OGC
Office of Government Commerce

OGC Gateway™ Process **Review 5: Operations review and benefits realisation**

OGC Best Practice – **Gateway to success**

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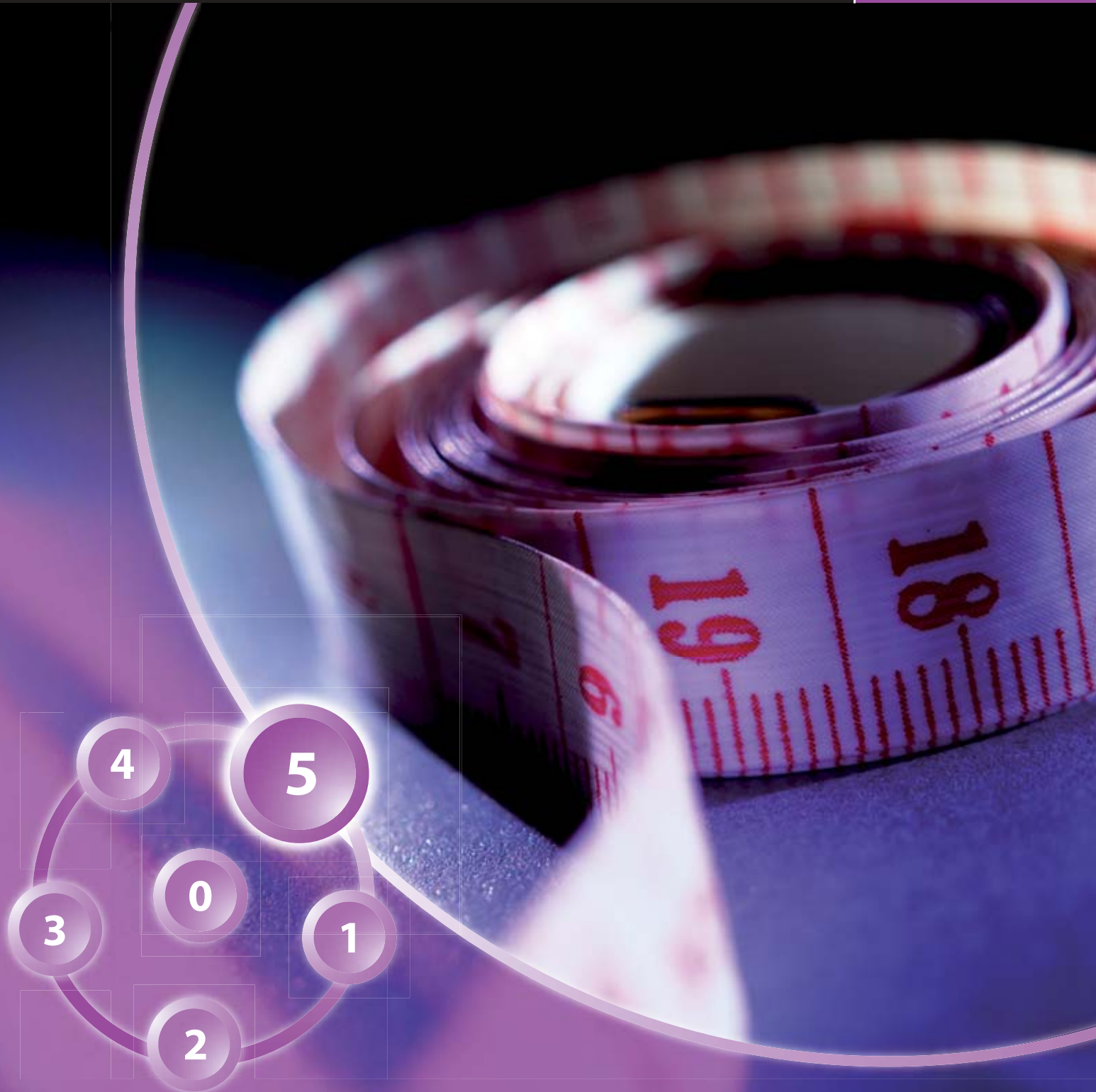
Contents

Introduction to the OGC Gateway™ Process

Why getting programmes and projects right matters

Programmes and projects provide important vehicles for the efficient and timely delivery of government aims. Procurement expenditure through programmes and projects is therefore a significant, and increasing, proportion of total government expenditure. Good and effective management and control of programmes and projects is therefore essential to the successful delivery of government objectives. The OGC Gateway Process is designed to provide independent guidance to Senior Responsible Owners (SROs) programme and projects teams and to the departments that commission their work on how best to ensure that their programmes and projects are successful.

The OGC Gateway Process

The OGC Gateway Process examines programmes and projects at key decision points in their lifecycle. It looks ahead to provide assurance that they can progress successfully to the next stage; the Process is best practice in central civil government, the health sector, local government and Defence. OGC Gateway Reviews are applicable to a wide range of programmes and projects, including:

- policy development and implementation
- organisational change and other change initiatives
- acquisition programmes and projects
- property/construction developments
- IT-enabled business change
- procurements using or establishing framework arrangements.

The principles and process in this Workbook can also be applied to management of other areas of expenditure in the organisation. The process is mandatory for procurement, IT-enabled, and construction programmes and projects.

Value of the OGC Gateway Process

OGC Gateway Reviews deliver a 'peer review', in which independent practitioners from outside the programme/project use their experience and expertise to examine the progress and likelihood of successful delivery of the programme or project. They are used to provide a valuable additional perspective on the issues facing the internal team, and an external challenge to the robustness of plans and processes.

The OGC Gateway Process provides support to SROs in the discharge of their responsibilities to achieve their business aims, by helping the SRO to ensure:

- the best available skills and experience are deployed on the programme or project
- all the stakeholders covered by the programme/project fully understand the programme/project status and the issues involved
- there is assurance that the programme/project can progress to the next stage of development or implementation and that any procurement is well managed in order to provide value for money on a whole-life basis
- achievement of more realistic time and cost targets for programmes and projects
- improvement of knowledge and skills among government staff through participation in Reviews
- provision of advice and guidance to programme and project teams by fellow practitioners.

