



Investment decision



Gate 3

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Overview of Gate 3: Investment decision

About this workbook

This workbook supports Gate 3: Investment decision.

This review investigates the final business case and the governance arrangements for the investment decision to confirm that the project is still required, affordable and achievable. The review also checks that implementation plans are robust.

Purpose of Gate 3: Investment decision

- Confirm the final business case and benefits plan now that the relevant information has been verified from potential suppliers and delivery partners.
- Confirm that the objectives and desired outputs of the project are still aligned with the program to which it contributes and the wider organisational business strategy
- Check that all the necessary statutory and procedural requirements were followed throughout the procurement/evaluation process.
- Confirm that the recommended contract decision, if properly executed within a standard lawful agreement (where appropriate), is likely to deliver the specified outputs/outcomes on time, within budget and provide value for money.
- Ensure that management controls are in place to manage the project through to completion, including contract management aspects.
- Ensure there is continuing support for the project.
- Confirm that the approved delivery strategy has been followed.
- Confirm that the development and implementation plans of both the client and the supplier or partner are sound and achievable.
- Check that the business has prepared for the development (where there are new processes), implementation, transition and operation of new services/facilities, and that all relevant staff are being (or will be) prepared for the business change involved.
- Confirm that there are plans for risk management, issues management and change management (technical and business), and that these plans are shared with suppliers and/or delivery partners.
- Confirm that the technical implications (such as buildability for construction projects, information assurance, security and the impact of e-government frameworks for ICT-enabled projects), have been addressed.
- Evaluate actions taken to implement recommendations made in any earlier assessment of deliverability.

Investment decision

Gate 2: Readiness for market reviewed the delivery strategy for achievement of the project's objectives. For a procurement project, Gate 2 reviewed the procurement strategy before the agency invited proposals or tenders against the fully developed requirements specification. For agencies with existing commercial arrangements, it reviewed similar information and decisions about achievability, affordability and value for money.

During the current stage, to be reviewed at Gate 3: Investment decision, potential suppliers, partners and/or other delivery agencies—possibly including internal units of the client agency—submitted their proposals or tenders.

An evaluation panel analysed them on a like-for-like basis and recommended the proposal (delivery solution) that met all the needs of clients and end-users and which offered the best value for money.

Gate 3 should normally come before placing a work order with a supplier or other delivery partner, or at preferred bidder stage before award of contract. Gate 3 confirms that the recommended investment decision is appropriate before the contract is placed with a supplier or partner (or a work order placed with an existing supplier or other delivery partner).

It provides assurances on the processes used to select a supplier (not the supplier selection decision itself). The review also assesses whether the process has been well managed, whether the business needs are being met, whether both the client and the supplier can implement and manage the proposed solution and whether the necessary processes are in place to achieve a successful outcome after the contract is awarded (or equivalent). The project team and review team must be satisfied that due consideration has been given to all the factors, including choices about proposed commercial arrangements with any existing suppliers that offer value for money.

A project will normally go through one Gate 3 review. However, in some circumstances it may be necessary for a project to repeat the Gate 3 review. For example, construction projects may require more than one investment decision for the project. If there are multiple investment decisions (such as two-stage design and build) there may be a need for a first Gate 3 review for the contract award and a subsequent review to confirm the investment decision based on the construction price. Similarly, for some ICT-enabled and service enhancement projects a Gate 3 review may be required before a pilot implementation or initial design contract is undertaken. A subsequent Gate 3 review may also be required to confirm the investment decision before full implementation.

Note: The terms supplier, bid, tender and contract in the following sections should be interpreted in the context of the nature of the delivery solution and the proposed commercial relationship between the client organisation and the recommended delivery partner organisation.

Review guidance

This section contains topics that would commonly be considered when undertaking a Gate 3: Investment decision review. Review teams are expected to use their own expertise in determining whether these topics are relevant and appropriate for the specific project under review. The review team may determine additional topics be considered that are also critical to the assessment of the project.

