

Green Cities, Infrastructure and Energy Programme

Gate 5 Review: Operations Review and Benefits Realisation

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Gate 5 Review: About this Gate Review Workbook

This Gate Review Workbook explains how to conduct the Gate 5 Review: Operations Review and Benefits Realisation. Gate 5 takes place once the project has had a period (typically two years) of operational service and is designed to assess whether the service or facility is performing effectively and whether the benefits in the Business Case are being realised. Gate 5 may be repeated at key points throughout the service's life, including mid-term and before contract closure or re-competition.

Set out below are a number of criteria or "Lines of Enquiry" which should be used to explore issues in any assurance interview or Business Case review. It is not necessary to explore all of these Lines of Enquiry at interview, especially if the matter appears to have been dealt with in the relevant Business Case; the Review Team should use its discretion to decide what issues to concentrate on, bearing in mind (a) that Interviews should last no more than 45 minutes and (b) the Report Criteria it should use in writing the Report as listed at Schedule F to the Report Template.

Gate 5 link to other Gate Reviews

Gate 5 provides assurance on long-term performance and informs wider programme and organisational decisions.

- Its findings may contribute to programme-level reviews.
- The timing of the first Gate 5 Review is typically planned during Gate 4.
- Gate 5 uses the Gate 4 Review as an input but provides an independent view of operational performance.
- Responsibility for benefits and operational delivery will have transferred to the operator, who is accountable for ensuring benefits continue to be realised.

Purpose of the Gate 5 Review

Gate 5 checks that the project is performing as intended, remains strategically justified, and is being managed effectively. The Review confirms that:

- the strategic objectives and expected outcomes in the Business Case are being met or remain on track;
- the business need still exists and continued operation of the service or asset is justified;
- benefits are being realised as planned, with robust arrangements to monitor, measure and report them;
- clear accountability for benefits delivery is established with the relevant operator;
- contract management arrangements are effective and the contractor is performing to agreed standards;
- any changes to the service, contract or operating environment are understood and do not compromise policy intent or delivery strategy;
- the service continues to offer value for money, with mechanisms in place for ongoing performance improvement;
- there are plans for managing the contract through to conclusion, including exit or re-competition where relevant;
- there is a realistic, agreed closure plan with appropriate governance for remaining workstreams (only relevant if the service period is coming to an end);
- lessons learned are being captured and shared, and previous assurance actions have been completed or planned; and
- ongoing oversight arrangements are in place, including escalation or intervention where needed to ensure continued benefit realisation.

The Review concludes whether the service is performing well, benefits are being realised, and whether any further action or assurance is required.

How to conduct the Gate 5 Review

1. Strategic case

1.1 Strategic – Does the service or asset continue to meet the strategic need, and are expected outcomes being achieved or on track?

Evidence:

- Updated assessment of alignment with strategic objectives and ongoing business need, including an updated assessment of social and environmental/ sustainability.
- Comparison of current outcomes with those expected at Gate 4 and in the Full Business Case, if different.
- Evidence that stakeholder, project-affected people and end-user needs have been monitored and are reflected in service performance and operations.
- Evidence of annual service review meetings and service improvement discussions.

1.2 Strategic – Are lessons learned being captured and embedded to improve future delivery?

Evidence:

- Record of lessons captured since go-live.
- Established mechanisms to apply lessons learned across the operational lifecycle, including through service and/or operational improvements.

2. Economic Case

2.1 Economic – Are benefits being realised as planned, and is there continued accountability and monitoring for benefits delivery?

Evidence:

- Updated benefits monitoring showing progress against planned benefits.
- Summary of how the project is delivering the environmental benefits and managing the environmental risks anticipated in the FBC, including a comparison of actual environmental performance with the expectations set at Gate 4 and in the Full Business Case (if expectations were identified).
- Evidence that owners of benefits remain accountable and engaged.
- Any variances from expectations set out at Gate 4 are explained and managed.

2.2 Economic – Do benefits and whole-life costs still indicate good value for money?

Evidence:

- Updated whole-life considerations, including ongoing O&M costs and wider system impacts.
- Review of life cycle reserve against life-cycle maintenance, including reviewing whether the reserve looks over or under-funded.
- Confirmation that the investment continues to deliver value for money.

