



SCOTTISH EXECUTIVE

Financial Partnerships Unit

**Education PPP Projects
Pre-OJEU REVIEW DOCUMENT**

June 2006

Education PPP Project Review - Pre-OJEU

Introduction

What is the purpose of this review?

This review should not be regarded as a tick sheet or a pass / fail exercise. It is a tool to assist local Councils (project sponsors in particular) to pause and consider whether they are sufficiently advanced in their project development, deliverability and documentation to proceed to the issue of a project OJEU Notice to launch their procurement.

The review is intended to complement the work undertaken on OBCs and not to replace it.

Where an OBC review and OJEU are likely to be sequential within a short time period (up to three months) the SE FPU will combine the two processes and Councils should submit the completed KSR review along with the OBC. PUK will carry out the KSR review on behalf of the Scottish Executive, concurrently with the FPU reviewing the OBC. However, where a longer gap in timing (over 3 months) is likely; where it emerges between OBC and OJEU; or where the OBC review highlights significant issues still to be resolved prior to procurement the SE will ask PUK to carry out a separate pre-OJEU KSR review and Councils will be required to submit a separate response to this document.

At the start of each section is a short guidance note explaining the purpose of the questions. This is intended to be helpful, particularly for projects' sponsors, when considering the status of their project and its readiness to move forward into procurement.

How will this review be carried out?

No later than 4 weeks prior to the OBC being submitted, Councils are required to give a preliminary indication whether the OBC and OJEU will be sequential, and a proposed date for submission to:

Director
Financial Partnerships Unit
Scottish Executive
Victoria Quay
Edinburgh
EH6 6QQ

Two weeks before the review is submitted the Council should confirm the final date to the FPU.

One week before the date of the review, the completed Pre-OJEU review document should be submitted to the Director of the FPU in electronic (CD-ROM) and paper format, with the responses given to each question.

A report will then be produced with recommendations. The Council will have the opportunity to comment on this report in draft prior to its submission to the Scottish Executive.

The Council's CE or Chair of the project steering group (assumed in this document to be the project sponsor), should make a written response to the Director of the FPU setting out the Council's response to any recommendations made. The Scottish Executive FPU will review this response and may ask to meet with the project manager, project team, or project sponsor to discuss any issues arising.

Please complete the following template:

Project Outline		
Council		
Advisers		
Project Title and Brief Description		
Planned OJEU Date		
Planned ITPD Issue Date		
Scope of Services in Project (incl. timing of soft FM inclusion / exclusion if applicable)		
Estimated first full year Unitary Payment (state year and interest rate assumption)		
Estimated Project NPV (state NPV discount date and length of appraisal period assumed in shadow bid model)		
Project Director/Manager Contact details (and alternative contact)	Name Address Tel Email	Name Address Tel Email
Project Sponsor	Name Address Tel Email	

Contents		
Section	Topic	Page
One: Governance	<ul style="list-style-type: none"> • Sponsor • Steering • Management • Advisers • OJEU Notice • Audit Trail 	5
Two: Scope	<ul style="list-style-type: none"> • Implications • Changes • Affordability 	7
Three: Stakeholders	<ul style="list-style-type: none"> • Identification • Commitment • Communications 	9
Four: Competition	<ul style="list-style-type: none"> • Evidence of market interest • Soft market testing • Publicising the project • Quality of bid material 	10
Five: Procurement Risks	<ul style="list-style-type: none"> • Identification • Mitigation and contingency • Maintenance and scrutiny 	11
Six: VfM Assessment	<ul style="list-style-type: none"> • Qualitative Assessment • Quantitative Assessment 	12
Seven: Feedback		13

SECTION ONE: GOVERNANCE

Key objective: the purpose of this section is to ensure that the arrangements for steering, resourcing and managing the project are robust. This is intended to assist the project sponsor to be satisfied that the project has firm foundations on which to proceed, and that potential bidders will be encouraged and reassured by a credible and well-resourced team which is promoting an affordable and deliverable project, operating within a clear decision making structure.

- 1 Who has the role of project sponsor? Does the project sponsor acknowledge his / her role in terms of taking key decisions? Please provide a project governance diagram if available.
- 2 Where does Council to approve key project decisions lie?
- 3 Has a project board been established?
- 4 If so, does it have clear terms of reference that set out its membership, its role in decision making and its responsibilities for steering the project?
- 5 How does the Project Board report / relate to the overall project sponsor?
- 6 Is there a design champion?
- 7 Has a project director been appointed with a role description?
- 8 Has a full-time project manager been appointed and given a job description? What is the project management and PPP experience of the project manager?
- 9 Is there a dedicated project team with identified roles and responsibilities, regular meeting structures, etc?
- 10 Are there appropriate reporting lines within the project team and from the project team to the Project Board?
- 11 Is the project team suitably resourced for the size and complexity of the procurement?
- 12 Is there a clear procurement budget (which includes realistic costs for staff costs and advisers)?
- 13 Has the source of funding for procurement costs been identified and approved?
- 14 Please summarise the main appointment brief and fee structure of advisory appointments (eg financial, legal, technical).
- 15 Were clear terms of reference against a defined project scope / work programme utilised when appointing advisers?
- 16 Are controls in place to ensure advisers deliver to fee forecasts?