1. Assessment of proposed solutions

| Areas to probe | | Evidence expected |
|----------------|---|---|
| 1.1 | Does the proposed solution meet the business need? | <ul style="list-style-type: none"> the selected delivery solution fully complies with all requirements consultation with stakeholders during evaluation and their acceptance of the proposed solution. |
| 1.2 | Have the suppliers or partners proposed any alternatives or other options in addition to a fully compliant bid? | <ul style="list-style-type: none"> assessment of options to show whether these are beneficial to the project's outcomes. |
| 1.3 | Will the proposed delivery solution deliver the business need described in the final business case? | <ul style="list-style-type: none"> analysis to show <ul style="list-style-type: none"> the proposal is defined in business outcome terms the business can achieve the necessary organisational and business process changes the proposed services and service levels, as defined in the contract or agreement, will meet the agreed business requirements. |
| 1.4 | Has the proposed solution affected the strategy for business change? | <ul style="list-style-type: none"> updated plan for managing the business change on the basis of the proposed solution, agreed by project board and agreed with users and stakeholders analysis of differences from original plan. |
| 1.5 | Has the proposed solution affected the expectations of business benefits? | <ul style="list-style-type: none"> updated plan for benefit realisation and updated descriptions of benefits and their owners analysis of differences from original plan changes documented and agreed with users and stakeholders. |
| 1.6 | Are the client and supplier prepared for the development (where there are new systems and processes), implementation, transition and operation of any new services? | <ul style="list-style-type: none"> proposed supplier's development and implementation plans included in delivery solution and recommended to the project board client's implementation plan agreed with users (or their representatives, if the end-user is the citizen) and stakeholders, e.g. staff training and changes in business processes. |
| 1.7 | Are there plans and processes to address future issues, both business and technical? | <ul style="list-style-type: none"> strategy for managing change agreed by all parties, including supplier. |

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| 1.8 | Is there clear allocation and understanding of responsibilities between all parties, in addition to any contractual liabilities? | <ul style="list-style-type: none"> • defined client and supplier organisation, personnel and responsibilities • on the client's side, identified internal relationships and interfaces describing who does what with the supplier • on the supplier's side, reciprocal arrangements including senior management roles • where applicable, partnering arrangements defined • if a single supplier, how they will manage their supply chain • if multiple suppliers, how the client agency will manage the interfaces • evidence that the client and supply team will work together effectively • if the project traverses agency boundaries on the client's side: there are clear governance arrangements to ensure sustainable alignment with the business objectives of all agencies involved. |
| 1.9 | Are there resources available for the business to fulfil its obligations within the contract or agreement? | <ul style="list-style-type: none"> • plan for implementing the new contract, identifying the quantity, type and quality of resources required • formal management acceptance of resource requirements agreed, with key roles and personnel identified and in place • adequate plans and procedures for contract management developed, including availability of requisite skills and experience. |
| 1.10 | Have the technical implications been assessed, such as buildability, health, safety and sustainability issues for construction projects, and for ICT-enabled projects, information assurance and security, the impact of e-business and legacy systems? | <ul style="list-style-type: none"> • evidence demonstrates the delivery solution is technically acceptable • for construction projects, design quality indicators used, project-specific plans for health and safety, sustainable construction practices • for ICT-enabled projects, evidence that information assurance and the impact of e-business has been considered. |
| 1.11 | Does the project have resources with the appropriate skills and experience, where required, to achieve the intended outcomes of the investment? | <ul style="list-style-type: none"> • plans for providing the required intelligent customer capability, with names allocated to the major roles • internal and external commitment to provide the resources required • job descriptions for key project staff • skills appraisal undertaken and plans for addressing any shortfall • access to external sources of expertise, if required • appropriate allocation of key project roles between internal staff and consultants or contractors. |

2. Business case and stakeholders

| Areas to probe | | Evidence expected |
|----------------|--|--|
| 2.1 | Is the project still required? | <ul style="list-style-type: none"> • confirmation that the project still fits with strategic objectives, including government or organisational objectives • confirmation that external factors have not affected current priorities. |
| 2.2 | Is the business case complete? | <ul style="list-style-type: none"> • re-assessment of updated business case, including strategic, economic, financial, commercial and project management factors. |
| 2.3 | Does the recommended way forward meet the business need? | <ul style="list-style-type: none"> • key objectives revisited against final bid and proposed solution. |
| 2.4 | Has the most appropriate option been selected? | <ul style="list-style-type: none"> • cost/benefit/risk analysis against final bid information and results of evaluation, including sensitivity analysis • for construction projects, whole-of-life design quality, cost and time optimised as far as possible. |
| 2.5 | Does the commercial arrangement represent value for money with an appropriate level of quality over the whole life of the project? | <ul style="list-style-type: none"> • market assessment undertaken and arrangement measured against other organisational benchmarks and previous experience • results of evaluation (note that clients with existing commercial arrangements must address this area) • where appropriate, assessment of supplier's funding arrangements. |
| 2.6 | Is the client realistic about their ability to manage the change? | <ul style="list-style-type: none"> • documented understanding of cultural implications and, where appropriate, account has been taken of the current organisational culture • comparison with others. |
| 2.7 | Does the final business case, when incorporating the delivery solution, still demonstrate affordability? | <ul style="list-style-type: none"> • final business case incorporating bid information, including <ul style="list-style-type: none"> – changes from budgetary figures – returns and value re-calculated with new benefits plan – costs compared with budget and pre-tender estimates. |