The effectiveness of the Gateway Process has recently been endorsed in the 2007 Treasury report on "Transforming Government Procurement".
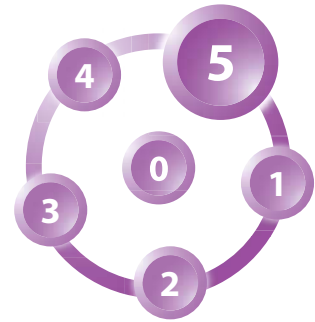
Programme or project?

Programmes are about managing change, with a strategic vision and a routemap of how to get there; they are able to deal with uncertainty about achieving the desired outcomes.

A programme approach should be flexible and capable of accommodating changing circumstances, such as opportunities or risks materialising. It co-ordinates delivery of the range of work – including projects – needed to achieve outcomes, and benefits, throughout the life of the programme.

A project has definite start and finish dates, a clearly defined output, a well defined development path, and a defined set of financial and other resources allocated to it; benefits are achieved after the project has finished, and the project plans should include activities to plan, measure and assess the benefits achieved by the project.

Programme Reviews are carried out under OGC Gateway™ Review 0: Strategic assessment. A programme will generally undergo three or more OGC Gateway Reviews 0: an early Review; one or more Reviews at key decision points during the course of the programme, and a final Review at the conclusion of the programme.

Project Reviews are carried out under OGC Gateway Reviews 1-5; typically a project will undergo all five of these Reviews during its lifecycle – three before commitment to invest, and two looking at service implementation and confirmation of the operational benefits. Project Reviews may be repeated as necessary depending on the size, scope and complexity of the project. A Review of a project must take into account the programme context within which the project is located, and possible inter-dependencies with other projects in the programme. The review will also indicate how far procurements are in alignment with strategic and policy objectives.

Each of these Reviews is described in the appropriate OGC Gateway Review Workbook.

OGC Gateway Reviews as part of the assurance framework

Every public sector body will have its own structures and resources for carrying out internal reviews, healthchecks and audits of its activities, including programmes and projects. The OGC Gateway Process provides a snapshot view of progress, at a point in time and, therefore, should be seen as complementary to these internal processes, and not a replacement for them.

Organisations should have in place an effective framework to provide a suitable level of assurance for their portfolio of programmes and projects. This requires management to map their assurance needs and identify the potential sources for providing them. Public sector bodies are encouraged to ensure adequate and timely coordination and sharing of information, including plans, between the various internal review functions.

In addition, SROs should be aware of the extent and limitations of the various review processes – for example, the fact that an OGC Gateway™ Review has taken place does not replace the need for a full audit opinion on the effectiveness of risk management, control and governance in the audited area.

Further, none of these review processes is a substitute for a rigorous governance framework in the organisation to manage key processes including business planning, investment appraisal and business case management (including benefits management), programme and project portfolio management, risk management, procurement/acquisition, and service and contract management.

The Transforming Government Procurement report recommends the creation of a major projects review group to ensure that the most important and complex projects in central civil government are subject to effective scrutiny at key stages. For these types of projects a stronger assessment of deliverability is needed at early stages, with stronger support to deal with any concerns those assessments raise.
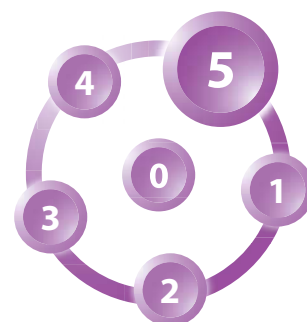
Role of the Senior Responsible Owner

An OGC Gateway Review is conducted on a confidential basis for the Senior Responsible Owner (SRO); who has the prime responsibility for initiating the Review. The ownership of the Review Report rests with the SRO, who is accountable for the implementation of the recommended remedial action and the programme/project progression.

The SRO is the individual responsible for ensuring that a programme of change or a project meets its objectives and delivers the projected benefits. The SRO should be the owner of the overall business change that is being supported by the project and ensure that the change maintains its business focus, has clear authority and that the context, including risks, is actively managed. This individual must be senior and must take personal responsibility for successful delivery of the project. They should be recognised as the owner throughout the organisation.

Tailoring the OGC Gateway Review

The Workbooks published by OGC provide guidance on the structure of each OGC Gateway Review, and the areas of investigation to be addressed by the Review Team, together with examples of the evidence which would demonstrate to the Review Team the satisfactory nature of responses to the various topics. These topics and the examples of evidence should be regarded as indicative and not prescriptive; within the overall objectives of each Review stage. The Review Team should consider whether additional or different topics need to be addressed, and the evidence to be sought. Approaches may vary according to the context of the programme or project – for example, IT-enabled business change, property/construction, or policy development/implementation.

The wider context of the OGC Gateway™ Process

Policy design & evaluation

Policy implementation

Policy operation

Policy review

PROGRAMME

START PROGRAMME

Develop programme mandate

Key decision point

Develop programme brief

Key decision point

OGC Gateway Review 0:
Strategic assessment

OGC Gateway Review 0:
Strategic assessment

Early Gateway 0

DELIVER PROGRAMME

Manage delivery

Key decision point

Manage delivery

Key decision point

Manage delivery

Key decision point

OGC Gateway Review 0:
Strategic assessment

OGC Gateway Review 0:
Strategic assessment

OGC Gateway Review 0:
Strategic assessment

Mid Gateway 0

CLOSE PROGRAMME

Key decision point

Close

OGC Gateway Review 0:
Strategic assessment

Final Gateway 0

PROJECT(S)

