Value for Money

Supplementary Guidance for projects in £2.5bn Revenue Funded Investment Programme

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SCOTTISH FUTURES TRUST

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1. Introduction

The recently updated Scottish Value for Money Guidance[1] ("**Guidance**") has refined the requirements of procuring bodies in demonstrating Value for Money ("**VfM**") for their respective approval channels. This note provides a summary of the Guidance as it applies at the project and procurement levels for individual projects identified as being within the £2.5bn revenue funded investment pipeline announced by the Scottish Government in its 17 November 2010 draft budget ("**Revenue Funded Investment Programme**").

For these projects, which have been identified as revenue funded at Scottish Government level, a quantitative comparison of value for money between traditional capital procurement (i.e. using the Conventionally Procured Assessment Model ("**CPAM**")) and revenue funding routes is **no longer required** (see Guidance, paragraph 1.14). The associated technical guidance[2] is also therefore not applicable.

It remains fundamentally important that, both prior to launching a procurement and prior to signing a contract, project owners are able to demonstrate that their projects will deliver VfM for taxpayers. VfM is defined in the Guidance as:

> *"the optimum available combination of whole-life costs and quality (or fitness for purpose) of the good or service to meet the users' requirements. VfM is not the choice of goods and services based on the lowest cost bid."*

VfM should not be regarded as a binary issue relating to procurement route or a tick-box test within a business case. It is the outcome of a proper holistic approach to project development and delivery, maximised in particular by the selection and implementation of properly considered and justified project scope and procurement options. Furthermore, VfM is relative and again as stated in the Guidance *"requires comparison of the potential or actual outcomes of alternative options"*.

This supplementary guidance is intended to:

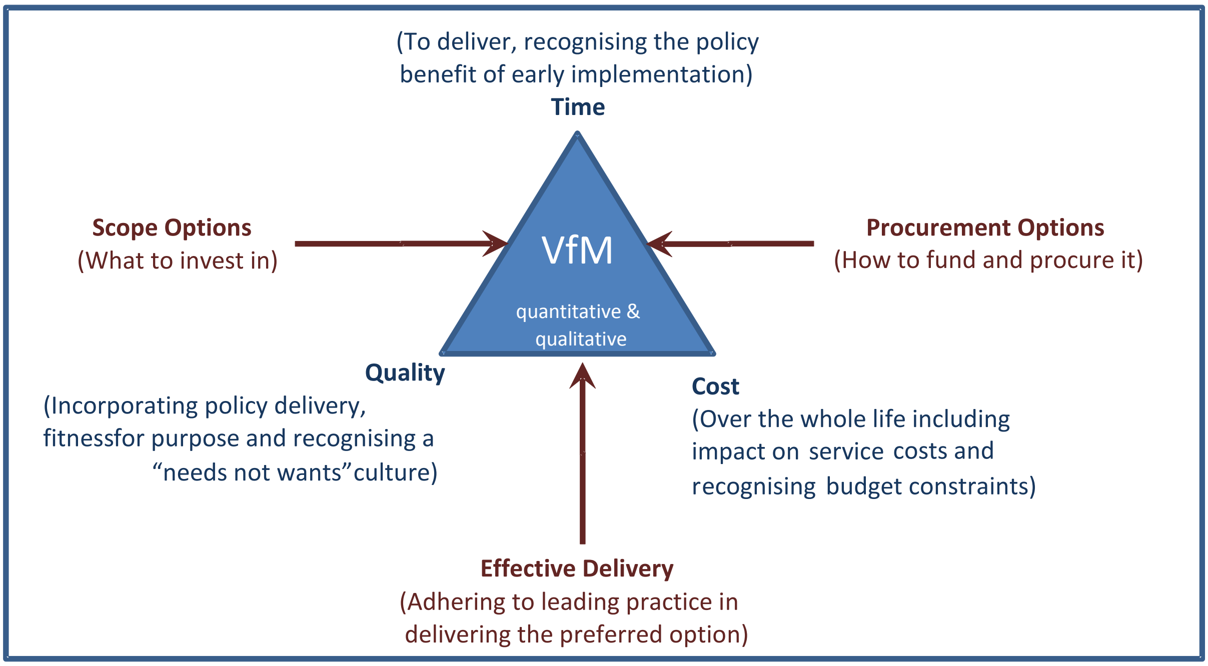
- identify the significant components of VfM across the Revenue Funded Investment Programme;
- highlight the quantitative and qualitative approaches to demonstrating delivery of these components;
- provide links to existing business case / assurance processes in the relevant sectors to show when and how these approaches should be incorporated and documented.