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| 2.8 | Is there an agreed benefits realisation plan? | <ul style="list-style-type: none"> • benefits management strategy and plans documented, including <ul style="list-style-type: none"> – critical success factors – individuals responsible for delivering and achieving benefits – agreed process for measuring and assessing benefit – data on measurement baselines for benefits assessment – post implementation review plan identifying review points and benefits to be assessed • payment mechanisms linked to benefits realisation, where appropriate. |
| 2.9 | Have suitable stakeholders, business and user representatives been involved and have they approved the tender evaluation report and draft contract? | <ul style="list-style-type: none"> • involvement of stakeholders and agency or user representatives in quality and proposal reviews • the views of all stakeholders, including users, have been taken into account • representation on the evaluation team • approval by project board or steering group. |

3. Risk management

| Areas to probe | | Evidence expected |
|----------------|---|--|
| 3.1 | Are risk and issue management plans up-to-date? | <ul style="list-style-type: none"> • risk register and issue log regularly reviewed, updated and acted upon. |
| 3.2 | Have all major risks that arose during this phase been resolved? | <ul style="list-style-type: none"> • updated risk and issue management plans and risk register, including risks associated with project resourcing and funding, team competencies, legislation, technical dependencies, users and stakeholders • owners of risks or issues assigned • client-side risk transfer plans, where applicable. |
| 3.3 | Are there business contingency and continuity arrangements and plans that aim to minimise the impact on the business in the event of major problems during implementation and roll out? | <ul style="list-style-type: none"> • a business continuity and contingency approach agreed with stakeholders and suppliers • business or client continuity and contingency plans under development • assessment of supplier's continuity and contingency plans • for ICT-enabled projects, evidence of information assurance including risk assessment and management. |
| 3.4 | Does the contract reflect standard terms and conditions and, where applicable, the appropriate allocation of risks between the contracting parties? | <ul style="list-style-type: none"> • contracts comply with standard terms and conditions • any changes to standard terms and conditions assessed for their impact, legality and acceptability • analysis of risk allocation proposed by supplier or partner versus expectations or the original rationale for the project. |
| 3.5 | For longer-term service or partnering contracts, have the re-tendering issues been considered? | <ul style="list-style-type: none"> • plans for an exit strategy at the end of the contract, with appropriate review points built in over the life of the contract to update these arrangements. |

4. Review of current phase

| Areas to probe | | Evidence expected |
|----------------|---|---|
| 4.1 | Is the project under control? | <ul style="list-style-type: none"> • project running to schedule and cost within budget • recommendations from last Gateway review actioned. |
| 4.2 | What caused any deviation, such as over and under-runs? | <ul style="list-style-type: none"> • reconciliations set against budget and time plan. |
| 4.3 | What actions are necessary to prevent deviations recurring in other phases? | <ul style="list-style-type: none"> • analysis and plans documented in project documentation that is continually updated and reviewed. |
| 4.4 | Have all the assumptions from Gate 1: Preliminary evaluation and Gate 2: Readiness for market been validated? | <ul style="list-style-type: none"> • validation of all assumptions. Any that cannot be validated are being examined, appear in the risk register/issues management log, are assessed and discussed with potential suppliers and partners • documentation of any new assumptions. |
| 4.5 | Have all required organisational procurement and technical checks been carried out? | <ul style="list-style-type: none"> • bid management review and approval processes undertaken • evaluation strategy underpinning models and criteria have been followed • demonstration of compliance with statutory requirements (e.g. planning and building regulations). |
| 4.6 | Did the project team follow the planned steps in the delivery strategy? | <ul style="list-style-type: none"> • documented information confirms that activities and processes in the delivery strategy and plan have been followed. |
| 4.7 | Were the documents subject to quality review? | <ul style="list-style-type: none"> • quality review documentation. |