Develop business case

Key decision point

Develop delivery strategy

Key decision point

Undertake competitive procurement

Key decision point

Design, build, test

Key decision point

OGC Gateway Review 1:
Business justification

OGC Gateway Review 2:
Delivery strategy

OGC Gateway Review 3:
Investment decision

OGC Gateway Review 4:
Readiness for service

OPERATIONAL SERVICE

Establish service

Key decision point

Close project, manage delivered solution and performance

Key decision point

Decommission solution/exit contract

OGC Gateway Review 5:
Operational review and benefits realisation

Initial Gateway 5

OGC Gateway Review 5:
Operational review and benefits realisation

Mid Gateway 5

OGC Gateway Review 5:
Operational review and benefits realisation

Final Gateway 5

Feeds into subsequent programmes
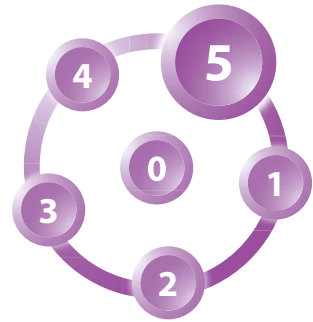
OGC Gateway™ Review 5: Overview

About this Workbook

This Workbook supports OGC Gateway Review 5: Operations review and benefits realisation. This Review confirms that the benefits set out in the Business Case are being achieved and that the operational service (or facility) is running smoothly. The Review is repeated throughout the life of the service, with the first Review typically 6-12 months after handover to the new owner and a final Review shortly before the end of a service contract. The Review can also be used on a one-off basis, to check that a project has delivered its intended outputs.

Private Finance Initiative (PFI) funded projects should be subject to OGC Gateway Review 5. The annex to this Workbook provides an overview of the key issues associated with reviewing PFI projects.

Purposes of the OGC Gateway Review 5

- Assess whether the Business Case justification for the project at *OGC Gateway Review 3: Investment decision* was realistic
- Confirm that there is still a business need for the investment
- Assess whether the benefits anticipated at this stage are actually being delivered
- Assess the effectiveness of the ongoing contract management processes
- Confirm that the client side continues to have the necessary resources to manage the contract successfully
- Confirm continuity of key personnel involved in contract management/'intelligent customer' roles
- Where changes have been agreed, check that they do not compromise the original delivery strategy
- Assess the ongoing requirement for the contract to meet business need. Ensure that if circumstances have changed, the service delivery and contract are adapting to the new situation. Changing circumstances could affect: partner management; relationship management; service management; change management; contract management; benefits management; performance management
- Check that there is ongoing contract development to improve value for money
- Confirm that there are plans to manage the contract to its conclusion
- Where applicable, confirm the validity of exit strategy and arrangements for re-competition
- Evaluation of actions taken to implement recommendations made in any earlier assessment of deliverability.

Operations review and benefits realisation

OGC Gateway™ Review 5 is for the operational phase, after the project has delivered its agreed outputs contributing to the outcomes of a programme. This might be a new facility, IT asset or a soft output such as training. Unlike the earlier phases of the project lifecycle, the operational phase is likely to be long term and consume a significant proportion of the whole-life costs of the investment within the Business Case.

OGC Gateway Review 5 will typically occur several times over the life of the operational service. The first OGC Gateway Review 5 concentrates on the Business Case and how well arrangements have been set up for the service delivery and the associated contract management. Depending on the lifespan of the operational service there may be a number of repeating mid-term OGC Gateway Reviews 5 to check operational management. For a long-term service contract (such as a hospital PFI) there may be four Reviews over a period of twenty years. For IT enabled projects, the period may be much shorter; there may be only two or three Reviews over a five-year period. This mid-term Review examines in detail aspects such as arrangements for contract management improvements in value for money and performance incentives against a baseline. The final Review will concentrate on the project activities concerned with closing down the current service contract and ensuring that suitable arrangements are in place for the future.

There may also be projects where only one OGC Gateway Review 5 is needed. It can be used for the provision of works or a new module of an existing IT system. It should be held 6-12 months after rollout of the new service/delivery of the new assets, when evidence of the in-service benefits delivered is available.

Benefits may not all be delivered at the same time – e.g. new ways of working will need to be established in (say) a new type of school environment, before improvements in educational results are seen.

At appropriate points the findings from OGC Gateway Reviews 5 will inform any programme level decision points and *OGC Gateway Reviews 0*.

Handover from the project's SRO to the operational business owner typically occurs within a year of the start of the operational service. It will be the business owner's responsibility to ensure the expected benefits are delivered and the operational service runs smoothly. It will also be their responsibility to close the current arrangements and report back to senior/corporate management, feeding as necessary into new initiatives as required.

At *OGC Gateway Review 4* the timing of the initial OGC Gateway Review 5 will be planned to coincide with the key decision points following the Post Implementation Review. The operational business owner will decide on the timings of subsequent OGC Gateway Reviews 5.

The Post Implementation Review is an internal project assurance for the SRO, to confirm that the investment in the Business Case was justified and that lessons learned have been captured. The OGC Gateway Review 5 is an external peer review that includes the Post Implementation Review as a major input to its investigation.