- 17 What procedures are in place to source additional advisory input if required or to alter existing contracts if project scope / programme changes?
- 18 Has the final Outline Business Case been approved by the Council and all the appropriate stakeholders?
- 19 Has the capital cost of the scheme varied by more than +/- 5% since OBC (excluding RPI)? If so, has this been approved and supported including revenue implications?
- 20 Is the procurement timetable realistic? Does it reflect the phases of the competitive dialogue procedure? Has the procurement strategy been agreed by the Project Board and signed off?
- 21 Are arrangements in place for documenting the audit trail of the procurement?
- 22 Has a draft OJEU notice been prepared and reviewed by advisers?
- 23 Has a Memorandum of Information been prepared by the Project Team?
- 24 Has the Project Board approved an evaluation strategy for dealing with responses to the OJEU notice?

SECTION TWO: SCOPE

Key objective: the purpose of this section is to assist the project sponsor to ensure that the project scope is clear, stable and deliverable. A stable project scope at an early stage in procurement is a major factor in delivering projects to time and cost. The sponsor must also be satisfied that arrangements are in place for anticipating, identifying and managing changes to the project, both now and in the future.

- 25 Is the scope of the project clear and stable?
- a) Since the OBC was completed, have there been any changes to the scope or facilities that the project will deliver, or to the benefits that will arise from the project?
 - b) Has any change to the scope had any consequent effect on costs / affordability? How has this been assessed (e.g. PSC / Shadow Bid model and what is the extent of movement)?
 - c) Is the scope fully affordable? Is there a shadow bid / PSC cost input report signed off by technical advisers? What verification and testing of costs and assumptions has been done since the OBC was completed?
 - d) Stating key assumptions, please set out the current anticipated affordability position of the project over the life of the concession, highlighting what sensitivities have been applied to the figures.
 - e) Is any affordability gap closed by use of capital injections? If so, please confirm that SE capital contributions guidance note has been adhered to and Scottish Executive fully advised on proposals; and confirm that a VfM assessment in respect of the impact of the contributions has been undertaken. What considerations have been made on the potential impact on SE funding sources e.g. have capital receipts been netted off against RSG applicable expenditure?
 - f) Is a Council minute available that fully supports the forecast affordability position of the project over the life of the project, including the underwriting of any resulting affordability gap?
 - g) Have all sources of funding been identified and approved?
- 26 Have any planning implications of the project been identified and explored, with a suitable management strategy in place?
- 27 Is there clarity about site and land issues?
- 28 Does the project support the Council's wider schools estate management plan?
- 29 Is curricular or IT equipment to be included within the procurement?
- 30 Is the success of the project related to any other related works (e.g. advanced works, enabling works, demolitions, rationalisations)?

If so, have these links been identified and is the management structure in place to ensure that related works or projects are successfully completed?

- 31 Have relocation and decanting issues been considered and fully costed?
- 32 Has the interface between PPP-owned and operated buildings and services with Council-owned buildings and services been considered? Has the interface between refurbished and new buildings been considered?
- 33 What has been the decision making process in respect of soft FM scope in the project? (Demonstrate application of STUC staffing protocol, impact on procurement and actual or planned assessment methodology.)
- 34 Is there a clear link between design process and affordability constraints? (For instance, have any reference designs or specifications been costed in accordance with required affordability levels? Are the Council's expectations of quality and size of build, service levels, and sustainability all reflected in the cost build-up?)
- 35 Are best practice design methodologies being utilised in PSC schedules of accommodation and design development processes that will be used in procurement?
- 36 What arrangements, control mechanism and approvals process are in place for identifying changes to scope, costs and timescales during the procurement?
- 37 If applicable, were all recommendations arising from the OBC review by SE FPU put into action (please summarise)?
- 38 Are a project plan, timeline, and PPP procurement strategy (with key milestones identified) available (updated from the OBC as appropriate) with any departures from the previous timetable explained?
- 39 Does the project timetable take account of the recent EU Procurement Directive in respect of standstill periods between the notification of award decision and contract conclusion and reflect the phases of the competitive dialogue procedure?

SECTION THREE: STAKEHOLDERS

Key objective: the purpose of this section is to support the project sponsor's consideration of wider procurement delivery risks, such as the interface with all project stakeholders. Have all stakeholders been identified, are they committed to the project, and are arrangements in place for communicating and consulting with them? Have high priority delivery risks pertaining to stakeholders been identified and mitigation plans been instigated?

