General (Performance Audit) at (345) 922-3220.

This report and the original OAG reports on which this report is based are available at [www.auditorgeneral.gov.ky](http://www.auditorgeneral.gov.ky).

Notes to the editor:

1. The objective of the audit was to determine whether the Government will obtain value for money from ReGen. The audit considered ReGen’s objectives, value for money during ReGen’s procurement and value for money during ReGen’s contract life.
2. We issued a clearance draft report to senior officials in the civil service on 4<sup>th</sup> December 2021. The purpose of our clearance drafts is for the civil service to confirm the factual accuracy of the report and provide a management response to our recommendations. Despite several reminders, we did not receive a response to the clearance draft issued in 2021.
3. The then Minister for Sustainability and Climate Resiliency announced on 25<sup>th</sup> July 2024 that the Government had decided to start discussions to exit the Project Agreement. Therefore, we issued the clearance version of the report to the Parliament on 30<sup>th</sup> July 2024.
4. The civil service contacted us before we published the report stating that it contained commercially sensitive information. They committed to identify the commercially sensitive information and committed review it for factual accuracy and. We considered this request and decided not to publish the report that had been issued to Parliament.

5. At the end of August 2024, the civil service commented on factual accuracy and identified commercially sensitive information in the report. Between September and November 2024, they gave us significant volumes of evidence that had not been provided in 2021. We have updated the report issued to the Parliament on 30th July 2024, correcting factual inaccuracies and redacting commercially sensitive information wherever necessary.