1: Review of operating phase

How to use this section for:

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Initial OGC Gateway™ Review	All the areas of investigation and evidence expected in this section may not be available at this Review.
At the start of a medium- to long-term contract for operational service OGC Gateway Review 5	This Review will occur after 6-12 months (the time from the asset/system/service becoming operational to this Review). For PFI and other service contracts this Review should look at the current processes and behaviours, but also look ahead into the future looking for any difficulties that could hinder the success of the operating period e.g. client, provider and user relations. It should look closely at how the transition to the operational state is progressing.
Mid-stage OGC Gateway Review 5	This section together with section 3: Plans for ongoing improvements in value for money and section 4: Plans for ongoing improvements in performance and innovation form the core of the repeating Reviews for operational service contracts, including PFI. There are a number of specific issues that are particularly pertinent to PFI projects.
Final OGC Gateway Review 5	The main focus of this section at this final stage is to assess the operation of the contract over the period since the last Review in the same way as a mid-stage OGC Gateway Review 5. It would also look ahead to see how the operating phase is being brought to a close.
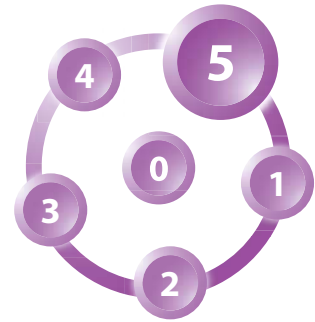
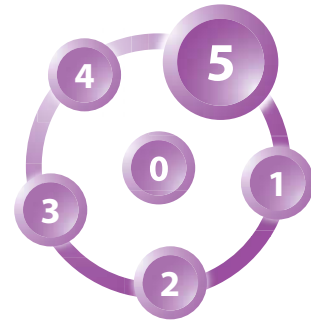| Areas to probe	Evidence expected
1.1 Is the service/facility operating to defined parameters?	■ Operating parameters updated as needs change, documented in change control and updated Service Level Agreements (SLAs) ■ Service delivery measured against those parameters ■ Measures to address poor/non-performance are proving effective ■ Facility safe to operate and maintain ■ Information on how the assets are being satisfactorily maintained, especially the 'hidden' ones such as mechanical and electrical systems ■ Plans for the delivery of maintenance over the lifecycle of the asset ■ Sustainability targets met or exceeded ■ Customer/stakeholder satisfaction experiences assessed.
1.2 Benchmarking/market testing	■ Details of the benchmarking/market testing activities that are being carried out by the parties as defined within their agreement ■ The Treasury guidance is being followed on benchmarking and market testing ■ Where required regular value for money reviews are being held if no benchmarking or market testing is in the contract.
1.3 Has the project documentation (e.g. training material and training programme) been delivered and kept up-to-date?	■ New staff trained and existing staff updated at appropriate intervals ■ No backlog of material to be updated ■ Responsibilities for updating training material and documentation defined ■ Health and safety file updated as required.

Areas to probe	Evidence expected
1.4 Are the governance and contractual relationships satisfactory?	■ Regular reviews between supplier and client ■ Documented improvements and evidence that changes to the contract are justified ■ How agreed actions are taken forward and dealt with operationally ■ Action plan documented and kept up to date as a live plan ■ Measurement of contract improvements ■ Reports on work done and plans for expected work ■ Representation of client and suppliers at an appropriate senior level.
1.5 Are there plans for continuity in contract management and 'intelligent customer' knowledge?	■ Forward resource plans ■ Succession planning for key roles ■ Continuity of knowledge when contract team staff change ■ Handover and key process information clearly and simply recorded ■ Contract guide available and in use ■ Capture of informal contract agreements is documented on a regular basis ■ Details of how the 'intelligent customer' input is maintained ■ Skills appraisal and plans for addressing shortfalls.
1.6 Are plans for ongoing risk management up-to-date?	■ Updated Risk Register, risk reporting and management in line with best practice ■ Business continuity/contingency plans updated as required ■ Operational health and safety aspects considered.
1.7 Is change management effective?	■ Process for evaluating and agreeing proposals for major change ■ Documented minor changes process ■ Approval process ■ Forward looking reviews that identify possible change.

Areas to probe	Evidence expected
1.8 Is relationship management effective?	■ Types of meetings held between various parties with forward outline timetable ■ Communication and meeting structure, both formal and informal, between all parties including stakeholders ■ Indication that structure is set up for running a long-term contract ■ Robust contract management processes in place for keeping good records ■ On-site presence of supplier staff and client view of this ■ User groups or equivalent.
1.9 Is training and support adequate?	■ The key post holders have appropriate skills and experience ■ Access is available to expertise or specialist training when required.

2: Business Case and benefits management

How to use this section for:

| Initial OGC Gateway™ Review 5	This is for projects delivering an asset as a standalone project or as an input to a programme. Alternatively, the project may be delivering an asset as part of the maintenance regime of an existing operational service. The main focus of this section will be the key measure of the delivery of the Business Case and the benefits that will be subsequently managed within a larger operational programme or service.
At the start of a medium-to long-term contract for operational service OGC Gateway Review 5	This Review will occur after 6-12 months (the time from the asset/system/service becoming operational to this OGC Gateway Review 5). All areas in this section will need to be investigated to confirm that there is a business need and supportive stakeholders. For PFI this section will measure the delivery of the asset and benefits against the original Business Case; it will also set a benchmark at the time of the Review for any changes that have necessarily occurred to the original Business Case. For all contracts, the governance arrangements of the operational contract are fundamental to its success.
Mid-stage OGC Gateway Review 5	For PFI and partnering projects these Reviews are held every three to five years depending on key decision points and the expected extent of policy change within that sector (e.g. Education, Health). The focus in this section will be on what has changed in terms of assumptions or circumstances (e.g. change of policy direction, technology change, people skills or resources, the governance arrangements and user satisfaction).
Final OGC Gateway Review 5	This Review is held approximately one to two years before the completion of the contract period, depending on its overall length. The key aspects to probe in this section will be to see that the asset will fit in with a new programme and Business Case that meets the requirements of key stakeholders. The new Business Case is examined in detail as an OGC Gateway Review 0 on a new programme. A strong governance structure should be in place to oversee the end of one contract and, if applicable, the start of another.
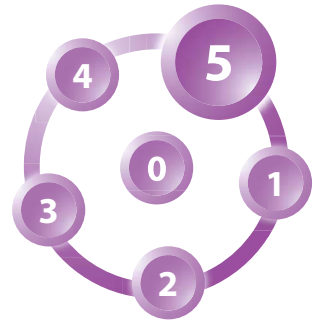
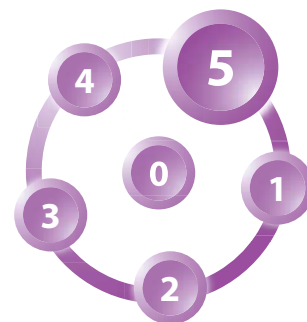| **Areas to probe**	**Evidence expected**
2.1 Is the Business Case still valid?	■ Confirmation that the Business Case still fits with the organisation's strategic objectives and priorities, is achievable and affordable ■ Confirmation of ongoing stakeholder commitment ■ Confirmation that the business owner is committed to the Business Case.
2.2 Are the business benefits being realised as set out in the Business Case? Did the organisation achieve more or less than expected?	■ Findings from internal Post Implementation Review/post project review or equivalent major review, including project success criteria met; project performance criteria and key performance indicators (including Design Quality Indicators) met or exceeded; whole-life value targets achieved ■ Contribution to programme/project benefits (as appropriate) and strategic outcomes tracked ■ Updated benefits capture plans compared with OGC Gateway™ Reviews 3 and 4 ■ Assessment of benefits in current operating regime using the benefits measurement basis confirmed by OGC Gateway Review 4 ■ Anticipated future benefits.
2.3 Have the needs of the business, end-users or stakeholders changed?	■ Comparison of current business and end-user needs with those identified in OGC Gateway Reviews 3 and 4 ■ Periodic reviews of business and end-user needs and a projection of future changes.

