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Gateway to better procurement

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GATEWAY TO BETTER PROCUREMENT



Each year the Victorian Government spends approximately \$1.8 billion procuring infrastructure, information systems, real estate, property and services. Assessing the strengths of each project is now a major part of the procurement process. Wayne Sharpe of the Gateway Unit explains how Victoria has recently adapted a UK initiative and what they have learned from the process.

Contemporary government procurement requires effective procurement planning, innovative contracting strategies, active contract management and continuous improvement of procurement processes. To this end, the Victorian Government recently endorsed a Gateway Initiative in order to reduce budget/time overruns and scope changes, improve alignment of asset initiatives with government strategic objectives and departmental corporate plans, and provide better assessment of asset initiatives across government.

The Gateway initiative consists of:

- multi-year strategy – a long-term planning (5-10 years) view of general government asset investment projects/initiatives to improve alignment with the government's strategic objectives
- business case development - development of consistent general government sector project lifecycle guidance, with an initial focus on preparing better business cases to support asset investment proposals
- Gateway review process – to set in place an independent review process aligned with the six key decision points in a project's lifecycle to assure timely project delivery and

- reporting to focus asset investment reporting on exception items that identify issues early enough to get projects back on track.

This article focuses on the third element, Gateway review process, which is designed to help departments ensure their investment proposals are robustly developed and aligned with strategic objectives and, for proposals gaining funding approval, that the funding is well spent, meets business objectives and achieves value for money outcomes.

ORIGINS OF GATEWAY REVIEW PROCESS

The United Kingdom Government developed the OGC Gateway™ Review in 2000 from the recommendations of the *Gershon Review of UK Government procurement* and the Cabinet Office report on *Successful IT: Modernising Government in Action*.

The characteristics and benefits of the OGC Gateway™ Review have ensured that it has been well received throughout central civil government in the United Kingdom. The process has been successfully applied to projects undertaken by all of the UK's central civil departments including the Ministry of Defence and the National Health Service. Departmental and industry reaction to the introduction of the OGC Gateway™ Review has been positive, with improvements to project delivery already demonstrated. A number of benefits have emerged from the UK experience of implementing the OGC Gateway™ Review, including:

Office of Government Commerce Value for Money reviews have confirmed that average cost savings of 3-5 per cent are being achieved when review recommendations are implemented.

Experience in other jurisdictions and the private sector, demonstrates that reviews at critical decision points in the procurement cycle add value, improve the outcomes of procurement and minimise the risk of project failure.

- increased assurance that the expected service delivery outcomes will result
- delivery of projects within budget and time constraints
- better management of risks inherent in projects
- increased stakeholder satisfaction, and
- a snapshot of the procurement health of key projects for senior responsible owners¹

The cost of the OGC Gateway™ Review to the central civil government in the UK is reported as approximately 0.01 per cent of the overall cost of projects. Office of Government Commerce Value for Money reviews have confirmed that average cost savings of 3-5 per cent are being achieved when review recommendations are implemented. The savings result from early implementation of actions needed for successful project delivery.

The OGC Gateway™ Review is currently into its fourth year of operation, with positive results in the procurement of projects. The OGC Gateway™ Review has been applied to all types of procurement inclusive of PFI/PPP projects through the entire life cycle. To date over 700 OGC Gateway™ Reviews have been completed on some £45 billion worth of investment, with an ever-increasing demand for the OGC to review more projects.

This demand has resulted in government mandating the establishment of 'key centres of excellence' within departments to reduce the load on the OGC Gateway™ Review Team, and develop expertise in-house to ensure projects are properly and adequately managed and resourced.

WHAT IS THE GATEWAY REVIEW PROCESS?

In simple terms, it is a review of a delivery program or procurement project carried out, at a key decision point, by a team of experienced people, independent of the project team. There are six Gateway reviews during the lifecycle of a project, four of which are undertaken before contract award (see Project Review box p15). The remaining two Gates focus on service implementation and confirmation of the operational benefits. A project is reviewed at the Gate appropriate to the point reached in its lifecycle. The process emphasises early review for maximum added value.

The key characteristics of a Gateway review are:

- it is short, focused and independent

- it uses a team of experienced and independent practitioners
- it involves all key stakeholders
- it is not an audit or a peer review,
- it is undertaken in consultation with the project team. It is confidential, and independent from the project approval process, and
- it is confidential. Gateway Review reports are written and issued *only* to the senior responsible owner. These reports flag best practice observed and potential risks that might impact on the delivery and success of the project at the stage reviewed.

BENEFITS OF GATEWAY REVIEW PROCESS IN VICTORIA

Some Victorian government departments and agencies already have good internal processes for obtaining better value for money spent on procurement. The Victorian Government—as a major procurer of projects—recognises its processes can be further enhanced to improve project outcomes and services to the community.

Experience in other jurisdictions and the private sector, demonstrates that reviews at critical decision points in the procurement cycle add value, improve the outcomes of procurement and minimise the risk of project failure. Consequently the Gateway review process (GRP) will consolidate learning and procurement across the sector and give government and departmental Secretaries/CEOs confidence that high to medium-risk projects have had a level of expert independent review.

The GRP will provide three key benefits for the government. Firstly, it is a disciplined, consistent, whole-of-government process to help ensure projects are delivered on time and within budget. Secondly, it contributes to increased confidence by departments, agencies and the Expenditure Review Committee of cabinet in the health of a project. Thirdly, it results in an increased skill base across government through the development of review skills. Implementing and operating the Gateway Review Process in Victoria will also help provide best practice techniques in project delivery and dissemination and incorporation of lessons learned into new projects. Increased competence and valuable development opportunities for individuals involved in review teams, and enhanced project management capability within the Victorian public sector should also result.

LESSONS LEARNED IN VICTORIA

The Gateway Unit reports, non-project attributed ‘high Level’ lessons learnt to the Gateway Supervisory Committee (GSC). The GSC comprising representation from all departments, are tasked with addressing the issues raised from a whole of general government perspective.

The thirteen reviews completed to date—ranging from projects such as whole of government information technology projects, health portfolio projects through to scientific, transport and sporting infrastructure projects—resulted in tangible benefits. Each project had a complete business case, with options analysis fully explored. There was clarity of roles and responsibilities, including succession planning and reporting and the project teams were adequately skilled and resourced. Communication with all stake-holders was improved and all agreed on the key success criteria. The reviews ensured adequate risk management and updated financial advice and work programs.

A comparison of the Victorian and UK experience reveals common issues, even though the number of Victorian reviews is considerably less (13 compared to more than 700). In Victoria, evidence indicates similar issues are arising from business case reviews of projects that are to be procured through *Partnerships Victoria*. Evidence from the UK suggests lessons learnt were equally attributed to PFI/PPP and traditionally procured projects.

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- 1 The senior responsible owner is a generic title for the senior individual who takes personal responsibility for the successful outcome of a program or project.



PROJECT REVIEW

The Gateway review process (GRP), as endorsed by government for implementation in Victoria in August 2003, applies to all new or existing high to medium-risk government projects that procure services, construction/ property and information technology/change management. For projects that are procured through the *Partnerships Victoria* process, the GRP does not generally apply to project lifecycle stages past the business case. For all other projects, the GRP should be applied to all of the project stages.

