

# Project Assurance

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## 1. Project Assurance

All major Scottish Government sponsored projects have been subject to independent assurance for over a decade now and over the period there has been a number of changes to the assurance processes, the way in which they are applied and how they interface. The purpose of this paper is to outline the two main forms of assurance, explain the rationale and background to current application to projects, and clarify how SFT delivers assurance.

## 2. Background to Project Assurance

Project Assurance or Validation are project management activities and behaviours promoted across both public and private sector organisations in order to monitor project delivery performance and thereby improve chances of successful project delivery and the realisation of expected outcomes. Project assurance is achieved through a number of formal and informal methods e.g. formal business cases or stage based reviews and audit processes, or including people with experience of similar projects in the project teams. Irrespective of the means, project assurance is about effecting that projects have a solid foundation in terms of governance, resources and clarity in relation to expected outcomes. It also seeks to ensure that best practice is applied and that lessons learnt from previous projects are taken into account, and that arrangements are in place for the continuous review of process and performance against appropriate benchmarks.

## 3. Current Project Assurance Models

In respect of Scottish Government funded projects and programmes, in addition to each project sponsoring body's internal processes, the two main models of independent project assurance are Gateway Reviews and Key Stage Reviews. Assessment for Gateway Review is mandatory for all programmes and projects with a total budget of £5M+ inclusive of fees and VAT delivered by organisations covered by the terms of the Major Investment Section of the Scottish Public Finance Manual. Those projects assessed as potentially high risk will be considered for SG Gateway Review support. Gateway Reviews are managed by the Scottish Government's Programme and Project Management Centre of Expertise (PPM CoE). Key Stage Reviews (KSRs) managed by SFT and apply to revenue funded projects (both Non-Profit Distributing and hub Design-Build-Finance-Maintain (DBFM) projects). Both processes support the Scottish Government Infrastructure Investment Board's remit of ensuring that project delivery is appropriately monitored and supported.

**Gateway Reviews** were developed by the UK Office of Government Commerce in response to the failure of some high profile public sector projects to deliver the desired benefits to time and budget. A Gateway Review examines a programme and project at key decision points in their lifecycle. They are short, focused reviews that occur at key decision points in the lifecycle of the Programme/ Project. The Reviews are conducted on behalf of the programme/project's Senior Responsible Owner (SRO) by a team of experienced practitioners, independent of the Programme/Project Team. The Review is a snap-shot of the programme/project as it is at the point at which the review takes place. As such, recommendations are based on the evidence presented and on the interviews that take place. The review is intended to be supportive and forward looking and will take future plans into account but only as future intentions, rather than actualities.

Preparation for Gateway Review follows a structured process of assessment and planning. Reviews are carried out in advance of the key decision points within a project's lifecycle. There are 5 key decision points in a project. These are:

- Business Justification - Gateway Review 1
- Delivery Strategy - Gateway Review 2
- Investment Decision - Gateway Review 3
- Readiness for Service - Gateway Review 4
- Operations Review and Benefits Realisation - Gateway Review 5

Additionally there is a 'Strategic Assessment - Gateway Review 0' specifically designed for programmes, and it can be repeated as often as necessary across the life of the programme.

**Key Stage Reviews (KSRs)** were developed in response to the introduction of large, long term, output specification based revenue funded projects. Unlike traditional capital projects, the promoter is procuring a service normally for a 25-30 year period using the EU Negotiated Procurement procedure, and more recently the Competitive Dialogue procedure. That method of project assurance places much greater importance onto ensuring that projects have: a) developed comprehensive specifications, b) a robust procurement and evaluation strategy, and c) appropriate resources and project information in place before the tender process is commenced. KSRs also ensure that proposals are sufficiently developed and commercial parameters agreed before final tenders are called thereby avoiding cost increases post competition. KSRs are designed to specifically provide assurance during the procurement phase and, as the name suggests, are tailored around the key decision points providing project promoters a checklist based tool to review readiness before a decision to proceed to the next procurement stage is taken. Although revenue funded projects delivered through the competitively procured 'hub' are not subject to a further public tender process, the 'hub' New Project Request procedure incorporates similar key decision points. In that instance KSRs are applied in slightly amended format. The following lists the various stages of KSRs (both for hub and non hub revenue funded projects).