Note that the assessment of affordability is separate from, but of equal importance to, VfM.

[1] Value for Money Assessment Guidance: Capital Programmes and Projects
[2] Quantitative VfM Assessment - how to construct a Conventional Procurement Assessment Model ("CPAM") and apply its use in Quantitative VfM Assessment vs. Shadow Bid Model

2. Components of Value for Money

Value for money, as defined, includes the traditional components of time, cost and quality; and in considering alternative options, the broad classes of scope options and procurement / funding options need to be considered. The final component of value is effective delivery of the preferred option as illustrated below:



These components can be considered differently at different stages of developing an investment programme, developing individual projects and procuring a project. These stages are referred to in the Guidance as:

- Stage 1– Programme Level Assessment – overall strategic investment decisions
- Stage 2 – Project Level Assessment – projects prior to launching procurement
- Stage 3 – Procurement Level Assessment – projects during procurement and delivery.

2.1. Stage 1

The Stage 1 Programme Level Assessment is not relevant to individual project owners, however, for completeness, the components of VfM considered at this level are:

Scope Options	Procurement Options
• What areas of investment will best deliver Government's strategic purpose and policy objectives	• What areas would better suit capital or revenue funding • Does early delivery of policy objectives

• Which potential projects deliver best combination of policy outcomes and cost efficiency	merit financing costs of revenue funding • Which projects are better suited to what procurement route / funding structure

2.2. Stage 2

The Stage 2 Project Level Assessment of VfM should consider the following key generic components along with any other elements considered critical by the project owner to demonstrating that the project represents the best possible value for money:

Scope Options	Procurement Options
• Whether investment is the most beneficial option to meet strategic / service needs • Opportunities for service / system redesign to reduce investment need • Fit of the project as scoped with organisational purpose and service / asset plans • New build versus refurbishment options (including e.g. equipment retention) • Opportunities for sharing / strategic asset management • Life cycle costs / benefits and operability / sustainability considerations of options should be quantified / considered • Wider consideration of total public sector value through engagement with stakeholders and partners • Flexibility considered against reasonable future scenarios • Benchmarking to compare proposals with leading practice, ideally including other jurisdictions	• Within a revenue funded structure, what procurement strategy is optimal (potential stand alone NPD, use of hub?) • Phasing approach • Packaging approach - elements included in revenue funded scope or excluded for separate procurement / delivery, single or multiple contracts • Bundling / batching of requirements into a larger contract / procurement • Services strategy - FM services to include in revenue funded project • EU procurement routes considered • Disposal / backfill / re-use strategy for any vacated / redundant assets • Consideration of wider Government objectives – SME access, training etc.

Effective Delivery
• Proper consultation and stakeholder involvement practices followed • Procurement team sufficiently skilled, experienced, resourced & advised • Clear governance and accountability structures and arrangements in place • Project management disciplines in place and properly operated • Level of market interest considered and actively managed • Clear risk allocations evaluated and communicated • Stable and agreed affordability with appropriate contingencies / risk allowances • Interaction of design and procurement resolved • Land issues resolved • Impact on staff understood and communicated • Planning and other statutory processes considered and on-track

The documentation of this assessment will generally be via a business case prior to launching the procurement.

Note that accommodation projects within the Revenue Funded Investment Programme are expected to adopt the scope of services (i.e. a narrow scope of hard facilities management services) set out in the standard service level specification that accompanies the standard NPD and hub DBFM contract documentation. A more extensive service scope will, however, not be precluded where it is shown to demonstrate value for money.

2.3. Stage 3

The Stage 3 assessment of value for money during procurement and delivery focuses on reconfirming that the selected scope and procurement options continue to deliver the best VfM and, in particular, that effectiveness of delivery remains on track.

Effective Delivery
• Stable scope with good change control • Opportunities for market value engineering offered and delivered • Stakeholders clearly managed • Statutory processes progressed • Realistic procurement timetable that recognises wider market activity • Procurement strategy and timetable clearly communicated • Procurement well resourced and managed to time / budget • Thorough and robust evaluation strategy and process • Commercial positions understood, agreed and documented clearly • Standard contract positions adopted and derogations process followed • Technical, financial and legal processes and documentation well integrated • Affordability position maintained & aligned with scope / specification being procured • Market failure / market abuse monitored and acted on if necessary • Alternative financing approaches considered and evaluated • Funding competition considered and implemented if required • Financing terms evaluated to deliver a taut market financing package • Robust contract management arrangements in place to maintain value in operation

The documentation of this assessment will generally be via Key Stage Reviews (“**KSR**”) undertaken during the procurement phase and a business case prior to the award of a contract.