5. Readiness for next phase—Readiness for service

| Areas to probe | | Evidence expected |
|----------------|---|--|
| 5.1 | Is the working relationship likely to succeed? | <ul style="list-style-type: none"> • realistic assessment of management style or behaviours on both sides • reporting arrangements identified at appropriate levels on both sides • suitable procedures and responsibilities for contract management are defined and agreed • for construction projects, plans for effective engagement between supplier and client terms • where applicable, plans for partnering workshops in place • Continuity of key personnel from the contract award phase into the implementation phase. |
| 5.2 | Are all resources and internal funds (the client-side budget) in place? | <ul style="list-style-type: none"> • budget provision • manpower provision agreed • subsequent years' expenditure included in program or project budgets • authorisation or approval process for payments to suppliers • process for expenditure reporting and reconciliation • insurances established by supplier where required. |
| 5.3 | Are the supplier's project, risk and management plans adequate and realistic? | <ul style="list-style-type: none"> • confirmation that the supplier's or partner's project plan meets timescales for achieving the outcome of the investment • realistic supplier's or partner's implementation plan and risk management plans. |
| 5.4 | Does the client-side plan reflect the supplier's plans, and vice versa? | <ul style="list-style-type: none"> • updated project management plan reflecting tender proposals • defined agency, personnel and responsibilities on the client's side • supplier personnel cleared to meet project requirements • process for resolving issues agreed with the supplier or partner • evidence that all plans have been reviewed, agreed and included in the contract. |

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| 5.5 | Are the long-term contract administration plan and benefit measurement process complete? | <ul style="list-style-type: none"> • long-term plan with contract management strategy and service delivery plan detailed • resources with identified sources • key measures of benefit agreed with supplier/partner (if supplier payments related to benefits delivery) • analysis of project plan showing that resource requirements are identified, planned, budgeted for and available when required • defined roles and responsibilities. |
| 5.6 | Are all mechanisms and processes in place for the next phase? | <ul style="list-style-type: none"> • project plan confirms arrangements for management, monitoring, transition and implementation • if external consultants are used, they are accountable and committed to help ensure successful and timely delivery. |
| 5.7 | Are the service management plan, administration and service level arrangements complete? | <ul style="list-style-type: none"> • documented service management strategy and plan • defined and agreed service level management, service levels, service quality and measurement • responsibilities defined for each party • defined and agreed standards for services • defined and agreed monitoring, reporting and review mechanisms. |
| 5.8 | Is the management process for service change complete? | <ul style="list-style-type: none"> • change control procedures (both technical and business) defined, agreed and included in contract • defined and agreed management process and responsibilities. |
| 5.9 | Is there an acceptance strategy or commissioning strategy, as applicable? | <ul style="list-style-type: none"> • acceptance or commissioning strategy and plan produced, with fully documented and timetabled decision paths (e.g. for preferred supplier choices) • decision makers clearly identified and informed about their role and what information they will be given to make their judgement • acceptance criteria agreed with supplier • validated acceptance testing plan, including technical and business components. |
| 5.10 | Is there an implementation strategy? | <ul style="list-style-type: none"> • implementation strategy and plan documented • users, stakeholders and client business management involved in developing strategy • where applicable, transition to new ways of working planned • clearly defined roles on client and supplier sides for monitoring and controlling handover. |

Project information required for Gate 3: Investment decision

The areas of investigation together with examples of evidence relevant to the areas of investigation should be available before the Gateway review commences.

The information is likely to be found in the documents suggested below, but may be located in other program or project documents or elsewhere in the agency's documentation system. These documents include:

- project management documents, including
 - strategies for managing the risks and issues, plans and a risk register showing that risks were identified and managed
 - plans for implementing business change and plans for handling future change
 - service management arrangements defining how services will be managed, how their performance is measured and service management responsibilities for the client and supplier
 - the benefit management strategy, benefit management plans and responsibilities for delivery
 - the delivery strategy, including a procurement strategy if appropriate
 - the operational requirement and draft contract which should be based on a standard contract form or, for construction projects, all requirements relating to health and safety and sustainability
- final business case and benefits plans for each of the bids that are acceptable in principle
 - to confirm the delivery strategy
 - to confirm that the negotiated and agreed solution(s) remain within the original criteria
- realistic plans from the supplier for development and implementation
- an evaluation report recommending a selected supplier or partner, justification of the selected supplier, details of close contenders and plans for debrief of unsuccessful suppliers
- outline project plans through to completion and plans for the next phase
- an updated project timetable developed with the selected suppliers
- an updated communications strategy and plan
- confirmation of the funds and authority to proceed
- for ICT-enabled projects, information assurance documentation.

Further information

The following documents have been developed to provide further information on the Gateway review process:

- Gateway review process overview
- Gateway review process guidebook for project owners and review teams
- Gate 0: Strategic assessment
- Gate 1: Preliminary evaluation
- Gate 2: Readiness for market
- Gate 3: Investment decision
- Gate 4: Readiness for service
- Gate 5: Benefits realisation

Further information is available on the Queensland Treasury and Trade website www.treasury.qld.gov.au/clients/government/gateway-review-process.shtml

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