Key Stage Reviews

NPD Projects:

- Pre Issue of OJEU notice / advert
- Pre Invitation to Participate in Dialogue
- Pre Close of Dialogue
- Pre Preferred Bidder Appointment
- Pre Financial Close

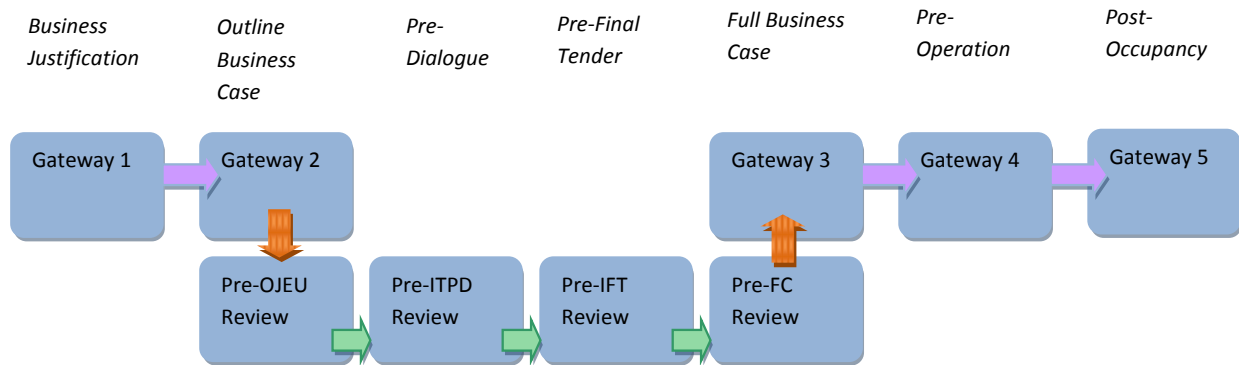
hub DBFM Projects:

- Pre New Project Request
- Pre Stage 1 Approval
- Pre Stage 2 Approval

**4. SG Independent Assurance Framework (IAF)**

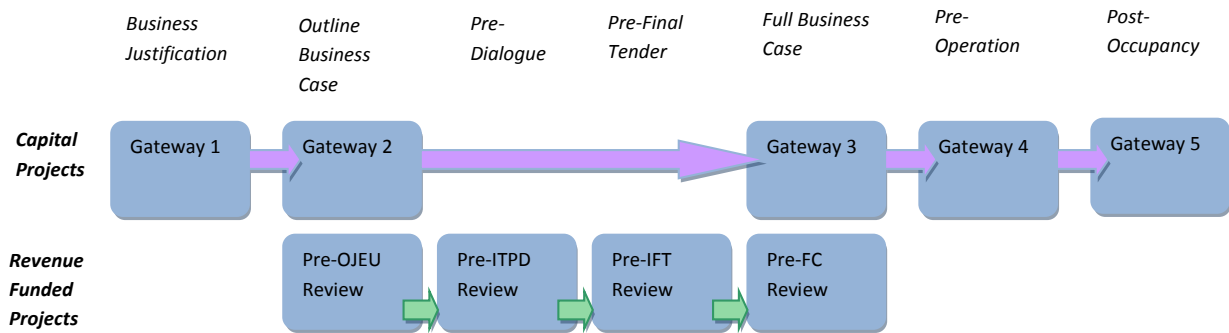
Originally Gateway and KSRs were mutually exclusive processes and often carried out on the same projects in parallel. This resulted in a considerable burden on the public sector and a slowdown in the delivery of projects. However, due to the differing merits of each assurance model, the Scottish Government's Infrastructure Investment Group 'IIG' (later Infrastructure Investment Board 'IIB') was keen to extend the remit of both reviews to cover

all large infrastructure projects over £50m. This resulted in delay particularly during the pre-procurement stage where centrally supported projects were required to go through both a Gateway and a KSR review in accordance with the Scottish Government Finance Manual and / or due to specific funding requirements. The original assurance “landscape” (showing the interaction of the Gateway Review stages and the KSRs) is shown below:



This original model was subject to criticism from project teams and sponsors who had to deal with the requirements of two kinds of independent validation at the start (Gate2 and pre-OJEU KSR) and the end of procurements (Gate3 and Pre-Financial Close KSR) which sometimes caused significant delay. There was also little room for consideration of each projects’ characteristics and the procuring body’s experience. In order to introduce a more streamlined approach to project assurance, to remove duplication, and to better match review requirements to projects varying in size and complexity, SFT with the Scottish Government Infrastructure Investment Unit and the PPM CoE piloted, over a three year period, the Independent Assurance Framework (IAF). The pilot is scheduled to be completed in autumn 2013 and so far has been a success. The IAF process seeks to identify upfront the most appropriate validation plan for each project recognising the nature and needs of specific projects programmes, ensuring, where possible, that reviews provide maximum benefit and are a minimum burden.