Following contract award, the following steps to maintain value for money should be undertaken:

i) a post-project review of the project development and procurement stage, focussing on the drivers of value for money identified at the outset and the extent to which these have been delivered and any lessons learned;

ii) a project management plan covering construction, commissioning and operation focussing on continuity management.

Following building occupation the following steps to evaluate the value for money achieved should be completed:

i) a post-occupancy evaluation involving systematic evaluation of opinion about the facilities / assets in use, from the perspective of the people who use them;

ii) a refresh of the post-project review to include delivery, commissioning and handover phases.

3. Quantitative and Qualitative Approaches

Quantitative assessment of value for money will be most relevant in relation to scope options and benchmarking of the selected scope option whereas qualitative assessment will be relevant for both scope and procurement options evaluation, and in demonstrating effectiveness of delivery.

3.1. Quantitative

Quantitative VfM assessment will be different in detail for different sectors (See Section 4). As set out in the Guidance, quantitative evaluation should be undertaken in accordance with the HM Treasury "Green Book"[3]. It will generally include:

a) quantitative assessment of the relative life cycle costs and benefits of different options under consideration to meet the needs identified;

b) quantitative analysis of different procurement options within the overall programme level decision of revenue funding may also be required - if there are significant phasing, bundling, packaging etc. options then a quantitative evaluation of the likely differential costs and benefits of each should be considered;

c) quantitative analysis to demonstrate a "needs not wants" approach to developing the design and specification of the preferred option to include:

   i) challenge and benchmarking of space allocations against recent relevant comparators;

   ii) challenge and benchmarking of unit costs against recent relevant comparators;

d) at the procurement level, quantitative analysis will focus on the evaluation of competitive tenders from the marketplace to deliver the preferred option. SFT will have a particular role in evaluating the value for money of financing costs, as this element of the cost is particularly important to the programme level selection of revenue funding, and impacts on the centrally held revenue budgets.

SFT will generally have an external challenge role in relation to the quantitative demonstration of value through adoptions of a "needs not wants" approach, with operability and sustainability of the asset taken fully into consideration. This analysis should not be based on a "lowest possible cost" approach, and should incorporate life-cycle costs. Further detail on SFT's role is set out in Section 4 below.

[3] http://www.hm-treasury.gov.uk/data_greenbook_index.htm

3.2. Qualitative

The Guidance establishes a qualitative framework for evaluating the *Viability*, *Desirability* and *Achievability* of a project. Under these headings, various aspects of scope options, procurement options and effective delivery are considered. The Guidance contains pro forma assessment tables to be used at this stage to assist project owners in evaluating the qualitative VfM delivered by a project. These pro forma tables have been amended for the current Revenue Funded Investment Programme to:

a) remove references to funding route selection as this has already been determined for projects in the programme;

b) take account of the standard form of NPD and hub DBFM contract that has been developed with a standardised risk allocation that project owners need not justify, unless they propose to depart from it[4];

c) reflect a broader vision of overall project VfM in the current economic climate;

d) incorporate consideration of Effective Delivery into the qualitative assessment.

The revised pro forma tables are included as Annex 1 for the Project Level Assessment and Annex 2 for the Procurement Level Assessment. It will generally be the case that the Project Level Assessment tables will be submitted with the pre-procurement business case, and the Procurement Level Assessment tables with the pre-contract award business case (see Section 4). In completing these tables, reference may be made to other sections of the business case document.

The Guidance points in particular to the importance of strong competition to deliver VfM. For NPD projects consideration should be given at an early stage as to how the market is to be engaged and managed to maximise project competition.

At the procurement level, SFT is required to undertake an ongoing evaluation of Effective Delivery through the KSR process, for which there are specific approaches for NPD projects and those undertaken under the hub DBFM programme. Separate guidance on the KSR process is available from SFT.

3.3. Documentation

The pre-procurement and pre-contract award business cases should contain a discrete section on VfM, demonstrating compliance with the Guidance in terms of both quantitative and qualitative VfM evaluation (as appropriate to that stage). Where factors that determine VfM are dealt with in other sections of the business case document (e.g. options appraisal, procurement strategy, pro forma assessment tables) the VfM section does not need to repeat these in full but it should contain cross-references so that those reviewing the business cases can ascertain how VfM is being addressed on the project.