Areas to probe

Evidence expected

2.4 Have all the governance and stakeholder issues been addressed? These include: the statutory process; communications; external relations; environmental issues; personnel.

- Operational communications strategy updated, Communications Plan and Issues Log
- Governance structure including representatives of key stakeholders reciprocated in both client and provider organisation
- Issues escalated to the appropriate level in client's and provider's organisations to ensure resolution
- Empowerment given to people who are required to make decisions
- Representatives of stakeholders involved appropriately.

2.5 Are the users satisfied with the operational service?

- Details of user groups, their outputs and feedback process
- Indication that there is preparation in advance with users for changes in the way in which services will be delivered under this contract
- User-friendly guide available on the services that are provided by the service provider.

3: Plans for ongoing improvements in value for money

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How to use this section for:

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Initial OGC Gateway™ Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
At the start of a medium- to long-term contract for operational service OGC Gateway Review 5	After 6-12 months (the time from the asset/ system/service becoming operational to this start-up OGC Gateway Review 5) the client and provider of the service will be bedding in the operational contract management. This section's aim is to ensure that future value for money improvements are being thought about, so that when the next OGC Gateway Review 5 occurs improvements are demonstrable.
Mid-stage OGC Gateway Review 5	This section together with section *1: Review of operating phase* and section *4: Plans for ongoing improvements* in performance and innovation form the core of the repeating Reviews for operational service contracts, including PFI. There are a number of specific issues that are particularly pertinent to PFI projects.
Final OGC Gateway Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.

Areas to probe

Evidence expected

3.1 What is the scope for improved value
for money:
- can more be done for less?
- could the provider deliver better service
quality at the same price?
- can maintenance costs be driven down?

- Analysis of value for money to date against
scenarios for future service use
- Commercial intelligence about the provider's
track record with others and/or comparison
with other providers offering similar services
- Details of efficiency gains expected
and achieved.

3.2 Has the organisation benchmarked its
contract-related processes by comparing
with other equivalent organisations
involved in similar relationships?

- Benchmarking assessments of processes
such as:
  - demand management
  - service planning and development
  - service quality
  - investment decisions/project justification
  - benefits management.

3.3 Are commercial mechanisms providing
appropriate incentives?

- Examples of evidence could include:
  - payments to the provider dependent on the
  benefits derived from implementing a
  particular programme of change
  - provider has incentives to deliver and also
  for ensuring that individual investments
  are well planned, achievable and will
  deliver value
  - clear business justification with robust
  benefits identified on each occasion
  - target incentive mechanisms where work
  is task-based
  - provider is given incentives to submit
  optimum resource estimates for a task, with
  sharing in pre-defined ratios of the risks and
  benefits of the provider exceeding or
  undercutting those original estimates.
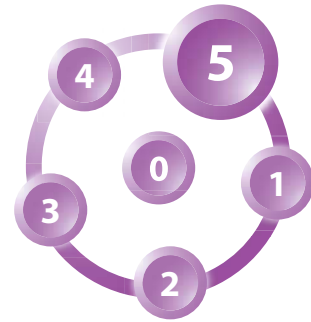
Areas to probe	**Evidence expected**
3.4 Are the client plans for the next five years (or the period up to the next decision point) affordable?	■ Plans for the future and budget information.
3.5 Predicted condition of the asset (where appropriate) at the end of the contract period	■ Examples of evidence could include: ■ contract information relating to condition of asset at end of contract (e.g. mechanical and electrical systems and building fabric) ■ supplier maintenance plans and client's understanding of these (e.g. responsibility for updating of software).

4: Plans for ongoing improvements in performance and innovation

How to use this section for:

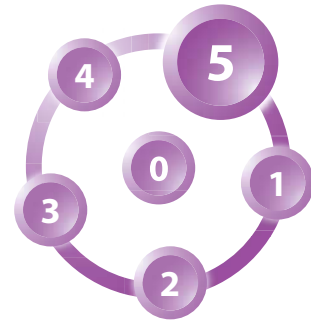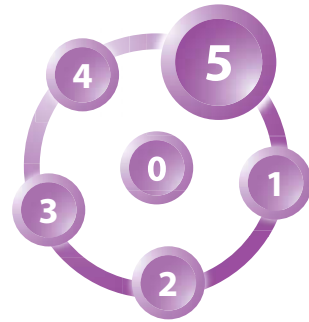|	
Initial OGC Gateway™ Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
	This is an important section to ensure the teams are positioning themselves to be able to innovate and deliver improvements in performance between now and the next OGC Gateway Review 5.
At the start of a medium-to long-term contract for operational service OGC Gateway Review 5	After 6-12 months (the time from the asset/ system/service becoming operational to this start-up OGC Gateway Review 5) the client and provider of the service will be bedding in the operational contract management. This section's aim is to ensure that future value for money improvements are being thought about, so that when the next OGC Gateway Review 5 occurs improvements are demonstrable.
Mid-stage OGC Gateway Review 5	This section together with section *2: Review of operating phase* and section *3: Plans for ongoing improvements in value for money* form the core of the repeating Reviews for operational service contracts, including PFI. There are a number of specific issues that are particularly pertinent to PFI projects.
Final OGC Gateway Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.