IAF applies to large scale capital and revenue funded projects. It is a mix of Gateway and KSRs with any overlap between the models having been eliminated by incorporating relevant aspects of both assurance tools into a single review. Throughout the development process the IIB was kept informed and it had, in turn, been keen to ensure that there are no gaps in the validation of capital and revenue funded projects under a more streamlined approach. To that effect, SFT carried out a full gaps and overlap analysis comparing each Gateway review template to the corresponding KSR checklist and changes were made to the KSR list where gaps had been identified. The IAF pilot was formally adopted by the Infrastructure Investment Board in 2011 and consists of the following stages:



## 5. SFT’s Role in Project Assurance

Before SFT was established in 2008, the KSR process was managed by the former Scottish Government Financial Partnerships Unit and reviews were undertaken by Partnership UK as it was recognised that Scottish Government did not have the necessary commercial expertise to provide in-depth validation. Whilst Partnerships UK was able to provide a “stop-start point in time” review, the lack of on-going involvement in, and therefore detailed background knowledge of, each project resulted in KSRs requiring considerable effort and resources from both the project team and the review team. Such point in time” reviews could often not influence the development of projects at an early stage when adjustments would be most effective and cause least delay or minimum abortive work.

When SFT was set up, the validation of revenue funded accommodation and transport projects was incorporated as a key element into SFT’s overall role of supporting infrastructure delivery in Scotland. SFT is also resourced to act as the centre of expertise for large scale infrastructure projects with a particular focus on the Scottish Government’s revenue funded programme and is therefore uniquely placed to provide validation from its internal resources. Due to its wider role SFT is in a position to directly apply “cross learning” among projects through the collection, dissemination and incorporation of lessons learnt across the sectors. As part of SFT’s wider role, validation of long term revenue funded infrastructure projects forms a cornerstone in ensuring that projects have the best chances of successful delivery and continue to deliver value for money throughout the contract life.

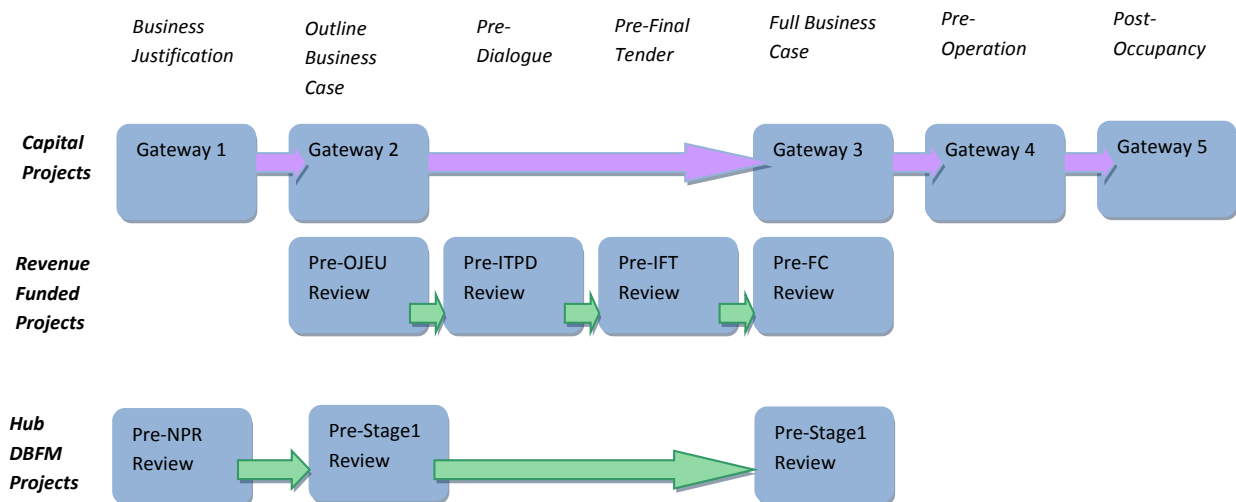
In addition to carrying out checklist based reviews on projects, SFT usually also takes a formal seat on the Project and / or Programme Board. This dual role allows SFT to ensure that the recommendations and follow up action plans identified in the KSRs are duly considered at Board level. SFT also supports the delivery of local authority waste treatment infrastructure procurements, however since these are not part of the SG revenue funded programme, there is no formal requirement to undertake KSRs. Nevertheless, SFT has undertaken a number of reviews at the request of local authorities. These reviews follow the general timing and scope of KSRs.