[4] Note that the standard form NPD / hub DBFM contracts are applicable to accommodation projects only.

4. Sector Specific Guidance

Each sector identified in the Revenue Funded Investment Programme has an existing approach to value for money appraisal and its demonstration through business cases. This section links the VfM appraisal requirements above to the processes and guidance in place in different sectors.

4.1. Health

The Scottish Capital Investment Manual (SCIM) provides relevant guidance for Health Boards.

a) The Initial Agreement stage is detailed in the SCIM guidance.

b) The Outline Business Case ("OBC") stage is detailed in SCIM guidance. Note that:

   i) The OBC should quantitatively evaluate scope options (SCIM Step 4); the factors set out in Section 2.2 above should be considered.

   ii) Quantitative comparison of capital and revenue funded options is not required.

   iii) The OBC should qualitatively consider procurement options (SCIM Step 5); the factors set out in Section 2.2 above should be considered.

   iv) Qualitative evaluation should include completion of VfM checklist at Annex 1.

   v) The OBC should consider Effective Delivery (SCIM Step 7); the factors set out in 2.2 above should be considered.

   vi) SFT will provide specific challenge of the scope and specification selection for major projects to provide external validation. This will review whether the design proposals meet the strategic needs of the project, eliminate unnecessary space and optimise the whole life cost of the building.

c) During the procurement process, SFT will provide assurance, including ongoing monitoring of value for money through the KSR process. There are separate KSR processes for stand-alone NPD and hub DBFM projects and further information on these is available from SFT.

d) The Full Business Case stage is detailed in SCIM guidance. Note that:

   i) Quantitative comparison of the revenue funded option with a capital funded alternative is not required.

   ii) Confirmation of Effective Delivery is required; the factors set out in Section 2.3 above should be considered.

   iii) Qualitative evaluation should include completion of the VfM checklist at Annex 2.

e) Post Project Evaluation and Post Occupancy Evaluation should be completed according to the SCIM Project Evaluation Guidance.

4.2. Further Education

The Scottish Funding Council's Decision Point ("**DP**") process applies to the delivery of capital projects in the further and higher education sector. In its original format, the DP process and accompanying guidance envisage capital funding and are undergoing further development for application to revenue funded projects.[5]

a) Before launching the formal procurement process, a Full Business Case (DP2) must be submitted to SFC for approval. A supplementary stage (DP2a) has been devised by SFC/SFT to ensure that the Full Business Cases address specific features and requirements of a revenue funded approach[6]. DP2a has a particular emphasis on project scope and Effective Delivery, and compliance with the Guidance is an express requirement of DP2a, but it is likely that the various components of VFM will be addressed through the DP2 and DP2a submissions taken together. In considering VfM at these stages note, in particular, that:

    (i) Various VFM themes are picked up in sections of the existing DP2 guidance. These include: Options Appraisal (a review of the options appraisal undertaken at DP1 i.e. an assessment of the financial and non-financial benefits of a range of options that deliver the strategic plan and estate strategy objectives and a more detailed appraisal of the preferred option); Collaboration and Co-location; Programming and Delivery Strategy; Life-cycle Costing. The factors set out in Section 2.2 above will be relevant here.

    (ii) DP2 requires qualitative consideration of procurement options (Procurement and Programme and Delivery Strategy sections). The factors set out in Section 2.2 above are relevant here.

    (iii) Effective Delivery should be considered (see DP2a requirements including Management Structure; Project Team and Advisors, Procurement, Programme, Delivery Strategy; Risk Register). The factors set out in Section 2.2 are relevant here.

    (iv) Quantitative comparison of capital and revenue funded options is not required.

    (v) Qualitative evaluation should include completion of VFM checklist at Annex 1.

    (vi) SFC will review the space and design relative to curriculum provision to secure the efficient and effective delivery of education and will review and

[5] The projects identified in the Revenue Funded Investment Programme had already passed stages DP0 and DP1 and so the process and guidance are under review from stage DP2 onwards.

[6] Draft Guidance on Decision Point Process for NPD Projects issued to relevant projects on 23 February 2011.

challenge project costs. SFC will engage the services of its Property Support Services advisers to input to this review.