- 40 Have the project stakeholders been identified (staff, end users, trade unions, community groups and so on)?
- 41 How are stakeholders involved with the management / governance of the project?
- 42 What action has been taken to secure the commitment of stakeholders to the project?
- 43 What consultation has there been or will be ongoing with wider stakeholder bodies?
- 44 Are there any specific risk factors and subsequent management plan in respect of any stakeholder groups?
- 45 Has a communications plan been prepared to ensure that stakeholders are kept informed of the progress of the project?
- 46 Is there a plan / protocol to deal with how communications with bidders will be managed?
- 47 Has all statutory consultation been completed? If not, is there a clear plan and timescale to resolve any statutory issues without adverse impact on affordability?

SECTION FOUR: COMPETITION

Key objective: the purpose of this section is to assist the project sponsor to consider whether the project will attract sufficient competition from the market and if the Council has, or will have, engaged with the market in a way that will best stimulate interest and maximise potential bidder response. Competition is a key driver in securing an affordable and VfM project.

- 48 What perceived level of market interest is there in the project? Has a prospective bidders list been drawn up?
- 49 What market testing and market sounding activity has been undertaken to encourage interest in the project from potential bidders?
- 50 What meetings or conferences have been staged?
- 51 What documentation has been issued?
- 52 What factors have been considered in respect of the timing of the OJEU?
- 53 What plans exist to publicise the launch of the project to potential bidders?
- 54 Have arrangements been made for a bidders' day (once the OJEU notice is issued)?
- 55 Does the project have a bidder engagement plan to demonstrate how it will meet with the bidders during the dialogue phase to maximise the opportunity for bidders to submit high quality bids as well as minimise cost / maximise efficiency?
- 56 Does this plan take account of the resource requirements required from specialist in-house staff: educational advisers / educational staff, planning, estates, HR, FM, etc.?

SECTION FIVE: PROCUREMENT RISKS

Key objective: the purpose of this section is to encourage the Project Sponsor and project board to adopt a proactive approach to risk management, and to ensure that risks which may affect the success of the procurement are, wherever possible, anticipated, identified and managed.

- 57 Have an internal project procurement risk register and risk management plan been completed?
- 58 Have risks been graded or assessed according to probability and impact?
- 59 Does the risk register include the following risks?
- I. Resourcing:
Staff / Advisers / Funding
 - II. Timescales:
Realism / Slippage
 - III. Procurement Process:
Decision making / Audit trail / Documentation
 - IV. Competition:
No of bidders / Quality of bids / Maintaining competition
 - V. Policy:
Local / National policy
 - VI. Finance:
Affordability / Value for Money / Balance Sheet
 - VII. Specification:
Scope creep / Ambiguity / Cost Implications
 - VIII. Land / Site / Planning
 - IX. Communication:
Stakeholders / Bidders / Consultations / Approvals
 - X. Non PPP Estate:
Interface / Affordability / Risk Transfer
- 60 Does the risk register contain details of actions to mitigate the impact of procurement risks?
- 61 Has each risk been assigned a manager in charge of implementing the risk mitigation strategy?
- 62 Have contingency plans been made for dealing with risks identified as high probability and high impact?
- 63 What plans exist to maintain the procurement risk register? How frequently will the register be reviewed by the project board?

SECTION SIX: VALUE FOR MONEY ASSESSMENT

Key objective: the purpose of this section is to ensure that the Project Sponsor and project board have reviewed the achievability, viability and desirability of the PPP procurement route and therefore understand the supporting VfM assessment tools, and quantitative VfM assessment undertaken by the project team. As a result the Project Sponsor and project board should feel able to fully support the procurement route chosen.

64 Has the project sponsor ensured that an SE VfM stage 2 assessment has been carried out to support the decision to proceed down the PPP investment route?

65 Please confirm that a quantitative VfM assessment has been undertaken in line with Scottish Executive guidance and what tools have been used, such as:

- HMT VfM assessment model
- additional supporting models PSC / shadow bid model

Please set out the current anticipated VfM position.

66 Does the base cost information in the quantitative models reflect the project scope, timescales and risk transfer (adjusted as appropriate for conventional and PPP procurement) including accommodation schedules, functional content and design interfaces?

67 Does the risk quantification reflect Optimism Bias (for construction AND operations periods, pre and post FBC), bespoke project risks and the risk allocation of the respective procurement routes?

68 Are a process and protocol in place in respect of how these quantitative assessment tools will be utilised in the procurement phase to assess and enhance VfM?

SECTION SEVEN: FEEDBACK

Thank you for completing this review.

In order that other Councils can benefit from your experience, the Scottish Executive would be grateful if you could complete the following questions.

- 69 Were there any aspects not covered by this review that you feel should have been included?
- 70 Did you find the review difficult to understand or complete? If so, please be specific?
- 71 Do you have any other comments to make about the review process?