Validation of Revenue Funded Projects:

The Key Stage Review Process

Information Note to Projects

December 2011

Revenue Funded Projects
Key Stage Review -process

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Scottish Government (SG)

Project Sponsor

E.g. SGHD, SFC, TS

Procuring Authority

E.g. LA, College, Health Board

Project Team

1.1. Background

This paper has been written to provide an overview of the Key Stage Review (KSR) process. Its aim is to explain the process to Project Sponsor/Senior Responsible Officers involved in revenue funded projects.

It is a condition of Scottish Government (SG) funding support that all projects in the revenue funded programme are, in addition to any existing project approvals processes, externally validated by SFT. SFT undertakes validation by carrying out Key Stage Reviews (KSRs) of projects at key stages of the procurement. The KSR process is designed to support the successful delivery of revenue funded projects whether delivered through the non-profit distributing (NPD) model or the hub initiative as Design Build Finance and Maintain (DBFM) projects by providing an assessment of the readiness and application of best practice (including SFT Value for Money (VfM) guidance) of projects before they move onto the next stage in the procurement process.

1.2. Purpose and Timing

Before a revenue funded project can enter procurement or be submitted to hubCo, an outline business case (or sector-specific equivalent such as Initial Agreement from SGHD / CIG)) must be approved by the Project Sponsor, and, ultimately, by the Scottish Ministers as funders of the programme. SFT's role is to carry out a high level review of the outline business case. In relation to centrally funded health projects SFT may conduct a detailed review of the proposed design and specification and provide comment to the Scottish Ministers or Project Sponsor in order to inform their own approval processes. SFT's role in that regard is part of its general project support function and does not form part of the KSR. The KSR process starts after the outline business case (or sector-specific equivalent) has been approved. The process is a tool for assessing a project's readiness to commence and proceed through the various stages of procurement. It is also used to periodically verify compliance with or satisfaction of the conditions of SG revenue funding support, as contained in the outline business case approval or funding award letter.

The KSR process usually involves three standard reviews at the following stages:

	NPD Projects:	hub DBFM Projects:
KSR 1	Pre-issue of OJEU notice	Pre-submission of a New Project Request
KSR 2	Pre-Close of Dialogue	Pre-Stage 1 Submission Approval
KSR 3	Pre-Financial Close	Pre-Stage 2 Submission Approval

In some cases, where it becomes apparent that projects are not developed enough to receive a full sign off following a standard KSR, additional follow-up reviews may need to be carried out in advance of
- **Pre-issue of Invitation to Participate in Dialogue**; and/or
- **Pre -Preferred Bidder Appointment**.

Each review is an assessment of whether the project is suitably developed in terms of:
- **Project readiness**
- **Affordability**
- **Value for Money**
- **Commercial robustness**

1.3. Process

The reviews will be carried out at no cost to the Procuring Authority by the member of the Scottish Futures Trust team who normally provides support to the project (Reviewer). The process involves the assessment of the readiness of projects against a pro-forma list of questions at each key stage of the procurement. In the run up to each review point, the Reviewer will consider the status of the project against the relevant pro-forma list on the basis of information obtained in his/her day to day dealings with the project and will seek, where required, contributions from the project team to allow completion of the list and prepare a written draft report with comments and recommendations. No formal submission, as such, will be required from the Procuring Authority, but the project team will be required to provide the Reviewer with information to allow him/her to complete the list and compile his/her report. The Reviewer may also ask the project manager to specifically confirm certain points or that there are no outstanding issues that would impede the progress of the project to the next stage of the procurement process.

The Reviewer will also prepare a short report and make recommendations as to whether in his or her view the project is ready to proceed to the next stage of procurement and what actions may be required to achieve the appropriate state of readiness either to proceed to the next stage or in advance of the next review. Once completed by the Reviewer, the list and draft report will be scrutinised by a member of SFT's senior management team before being issued to the relevant Project Sponsor / SG and copied to the Procuring Authority. The relevant Project Sponsor and/or SG will, as part of its overall sign-off, determine whether and on what basis the project should proceed to the next stage taking into consideration any recommendations made in the KSR report.

The precise timeframe for completing the review and submission of SFT's report will be pre-agreed with the Project Sponsor and/or SG to integrate with other project approvals processes.

Projects that are also subject to Gateway Reviews will in future follow a single Integrated Project Assurance Model (IPAM) process. This process is currently under development. In respect of projects forming part of the Revenue Funded programme, IPAM reviews will be led by SFT and the Reviewer will liaise with the Gateway Review Team as appropriate. Under IPAM the KSR element of the review will follow the format outlined above with the exception of the final report for each stage forming part of a single overall assurance

response and set of recommendations. The approach is currently being piloted on a transport project and in the meantime both processes will apply.

1.4. Impact on project teams

SFT staff members supporting individual projects will at the start of each project jointly review the list and explain to project teams what information the Reviewer requires to see in order to recommend projects for approval. The overall role of the Reviewer is to ensure that best practice and relevant guidance are applied and to advise projects in this regard throughout the procurement process. Once all relevant information has been made available the Reviewer will complete the list and outline any areas where further action may still be required. Once the Reviewer's report has been scrutinised by a member of the SFT's senior management team, it will then be submitted to the Project Sponsor and/or SG and copied to the Procuring Authority. The Procuring Authority will also be asked to confirm that they are not aware of additional information that would materially change the report or recommendations made therein.

1.5. KSR Sign-Off

The relevant Project Sponsor and/or SG will receive a completed KSR report at agreed stages aligned with their normal sign-off processes. The Project Sponsor / SG will need to consider the report and decide what, if any, action is required before the project can proceed to the next stage. Procuring Authorities are required to seek formal approval from the relevant Project Sponsor and/or SG following each KSR before proceeding to the next stage.

1.6. Further Information

Project teams and Project Sponsors should direct any queries about KSR process and requests for copies of the KSR lists to their SFT contact or contact the SFT's validation team on 0131 510 0800.