(vii) SFT's review of DP2/2a submissions will focus in particular on those aspects of projects that link to the delivery of VfM, as outlined in this supplementary guidance.

b) Value for money will be monitored during the procurement period through further DP reviews. The precise requirements of these reviews are being developed by SFC and SFT and will be communicated to the relevant project owners. The timing of the first of these further reviews will coincide with the existing DP3 (i.e. pre-tender) and it is envisaged that a DP3a and DP3b will follow at the pre-final tender and pre-preferred bidder stages respectively. It is envisaged that these reviews will involve SFT providing an assurance and monitoring role similar to the KSR process.

c) DP4 will take place prior to final contract award / financial close. The precise requirements of DP4 are under review by SFC and SFT and will be communicated to the relevant project owners but the following can be confirmed at this stage:

(i) Quantitative comparison of the revenue funded option with a capital funded alternative will not be required.

(ii) Confirmation of Effective Delivery will be required; the factors set out in Section 2.3 above should be considered.

(iii) Qualitative evaluation will include completion of the VfM checklist at Annex 2.

d) The current DP process and guidance envisage post-occupancy evaluation (DP5). SFC will confirm to relevant project owners in due course any revisions to DP5 for revenue-funded projects.

4.3. Schools

Revenue funded schools projects are anticipated to be delivered as DBFM contracts under the hub programme. Each Local Authority will have its own processes to be followed and, as part of the Scotland's Schools for the Future programme, the following requirements to optimising and demonstrating value for money apply:

Level 2 - Project Level

Scope Options:

a) School estate information, gathered by the SG from local authorities, has determined that it is value for money to re-build / refurbish the school as part of the Scotland's Schools for the Future programme – no further evidence is required;

b) Local Authorities' own statutory consultation process (if required) or options appraisal process will have considered location options – no further evidence required;

c) Local Authorities' own options appraisal process will have considered the breadth of the project. Local Authorities should agree with SFT the extent of the project which will receive SG funding based on the agreed programme metrics. The accounting implications of the project should be assessed in line with the provisions of ESA95.

d) Local Authorities will work with SFT and SG to complete the Scotland's Schools for the Future Achieving the Programme Goals process which is designed to allow Local Authorities to demonstrate how they are delivering value for money.

Procurement Options

a) The hub programme has been developed to deliver improved value for money for projects of this nature and has an overarching business case setting out how this is achieved – no further evidence is required for selection of hub as procurement route;

b) If a Local Authority seeks to use a different procurement route for a revenue funded school, it must discuss this with SFT and prepare a quantitative analysis demonstrating the life-cycle value for money improvements to be delivered.

Level 3 – Procurement Level

All projects procured under hub will be required to adopt the hub-specific KSR process applicable to schools projects, developed by SFT, which will focus on maintaining value for money through the procurement process. Separate guidance on the KSR process is available from SFT.

There is no requirement for a separate business case prior to contract award.

Post Occupancy Evaluation is required in line with the Achieving the Programme Goals process.

4.4. Transport

Transport Scotland is responsible for the Value for Money of revenue funded transport projects. Each project in the revenue funded pipeline has been evaluated using the STAG process[7] which identifies the value for money of the scheme at a Strategic Business Case level and has led to the inclusion of each scheme as a priority in the Strategic Transport Projects Review (STPR)[8].

Transport Scotland produces individual Outline Business Case (pre-procurement) and Full Business Case (pre contract award) for each project. These Business Cases should be structured to consider (without overlapping with the STAG appraisals) Scope Options, Procurement Options and Effective Delivery as considered in Section 2.2 and 2.3 of this Guidance for OBC and FBC respectively.

As in other sectors, no quantitative evaluation of the relative value for money of traditional capital procurement and the revenue funded alternative is required.

The qualitative evaluation should include completion of the checklists at Annex 1 and Annex 2 of this document for the OBC and FBC respectively.

Business Case formats and contents following this guidance should be agreed with SFT for individual projects in advance.