2.3 Economic – Is the evaluation plan being implemented and providing clear evidence of performance?

Evidence:

- Evidence of ongoing measurement against the evaluation plan agreed at Gate 4.
- Updated evaluation outputs and alignment with established baselines.
- Stakeholder engagement carried out during evaluation, including with local organisations that represent diverse social groups, , and confirmation that the service performance reflects feedback from the affected community, service users and stakeholders.
- Evidence of effective worker and community grievance redress mechanisms and investigation/response procedures for operations and maintenance related issues.

3. Commercial case

3.1 Commercial – Are contract management arrangements fully in place and supporting effective delivery?

Evidence:

- Confirmation that contract management responsibilities, governance and processes are operating as planned.
- Supplier performance against KPIs or similar measures is being documented, including records of any events of default and their management.
- Any issue resolution, change control or commercial assurance activities are documented.

3.2 Commercial – Are future commercial considerations being managed (e.g., contract continuation, variation, exit or re-competition)?

Evidence:

- Plans for ongoing contract development or re-procurement where applicable.
- Defined exit or transition arrangements, with responsibilities assigned.
- Review of long-term commercial risks and mitigations.

4. Financial Case

4.1 Financial – Are operational costs and funding being managed within expected tolerances?

Evidence:

- Updated view of operational and maintenance costs in comparison with those set out in the Full Business Case.
- Confirmation of ongoing funding coverage and financial controls.
- Summary of any financial risks requiring management attention.

4.2 Financial – Does the service remain affordable and financially sustainable over the longer term?

Evidence:

- Updated affordability assessment, including whole-life financial implications.
- Evidence of financial optimisation or efficiency gains where applicable.
- Review of financial performance against assumptions set out at Gate 4.

5. Management Case

5.1 Management – Is the service or asset operating effectively and under stable Business as usual (BAU) arrangements?

Evidence:

- Evidence that BAU teams have the resources, capability and structures needed.
- Confirmation that any operational issues since operational commencement have been resolved or have managed action plans.
- Evidence of effective governance for ongoing service delivery.

5.2 Management – Are risks, issues, and dependencies actively managed, including resilience, continuity and incident response?

Evidence:

- Updated operational risk and issue logs, with ongoing reviews and mitigation.
- Evidence that infrastructure resilience, continuity and reversion arrangements remain in place and have been tested.
- Review of performance under real operating conditions, including how well the project/ service/ asset adapts to changing climate conditions and environmental constraints.

5.3 Management – Are all stakeholders appropriately engaged, and is the service meeting user needs?

Evidence:

- Evidence of ongoing stakeholder and community engagement and feedback processes.
- Review of user experience and satisfaction indicators.
- Confirmation that stakeholder roles and decision-making arrangements remain clear.

5.4 Management – Where the service is coming towards its end, are there clear plans for service or contract closure, transition or long-term evaluation?

Evidence:

- Updated closure or transition plan, with roles and sequencing defined.
- Evidence of governance for any remaining workstreams post-closure.
- Identification of longer term evaluation or oversight responsibilities.

5.5 Management – Are lessons learned and previous assurance recommendations being addressed?

Evidence:

- Record of lessons learned since commencement of operations and plans for ongoing capture.
- Confirmation that actions from earlier reviews (including Gate 4) have been completed or are being managed.
- Evidence of knowledge transfer into future projects or organisational practice.

Glossary

Appraisal as regards:

- options, is a process of comparing different options; and
- projects, is a process of considering the overall state of a project (considering objectives, options, costs, benefits, risks and uncertainty) before reaching a decision.

Assurance is a review process designed to produce:

- an assessment for its sponsor and approver that shows the assurance team's confidence in the project's ability to meet its aims and objectives; and
- advice as to whether it has reached a sufficient stage of maturity to proceed to the next stage.

Assurance and approvals plan is a plan setting out the planning, co-ordination and provision of assurance activities and approval points throughout its life.

Authority is a local or central public sector body, which may commission a project.

Business as Usual is the project option that provides for a continuation of the current arrangements. This provides a benchmark against which to compare other options. Sometimes this is referred to as the 'Do Nothing' option.

Change management means the different plans/approaches needed to help manage organisational change. This should be supported by an overall strategy that explains the goals and aims, and a plan that explains how these will be achieved.

Contingency is an allowance of cash or resource to cover the cost of risks that may arise.