Areas to probe	**Evidence expected**
4.1 Is the organisation setting realistic targets for continuous improvement year-on-year from this service? Are the targets Specific, Measurable, Agreed, Realistic and Timely (SMART)?	■ Understanding and use of key techniques such as Balanced Scorecard, Business Excellence Model, ongoing stakeholder analysis, benchmarking, goal/question/metric approach.
4.2 The client and partner working together actively to identify opportunities for improvement through innovation.	■ Details of innovation achieved in service delivery by possibly using industry surveys, benchmarking, reviews by external consultants and reports from the service provider ■ Whether people at all levels have the ability to contribute and is this encouraged by using feedback and staff suggestion schemes.
4.3 Is the organisation tracking its progression to improved performance and the flow of results through key milestones and the business planning cycle?	■ Clear links to outcomes – performance information clearly linked to planned outcomes and enables ready assessment of performance in terms of effectiveness, efficiency and service quality ■ Core sets of performance information that meet multiple purposes, are consistent and complementary ■ Ongoing assessment of appropriateness of performance information ■ Responsibilities for performance management are defined and understood by organisation and supplier ■ Direct links between planning and results ■ Ongoing monitoring of performance and periodic evaluation ■ Integration with corporate and business planning.

Areas to probe

Evidence expected

	Areas to probe	Evidence expected
4.4	Does the organisation have performance measures to cover all aspects of the contract?	■ Performance measures relating to: 　■ cost and value obtained 　■ performance and customer satisfaction surveys 　■ delivery improvement and added value 　■ delivery capability 　■ benefits realised 　■ relationship strength and responsiveness ■ Details of the roles responsible for taking the measurements ■ Details on how the information is used and followed up ■ Effect of any contract refresh or rebalancing of the performance measurement system.
4.5	Do the selected performance measures offer clear and demonstrable evidence of the success (or otherwise) of the contract?	■ Performance measures chosen are meaningful and visible to an organisation's management group, properly reflect user and stakeholder perceptions and are amenable to identifying the need for supporting or remedial action as part of the contract management activity.
4.6	Are performance measures that relate to delivery or capability improvement tracked against an existing baseline?	■ Baseline is established in the Business Case for the contract ■ Performance measures tracked against that baseline.
4.7	For performance assessment, are there measures for: 　■ ongoing service delivery? 　■ the desired results of individual programmes of change or improvement, implementation of projects? 　■ the overall results or impact of the contract – what does the organisation want to have achieved by the end of the contract period?	■ Formal SLA approaches and related measures ■ Investment appraisal and benefits management techniques are constructed on a case-by-case basis ■ Objectives identified during project scoping and in the preliminary business analysis activity. They should be rooted in the organisation's long-term business strategy ■ For construction projects, evidence that user satisfaction has been or will be monitored as required in the Sustainability Action Plan.

5: Review of organisational learning and maturity targets

How to use this section for:

Initial OGC Gateway™ Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
At the start of a medium- to long-term contract for operational service OGC Gateway Review 5	What arrangements has the organisation put in place to collect and evaluate lessons learned from the contract and how will this operate? This is important for contracts let on a similar contract basis (e.g. PFI, Term Contract), to confirm that the relevant organisations collect learning.
Mid-stage OGC Gateway Review 5	The topics in this section are used to assess if organisations are actually collecting learning on an ongoing basis.
Final OGC Gateway Review 5	As part of the close down of the project, there will be documented learning.

Areas to probe

Evidence expected

5.1 Does the organisation have a well-defined, implemented and effective process for embedding improvements based on the lessons learned from the project?

- A mechanism for capturing and recording the initial data
- Internal evaluation of lessons learned
- Mechanisms and policy for making information available within and outside the organisation
- A process for feeding back to organisational project teams
- Participation in knowledge-sharing forums
- Appropriate help and expertise available when required from the corporate centre
- Details of the application of learning from the provider and their organisation's systems.

5.2 Has there been a review of how well the project was managed?

- Evidence of formal review at project closure
- For construction projects, a post project review using Client's Charter Key Performance Indicators (KPIs).

5.3 Are suppliers encouraged to learn from experience?

- Incentives for suppliers to improve project delivery
- Commitment to long-term relationships with integrated project teams.
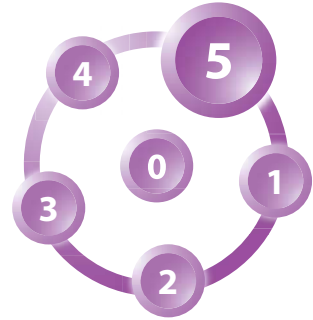
6: Readiness for the future –
Plans for future service provision

How to use this section for:

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Initial OGC Gateway™ Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
At the start of a medium to long term contract for operational service OGC Gateway Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
Mid-stage OGC Gateway Review 5	All the areas of investigation and evidence expected in this section may not be available at this Review.
Final OGC Gateway Review 5	This is the key section for looking forward in relation to the service being provided. Are the plans for the future use of the asset post-contract clear? What preparatory work has been done to ensure the condition of the asset post contract? In a PFI for a facility (e.g. school, hospital) the life of the facility is generally longer than the contract and hence the plans for the future use of the asset as part of an overall service need to be clear. The closing down of the contract and all the preparatory work that goes with it in relation to the asset conditions is very important.