[7] http://www.transportscotland.gov.uk/stag/home

[8] http://www.transportscotland.gov.uk/strategy/strategic-transport-projects-review

Annex 1 Project Level Assessment

Stage 2 – Project Level Assessment		
Requirement	**Details Assessed**	**Undertaken / Comment / Action**
Qualitative Assessment of NPD – project level	1. Review, confirm and complete applicable pro-forma below relating to: • Viability of project • Desirability of project • Achievability of project (in particular market capacity and likely bid competition / market interest to be reviewed) 2. Consider wider VfM factors and generic VfM factors 3. Review proposed Project Timetable 4. Confirm proposed risk allocation (as per standard form NPD/hub DBFM contract, where applicable) 5. Confirm benefit assessment and deliverability 6. Support evaluation and decision with evidence from pervious projects. Report findings should include the results of the assessment of the viability, desirability and achievability of revenue financed procurement. (This should include the pro-forma assessment tables and the results of the workshops which assessed these.)	
Review of Affordability – to determine if the project can continue	Confirm project is affordable / supportable to the procuring authority based upon forecast scope and delivery timescales. The affordability implications (including the affordability envelope under a range of sensitivities) should be signed off required. The affordability assumptions and implications should be detailed within the report.	
Review of Balance Sheet Status	The accounting implications of the project should be assessed and recorded within the report.	

Stage 2: Project Level VfM Assessment Tables

Stage 2: Project Level VFM Assessment - Viability		
Issue	**Questions**	**Response**
Project level objectives and outputs	Is the Procuring Authority satisfied that a long term, operable contract could be constructed for the project?	
	Confirm that the proposed contract describes / will describe service requirements in clear, objective, output-based terms over a long term period (in accordance with the standard NPD / hub DBFM contract and guidance, where applicable).	
	Confirm that the contract will support assessments of whether the service has been delivered to an agreed standard (in accordance with the standard NPD / hub DBFM contract and guidance, where applicable).	
	Confirm that the proposed project outcomes will meet the project objectives and address the need.	
	Will there be significant levels of investment in the new capital assets and related services?	
	Confirm that any interfaces with other projects or programmes are clear and manageable.	
	Confirm that the services to be provided as part of the project do not require the essential involvement of Procuring Authority personnel. To what extent does any involvement negate the risk transfer that is needed for VfM?	
	Will the private sector have control / ownership of the intellectual property rights associated with the performance / design / development of the assets for the new service? Confirm that the standard form NPD / hub DBFM contract provisions relating to intellectual property rights will (where applicable) be adopted.	
Operational flexibility	Is the Procuring Authority satisfied that operational flexibility is likely to be maintained over the lifetime of the contract at an acceptable cost?	
	Is there a practical balance between the degree of operational flexibility that is desired and long term contracting based on up-front capital investment in projects?	
	What is the likelihood of large contract variations being required during the life of a typical contract?	
Equity, efficiency and accountability	Does the scope of the project services allow the private sector to have control of all the relevant functional processes? Do the services have clear boundaries?	
	Are there regulatory or legal restrictions that require project	

Stage 2: Project Level VFM Assessment - Viability		
Issue	**Questions**	**Response**
	services to be provided directly?	
	Will the private sector be able to exploit economies of scale through the provision, operation or maintenance of other similar services to other customers?	
	Does the private sector have greater experience / expertise than the Procuring Authority in delivery of the project services? Are the services in the project non-core to the Procuring Authority?	
	Is the project likely to deliver improved value for money to the Procuring Authority as a whole?	
OVERALL VIABILITY	**Is the relevant Accountable Officer satisfied that operable contracts with built in flexibility can be constructed across the project, and that strategic and regulatory issues can be overcome?**	

Stage 2: Project Level VFM Assessment - Desirability		
Issues	**Questions**	**Response**
Risk management	Does the project involve the purchase of significant capital assets, where the risks of cost and time over-runs are likely to be significant?	
	Is the private sector likely to be able to manage the generic risks associated with the project more effectively than the Procuring Authority?	
	Bearing in mind the relevant risks that need to be managed for the project, what is the ability of the private sector to price and manage these risks?	
	Can envisaged standardised payment mechanisms and contract terms incentivise good risk management within the project (as per standard form NPD / hub DBFM contract, where applicable)?	
Innovation	Does a preliminary assessment indicate that there is likely to be scope for innovation on a project basis?	
	Does some degree of flexibility remain in the nature of the technical solutions / services and / or the scope of the project?	
	Can solutions be adequately free from the constraints imposed by the Procuring Authority, legal requirements and / or technical standards?	

