Government Commercial Function

APPROVAL PROCESSES

Guidance Note

MAY 2021

Complex outsourcing – approval process

The Treasury, the Infrastructure and Projects Authority, and Cabinet Office have roles to play in approving and assuring large projects. Experience suggests that we must use commercial expertise from right across government to avoid early decisions setting projects up to fail. We, as one government, are strengthening the assurance process and providing additional support to project teams. We want to get these projects right by setting them up to succeed from the very start.
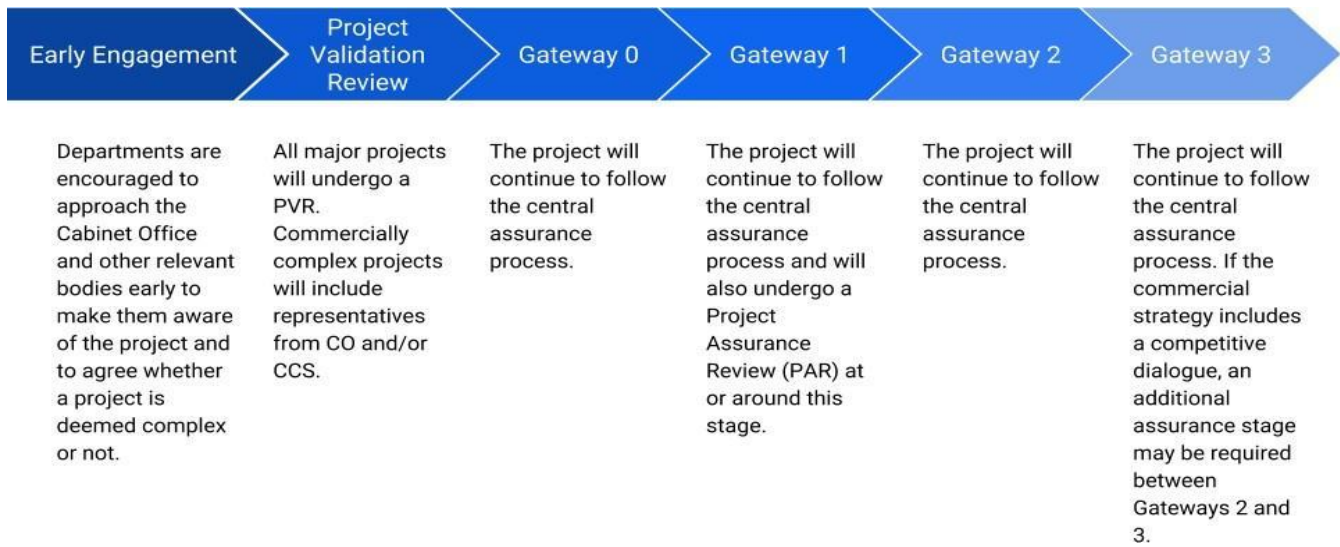
One of the ways we can set projects up to succeed is by collaborating across functions and departments at the early stages. We do this through a Project Validation Review (PVR). PVRs already take place for many projects, but they do not always include commercial experts from Cabinet Office or the Crown Commercial Service (CCS). Departments will gain the benefit of their cross-government view by engaging with them early in the project lifecycle. Getting all teams on the same page from day one means that we make the right decisions with the right input. We will start the conversation early, and keep talking. This is crucial for projects involving complex outsourcing.

What Changes?

The Sourcing Playbook defines "complex outsourcing". The assurance process in this section applies to these complex projects. Factors which might make a project "complex" include:

- First generation outsourcing
- Planned transformation of services
- A limited market or government is the only buyer
- The services or assets are not well understood internally

Projects for which the scope is well-understood and the market well-established are unlikely to be classed as complex. The assurance process for non-complex projects is not changed by this guidance. The only change to the process for complex projects is for commercial experts to attend the PVR.

Early Engagement	Project Validation Review	Gateway 0	Gateway 1	Gateway 2	Gateway 3
Departments are encouraged to approach the Cabinet Office and other relevant bodies early to make them aware of the project and to agree whether a project is deemed complex or not.	All major projects will undergo a PVR. Commercially complex projects will include representatives from CO and/or CCS.	The project will continue to follow the central assurance process.	The project will continue to follow the central assurance process and will also undergo a Project Assurance Review (PAR) at or around this stage.	The project will continue to follow the central assurance process.	The project will continue to follow the central assurance process. If the commercial strategy includes a competitive dialogue, an additional assurance stage may be required between Gateways 2 and 3.

Departments should use their commercial pipelines to flag potential complex projects to central commercial teams. Cabinet Office commercial teams will then decide whether a project is complex, in conjunction with HM Treasury spending teams. If a Department disagrees with the assessment, it is able to appeal.

Project Validation Reviews (PVRs)

PVRs are held at a very early stage of the project lifecycle to ensure that subject experts can review, discuss, and challenge initial thinking in Departments in setting the commercial strategy.

The review enables:
- A more robust engagement between departments and the central assurance and commercial teams at an earlier stage;
- The alignment of the project's objectives with organisation's wider change portfolio;
- Support to the project being set-up for success before fully developing its strategic options;
- The sharing of views, opportunities and risks with key stakeholders, and
- Consideration of early strategic delivery options and standards.

It is up to an SRO to advise IPA of projects requiring a PVR. IPA will then arrange attendees from a range of stakeholders, including commercial teams. Departments must send informed and empowered project representatives to ensure the review is productive.

Commercial areas of discussion will include:
- Delivery model assessment decisions
- Market engagement and how it has informed the strategy
- Market capability and strength, using the recommended metrics
- Understanding internal capability, capacity, and accuracy of information
- Pilots and proof of concept
- Understanding of volumes
- TUPE considerations

The review team leader will produce a report within five days of the review. The SRO is then responsible for developing an action plan to address any recommendations. More information about the PVR process and outcome can be found here. The PVR is designed to support as well as challenge Departments through productive conversation. It will support the Department to present thorough and informed advice to your Secretary of State or Minister.

Further assurance

The commercial conversation will not stop after the PVR. You are encouraged to make use of the resource and knowledge in the central commercial teams. The existing assurance process will continue to apply at OBC and FBC stage. The assurance team will expect to see evidence of compliance against the Government Commercial Operating Standards, and the following topics:

OBC

- Market engagement
- Pricing mechanisms, risk transfer, KPIs
- Requirements structure
- 'Should Cost' model
- Financial and economic standing of potential bidders

FBC

- Should cost model
- Low cost bid bias
- Supplier financial stability
- Cash flow for supplier
- Benefits realisation