Areas to probe	**Evidence expected**
6.1 Is there an ongoing need for the service?	■ Updated Business Case, linked to current business strategy.
6.2 If the service will be needed in the future, what is its likely scope?	■ Options appraisal to include some or all of the following: ■ 'do nothing' ■ to retain the scope of the existing contract ■ to split the scope of the existing contract ■ to broaden the scope of the existing contract ■ to completely rethink the requirement for the contract ■ single/multiple sources of supply ■ combining new services with others providing similar/complementary services.
6.3 Are there any major issues with the current contract that could affect the approach to re-competition where relevant? Factors to consider include: ■ range of services – could the provider cope with the range of services provided or were there significant weaknesses? ■ flexibility of contract – how adaptable was the relationship to both foreseen and unexpected changes in the nature and level of demand? ■ client's reaction and adjustment to outsourcing – how well did users adapt to services provided by a third party? Was management confident that the provider could be trusted to provide the service? Is the organisation now ready for a greater dependence upon outsourcing? ■ exit strategy – will the re-competition be straightforward or is there a danger the client is now 'locked in'? Have agreements been made to ensure the handover is as smooth as possible?	■ Updated Risk Register and Issue Log ■ Exception reporting from regular client/provider progress meetings ■ Reports from contract and service management functions ■ Exit strategy and details of handover arrangements.
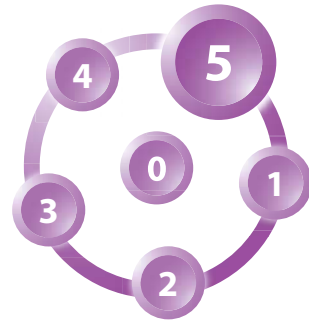
Projects funded through the Private Finance Initiative are also subject to OGC Gateway Reviews 5. Whilst the Review should include the requirements described in this Workbook, there are a number of issues that are particular to PFI projects, of which Review Teams should be aware. The issues set out below are not intended to be an exhaustive check list for Reviews of PFI projects, but to set out areas for consideration.

Overall performance and user satisfaction

The Review Team should come to an overall qualitative judgement as to the effectiveness of the contract through interviews and consultation with users. User satisfaction is typically measured against individual expectations, rather than simple delivery of contractual commitments.

Evidence Expected

- The client organisation is broadly satisfied with the service providers' performance
- User satisfaction surveys are regularly performed and the outcome acted upon
- The outcome of satisfaction surveys may be reflected in the performance and payment mechanism.

Relationship between the public and the private sectors

The relationship between the private and public sector partners in PFI contracts is key to their success. Research consistently shows that public and private sector managers agree that much of a project's success can be attributed to individual personalities, and the development of a strong working relationship where both parties share the same vision and have strong, mutual objectives. A strong working relationship does not necessarily mean that concerned parties always agree, merely that disagreements have not been allowed to jeopardise the overall relationship.

Evidence Expected

- There are regular scheduled meetings between the public and private sector partners, in order to discuss operational performance issues
- Regular opportunities exist to discuss any emerging issues and there are well understood processes for resolving any such issues
- Continuity and succession planning for staff turnover is being managed.

Service or output specification

The output specification is of particular relevance in PFI contracts, as payments are often linked to the quality of provision. The Review Team should ensure that the service provision remains in line with the original output specification, or that it has been updated to reflect current needs.

Evidence Expected

- The contract manager has read and understands the service/output specification for the project
- The services are being delivered in accordance with that specification.

Project transition

Operational Taskforce Note 2: Project Transition Guidance (March 2007) issues best practice for projects coming into operation from the procurement stage. The Review Team should ensure compliance with the guidance for projects coming into operation after its publication, and look for evidence of best practice in older projects. Specifically, the guidance embeds the following principles:

- All projects should produce an easy to use contract guidance manual at the point of contract signature and commit to undertaking a formal handover procedure
- Operational contract managers (both public and private sector) should be introduced into projects during the procurement phase to ensure that the project can be run effectively, and that responsibilities are properly captured in the payment and performance mechanism
- Projects have considered implementing shadow running of the contract structure where possible, prior to contract signature to test efficacy outside a live environment
- Consideration has been given to providing training and guidance for the public sector manager on specific PFI contract management.

Evidence Expected

- Use of *Operational Taskforce Note 2: Project Transition Guidance* for projects that came into operation after March 2007
- For projects that predate the guidance, reviews should look for evidence of this best practice being employed, bearing in mind the best practice in *Operational Taskforce Note 2: Project Transition Guidance*
- All projects, as a minimum, should have a contract guidance manual and a training plan for contract management staff.

## Benchmarking and market testing of soft services

In October 2006 The Treasury published *Operational Taskforce Note 1: Benchmarking and Market Testing Guidance*. This Best Practice guidance should be used for guiding contract managers through the process, and the Review Team should check that it has been adopted and applied. The guidance also re-states the Government's belief that market testing offers better value for money than benchmarking, and that it should be employed in new contracts or where provisions are not clear. Where the contract states that benchmarking should be carried out in the first instance, this should be adhered to.

Evidence Expected

- Use of *Operational Taskforce Note 1: Benchmarking and Market Testing guidance* for projects that went to benchmarking or market testing post October 2006
- An assessment of effectiveness of any benchmarking or market testing exercise undertaken prior to this using the *Operational Taskforce Note 1: Benchmarking and Market Testing guidance* as a guide to Best Practice.