## 6. IAF Roll-out

IAF is being piloted in the M8 NPD project which entered procurement in March 2012 and is expected to move to preferred bidder appointment by early autumn. In addition, in line

with the increasing number of revenue funded projects coming to procurement, there has been a growing concern among project teams and sponsors particularly Scottish Government Health Directorate over the need to undertake both Gateways and KSRs in respect of large revenue funded health projects. In order to consider wider roll out of IAF, SFT and the PPM CoE working with the Health Directorate completed a review of how IAF could be applied across the revenue funded investment programme relating to health projects in early 2012. This review sought to map the IAF process against the existing Scottish Government Health Directorate mandatory Scottish Capital Investment Manual (SCIM) requirements to make the overall investment decision making process fully joined up, by removing any duplication and incorporating review elements at the earliest and most appropriate stage in the overall process. Similarly, although there is no overlap with the Gateway process, the requirements of the 'hub' specific review have also been assessed against SCIM requirements. Following this methodology it is intended that the Department's internal business case approval process automatically covers key aspects of the Gateway and KSR reviews; thereby removing the need to separately assess these at a later stage, reducing the volume of work involved in assurance overall, and ensuring that assurance reviews do not routinely revisit previously signed-off elements. Following a short consultation with project teams the Health Directorate formally rolled out IAF in July 2012.

In addition to revenue funded health projects, a similar overlap of reviews potentially affected revenue funded college projects promoted by the Scottish Funding Council (SFC). In parallel with the roll-out of IAF across health projects, a similar assurance review process has been carried out against SFC's project approval guidance integrating assurance elements into the existing project approval framework. Currently the integrated assurance model is applied to all revenue funded projects. Under the agreed arrangements, IAF provides a clear validation map for both revenue and capital funded projects which places the responsibility for dealing with the interface between validation processes on the Sponsoring Department, Gateway and SFT review teams. These teams also have to ensure full follow up of agreed action plans and continue to review applied methodologies. The option remains for the SRO, Accountable Officer or IIB to instigate a Gate 0 assessment should serious concerns arise over any project.



## **7. SFT Resourcing of KSRs**

As outlined above, KSRs provide a formal checklist for project teams to consider in relation to their project and also provide a benchmarking opportunity to test the readiness of projects in advance of key milestones in the procurement process. They are designed to require the reviewer, as well as the reviewee, to consider whether the project teams: a) have sufficient clarity over the requirements of the competitive dialogue process, b) have the necessary information and resources available for the tender process to be run efficiently and c) are satisfied that the project will produce a good value for money outcome. In order to ensure a degree of separation between the immediate project team and project sponsoring department and to incorporate external commercial expertise, KSRs were traditionally undertaken by PUK based on the review of paper submissions completed by the project team.

Following its establishment in late 2008, SFT has grown into a fully resourced organisation and now directly employs a dedicated team with both commercial and technical expertise previously unavailable within the public sector. As a result the need to bring in external expertise (at additional cost) as part of the KSRs has disappeared and instead SFT resources KSRs by assembling a small team internally to undertake each review. These review teams normally consist of individuals not directly involved with the specific project. This approach ensures that KSRs are carried out with no external cost to SFT or the project sponsor. In addition, in line with SFT's evolving approach to supporting the revenue funded investment programme the approach to carrying out validation was remodelled during 2011 to remove the burden on project teams in providing additional background information together with completed KSR checklists to reviewers unfamiliar with the specific circumstances of each project. These KSR checklists are now completed by the relevant SFT staff member as part of his or her ongoing project support role. This reduces the overall delay impact of reviews and ensures that the review process is integrated into the overall project development. It also allows relevant aspects of the review to be considered on an ongoing basis.

In order to preserve the integrity of independent assurance each KSR report is separately reviewed and signed off by a member of the SFT senior management team unconnected with the project. Consequently the KSR pro-forma checklists have been updated and relevant guidance made available to project teams as well as SFT staff members undertaking KSRs.

The approach has now been fully operational for 12 months and feedback from project teams and sponsors has been entirely positive.

## **8. Further Information**

Further information and current review documentation are available from SFT 0131 510 0800 or from SFT's website [www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk) under section Programme Support and Assurance.

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