Stage 2: Project Level VFM Assessment - Desirability		
Issues	**Questions**	**Response**
	To what extent will the individual project's scope, specification and operation be pre-set or open to negotiation with the private sector?	
	Could the private sector improve the level of utilisation of the assets underpinning the project (e.g. through selling, licensing, commercially developing for third party usage etc)?	
Service provision	In relation to the project, are there good strategic / service delivery reasons not to retain soft service provision in-house? What are the relative advantages and disadvantages of this approach?	
Incentive and monitoring	*EITHER* Confirm that the standard form NPD / hub DBFM contract provisions relating to monitoring and incentivising service delivery will be adopted. *OR (where standard form NPD / hub DBFM monitoring and incentivising service delivery are not applicable – e.g. acute health / transport projects)* (a) Can the outcomes or outputs of the project be described in contractual terms which would be unambiguous and measurable? (b) Can the project services be assessed against an agreed standard? (c) Would incentives on service levels be enhanced through the standard contract and payment mechanism?	
Lifecycle costs / residual value?	Is it possible to integrate the design, build and operation of the project?	
	Is a lengthy contract envisaged?	
	Will long-term contractual relationships be suitable (or advantageous) for the service?	
	Are there constraints on the status of the assets at contract end?	
	Are there significant ongoing operating costs and maintenance requirements across the project? Are these likely to be sensitive to the type of construction?	
OVERALL DESIRABILITY	**Overall, is the relevant Accountable Officer satisfied that the project and its procurement approach would bring sufficient benefits?**	

Stage 2: Project Level VFM Assessment - Achievability		
Issue	**Question**	**Response**
Transaction costs and client capacity	Does the Procuring Authority have an appropriate governance and management structure in place for progressing the procurement of the project?	
	Is there sufficient Procuring Authority capability and capacity to manage the procurement process and appraise the ongoing performance against agreed outputs?	
	Can an appropriately skilled and experienced procurement team, with appropriate external advisory support, be assembled in good time?	
	Will the project be feasible within the required timescale?	
	Is there sufficient time for resolution of key Procuring Authority issues?	
	Does the size of the project justify the transaction costs?	
Competition / Market Interest	Is there evidence that the private sector is capable of delivering the required outcomes for the project?	
	Have any similar projects been tendered to market?	
	Is there likely to be sufficient market appetite for the project in the timetable currently anticipated?	
	Has this been tested robustly? Is there any evidence of market failure for similar projects?	
	Has the Procuring Authority's commitment to a revenue financed solution for this type of project been demonstrated?	
	Do the nature of the investment and / or the strategic importance of the work and / or the prospect for further business suggest that it will be seen by the market as a potentially profitable project?	
OVERALL ACHIEVABILITY	**Overall is the relevant Accountable Officer satisfied that the project is achievable, that appropriate governance and management arrangements are in place, that the project team is sufficiently resourced and the project is attractive to the market?**	

Annex 2 Procurement Level Assessment

Stage 3 – Procurement Level Assessment		
Requirement	**Details Assessed**	**Undertaken / Comments / Action Required**
Qualitative Assessment	Review, confirm and complete the pro forma below relating to the: • Viability of the procurement • Desirability of the procurement • Achievability of the procurement Review and confirm the impact of wider VfM factors and generic VfM factors. Report findings should include the results of the viability, desirability and achievability assessment. (This should include the pro forma assessment tables and the results of the workshops which assessed these.)	
Other Commercial Areas	1. Confirm that risk allocation is still best practice / best value, VfM and is deliverable. 2. Confirm that a robust bidding and evaluation process has been in place during procurement. Detail in report.	
Develop strategy to deal with ongoing project issues and elements	1. Review & confirm Balance Sheet status of the Project 2. Internal Risk Management Register and related Internal Risk Management plan to be developed and agreed 3. Process to collate and share relevant information with other Procuring Authorities, Directorates and Agencies 4. Confirm financial standing of the preferred bidder Detail in report.	

Stage 3: Procurement Level VfM Assessment Tables

Stage 3: Procurement Level VFM Assessment - Viability		
Issue	**Question**	**Response**
Procurement level objectives and outputs	Is the Procuring Authority satisfied that a long term, operable contract has been constructed for the project?	
	Confirm that the contract describes service requirements in clear, objective, output-based terms over a long term period.	
	Confirm that the contract supports assessments of whether the service has been delivered to an agreed standard.	
	Confirm that the proposed project outcomes meet the project objectives and address the need.	
	Are significant levels of investment in the new capital assets and related services required?	
	Confirm that any interfaces with other projects or programmes are clear, manageable and the various responsibilities have been captured within the relevant contracts.	
	Confirm that the services to be provided as part of the project do not require the essential involvement of Procuring Authority personnel. To what extent does any involvement negate the risk transfer that is needed for VfM?	
	Will the private sector have control / ownership of the intellectual property rights associated with the performance / design / development of the assets for the new service?	
Operational flexibility	Is the Procuring Authority satisfied that the proposed contract offers sufficient operational flexibility which can be maintained over the lifetime of the contract at an acceptable cost?	
	Is there a practical balance between the degree of operational flexibility offered in the contract and long term contracting based on up-front capital investment in projects?	
	What is the likelihood of large contract variations being required during the life of the contract?	
Equity, efficiency and accountability	Are there public equity, efficiency or accountability reasons for providing the project directly rather than through a private finance / NPD contract?	
	Does the scope of the project services allow the private sector to have control of all the relevant functional processes? Do the services have clear boundaries?	
	Are there regulatory or legal restrictions that require project services to be provided directly?	