Contract variations

Long-term contracts inevitably require modification during the course of their life. Through Standardisation of PFI Contracts, the Government has developed a more simple and flexible process for contract variations. The Operational Taskforce can assist older operational projects wishing to introduce contract variations.
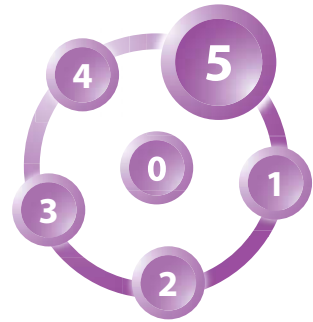
Evidence Expected

■ That the contracting organisation has satisfied themselves that any variation represented value for money

■ There are clear timescales and processes for different categories of change in order to maintain momentum, clarity and focus in achieving that change

■ The relative responsibilities of the Special Purpose Vehicle (SPV), project lenders and the public sector client in progressing variation requests are clearly defined and understood.

Payment and performance mechanisms

The revised standard PFI contract contains revisions designed to allow improved operational flexibility of payment mechanisms so as to ensure that incentives remain aligned, and links user satisfaction with payments.

Payment mechanisms should incentivise the service provider to correct problems, rather than simply encourage deductions. Some project managers may be concerned that enforcing payment or performance mechanisms has the potential to damage the relationship with the private sector. The Government believes though that procuring authorities should enforce all their rights under the PFI contract and that the relationship with the contractor should be strong enough to withstand this.

Evidence Expected

■ Payment mechanisms incentivise the service provider to correct the problem

■ Payment mechanisms are proportionally focussed on the most significant issues affecting the PFI project in operation

■ The contracting organisation has experience and confidence in enforcing payment or performance mechanisms

■ The contract manager is aware of, and understands the payment mechanism/payment arrangements for this project

■ If the payment and performance mechanism is operating sub-optimally, the public sector has examined whether a re-calibration can be achieved within the existing contractual structure.

Financial and data management

PFI projects are currently required to collate data on the value of projects at preferred bidder stage, capital spend by the private sector and unitary charge payments. Collecting this information can be time consuming, however it is essential that projects have effective means of doing so in order that the government may fully assess the fiscal impact of its public spending commitments. Review teams should assess the extent to which the project meets these requirements.

Evidence Expected

■ Review Teams should look for evidence of sound financial management, and effective methods of data collection.

Project monitoring

Review Teams may also wish to further consider the extent to which projects have had support from departmental private finance units.

Project documents

The areas of investigation together with examples of evidence should be available before the OGC Gateway™ Review starts. The information is likely to be found in the documents suggested below, but may be located in other programme or project documents or elsewhere in the organisation's documentation system:

- an updated Business Case that reflects actual operating conditions, base-lined against the Business Case in *OGC Gateway Review 4*
- report on the findings from Post Implementation Review (or equivalent major post project review)
- an assessment of the benefits delivered to date and expectations for the future
- a summary of contract changes since *OGC Gateway Review 4*, where applicable
- plans for contract improvement and service improvement
- performance reports/KPIs
- customer surveys
- performance measurement systems
- resources, skills appraisals and personnel plans to continue managing the contract
- reports on stakeholder issues
- plans for disposal of any assets at the end of the contract (e.g. resources, buildings, staff, Intellectual Property Rights (IPR))
- for construction projects, updated health and safety file; plans for re-use of integrated project team where applicable
- for IT-enabled projects, security documents, (e.g. Accreditation Document Set (ADS))
- information showing how client/provider manage the relationship and engage with each other.
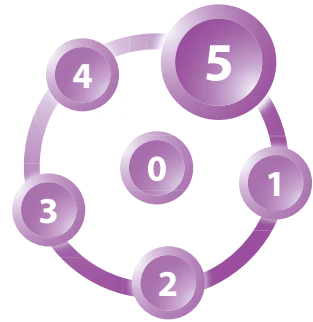
Supporting guidance

- The *OGC Gateway™ Process: A manager's checklist* – provides a set of key questions that SROs should consider to determine the progress of their programme or project and the potential for success
- A Workbook for each OGC Gateway Review provides detailed questions to support each Review. The Workbooks can be downloaded from the OGC website, which also includes guidance on procurement, programme and project management: *www.ogc.gov.uk*
- OGC: Managing Successful Projects with PRINCE2™: *www.ogc.gov.uk*
- OGC: Managing Successful Programmes: *www.ogc.gov.uk*
- OGC: Management of Risk: *www.ogc.gov.uk*
- OGC: Achieving Excellence in Construction: *www.ogc.gov.uk*
- HM Treasury: Green Book – Appraisal and Evaluation in Central Government – and supporting supplements: *www.hm-treasury.gov.uk*
- HM Treasury: Orange Book – Management of Risk, Principles and Concepts: *www.hm-treasury.gov.uk*
- HM Treasury: The Private Finance Initiative (PFI): *www.hm-treasury.gov.uk*
- Operational Taskforce Note 1: Benchmarking and Market Testing Guidance: *www.hm-treasury.gov.uk*
- IT Infrastructure Library® (ITIL®): *www.itil.co.uk/publications.htm*
- Intellect: Concept Viability: *www.intellectuk.org*
- Cabinet Office Delivery and Transformation Group and CIO Council guidance: *www.cio.gov.uk*
- Cabinet Office: Professional Policy Making for the 21st century: *www.policyhub.gov.uk*
- Cabinet Office: Strategy Survival Guide: *www.strategy.gov.uk*, *www.cabinetoffice.gov.uk*
- Cabinet Office: Transformational Government: *www.cabinetoffice.gov.uk*
- Cabinet Office: The UK Government's Approach to Public Service Reform: *www.strategy.gov.uk*
- Cabinet Office: Professional Skills for Government: *www.psg.civilservice.gov.uk*
- Policy Hub: Impact Assessment and Appraisal: *www.policyhub.gov.uk*
- National Audit Office: Managing Risks to Improve Public Services: *www.nao.org.uk*

OGC Service Desk

OGC customers can contact the central OGC Service Desk about all aspects of OGC business.

The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am - 6pm Monday to Friday

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E: ServiceDesk@ogc.gsi.gov.uk
W: www.ogc.gov.uk

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