Stage 3: Procurement Level VFM Assessment - Viability		
Issue	**Question**	**Response**
	Will the private sector be able to exploit economies of scale through the provision, operation or maintenance of other similar services to other customers?	
	Does the private sector have greater experience / expertise than the Procuring Authority in delivery of the project services? Are the services in the project non-core to the Procuring Authority?	
	Is a privately financed / NPD procurement basis for projects likely to deliver improved value for money to the Procuring Authority as a whole?	
OVERALL VIABILITY	**Is the relevant Accountable Officer satisfied that operable contracts with built in flexibility have been constructed across the project, and that strategic and regulatory issues have been overcome?**	

Stage 3: Procurement Level VFM Assessment - Desirability		
Issues	**Questions**	**Response**
Risk management	Does the project involve the purchase of significant capital assets, where the risks of cost and time over-runs are likely to be significant?	
	Is the private sector likely to be able to manage the generic risks associated with the project more effectively than the Procuring Authority?	
	Bearing in mind the relevant risks that need to be managed for the project, has the private sector demonstrated its ability to price and manage these risks?	
	Do the proposed payment mechanisms and contract terms incentivise good risk management within the project?	
Innovation	Have bidder submissions displayed innovative ideas for the project?	
	Does some degree of flexibility remain in the nature of the technical solutions / services and / or the scope of the project?	
	Are solutions adequately free from constraints imposed by the Procuring Authority, legal requirements and / or technical standards?	
	To what extent have the individual project's scope, specification and operation been pre-set or open to negotiation with the private sector?	

Stage 3: Procurement Level VFM Assessment - Desirability		
Issues	Questions	Response
	Has the private sector suggested improvements to the level of utilisation of the assets underpinning the project (e.g. through selling, licensing, commercially developing for third party usage etc)?	
Service provision	In relation to the project, has any soft service provision not been retained in-house? What are the relative advantages and disadvantages of this approach?	
Incentive and monitoring	Have the outcomes or outputs of the project been described in contractual terms which are unambiguous and measurable?	
	Have standards been agreed against which the project services will be assessed?	
	Are incentives on service levels enhanced through the standard contract and payment mechanism?	
Lifecycle costs / residual value?	Have the design, build and operation of the project been integrated?	
	Is a lengthy contract envisaged?	
	Will long-term contractual relationships be suitable (or advantageous) for the service?	
	Are there constraints on the status of the assets at contract end?	
	Are there significant ongoing operating costs and maintenance requirements across the project?	
	Are these sensitive to the type of construction?	
OVERALL DESIRABILITY	**Overall, is the relevant Accountable Officer satisfied that the project and the bids received would bring sufficient benefits?**	

Stage 3: Procurement Level VFM Assessment - Achievability		
Issue	Question	Response
Transaction costs and client capacity	Is there sufficient Procuring Authority capability to manage the preferred bidder process through to financial close and appraise the ongoing performance against agreed outputs?	
	Has an appropriately skilled procurement team been assembled and made available to the project throughout the procurement?	
	Does the project remain feasible within the required timescale?	
	Is there sufficient time for resolution of key Procuring Authority issues?	
	Does the size of the project continue to justify the transaction costs?	
Competition / Market Interest	Is there evidence that the private sector is capable of delivering the required outcomes?	
	Has sufficient market appetite been demonstrated for the project?	
	Have any similar projects been tendered to market?	
	Has the Procuring Authority's commitment to a privately financed / NPD solution for this type of project been demonstrated?	
	Have the nature of the investment and / or the strategic importance of the work and / or the prospect for further business encouraged market appetite in the project?	
OVERALL ACHIEVABILITY	**Overall is the relevant Accountable Officer satisfied that the project is still achievable, that the project team will continue to be sufficiently resourced and the project has received sufficient market interest?**	