Cost benefit analysis is a type of socio-economic analysis used to compare different project options and their effect on social welfare, quantifying as many of the costs and the benefits as feasible, including costs/benefits for which there are no satisfactory measures of economic value.

Critical success factors (CSFs) are the high priority objectives for a project, against which the success of the project may be judged.

Delivery confidence is the likelihood of a project delivering the agreed outputs to time, cost and quality.

Discounting is a method used to convert future costs and benefits to present values using a discount rate.

Early Business Case is the first stage in developing a project's business case. It focuses primarily on the Strategic and Economic Cases, establishing the 'strategic need' for the project, and a shortlist of options. High-level costs, benefits and risks are also developed.

Economic analysis is a means of assessing the costs and benefits of options to society as a whole, using cost benefit analysis, and an assessment of qualitative benefits and risks.

Environmental and social impact assessment is an assessment of the potential environmental and social impacts of a proposed project prior to the decision to move forward with the project.

Environmental and social impact risks are risks of potential negative consequences that result from impacts (or perceived impacts) on the natural environment or communities of people.

Financing, for a project, is the up-front borrowing and/or investment used to pay for capital costs.

Five Case Model (5CM) is a framework for the development and presentation of a business case, comprising the strategic, economic, commercial, financial and management – the five dimensions of the case. It is the methodology described in this Guidance.

Full Business Case is the third stage in developing a project business case. It focuses primarily on the procurement process, and updates the Economic, Commercial, Financial and Management Cases to reflect the negotiated deal.

Funding is the source of income used to repay the up-front finance for a project over its life.

G20 Principles refers to the “G20 Principles for the Infrastructure Project Preparation Phase” issued in July 2018 by the G20 Finance Ministers and Central Bank Governors at the Buenos Aires summit.

Gateway approach involves a project passing through ‘gates’ or assurance review points before it is put forward for relevant central government approval. Each gateway requires the assurance team to develop an assessment report of the project and its business case.

Gender and Inclusion where ‘gender’ refers to gender equality and women’s economic empowerment, and ‘inclusion’ refers to the reduction of poverty and delivery of inclusive growth among excluded groups, such as women, youth, people with disabilities, and rural communities. Greater inclusion can be achieved through empowerment (through building assets, capabilities and opportunities) and transformation (addressing systemic barriers to economic empowerment).

- **Disability:** Long-term mental, intellectual or sensory impairments which, in interaction with various attitudinal, informational and environmental barriers, may hinder full and effective participation in society on an equal basis with others.
- **Disability inclusion:** A process that actively seeks to ensure the full participation of persons with disabilities as empowered self-advocates in all development processes and emergency responses. Specifically, disability inclusion addresses barriers that hinder access to key services and employment opportunities, and highlights ways to improve health and social wellbeing outcomes.
- **Gender:** Socially constructed roles, attributes, opportunities and relationships that a given society considers appropriate for men and women. While many societies recognise that there are more than two genders, for the purposes of this analysis we focus on men and women. Expectations relating to gender differ from society to society and change over time.
- **Gender equality:** Women having the same opportunities in life as men, including equal access to services, equal pay for equal work, equal participation in decision-making, etc.
- **Social inclusion:** The process of improving the terms on which individuals and groups take part in society – improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.

Intermediate Business Case is the second, and most substantial, stage in developing a project business case. It focuses on the Economic, Commercial, Financial and Management Cases, assessing the shortlist of options through cost benefit analysis to determine a ‘preferred option’, considering the affordability and commercial viability of the ‘preferred option’, and identifying the expected resources and management arrangements for the project.

Life cycle costs are the costs of an asset over its useful life, including dismantling costs (sometimes known as Whole-Life Costs).

MDB is a Multilateral Development Bank.

Objectives are the ‘targeted’ outcomes for a project, which reflect its overall rationale, and which must be made SMART for the purposes of evaluation – sometimes also referred to as project objectives, investment objectives or spending objectives.

Optimism bias is the demonstrated tendency for the writers of business cases to be over-optimistic about costs, benefits and time taken to complete a proposal.

Option appraisal is the process of examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made.

Outcomes refers to the consequences to society as a whole of a project.

Outputs refers to the change in the level or quality of a service delivered.

Preferred approach is the best ranking solution emerging from the options analysis at the Early Business Case stage. It is not the preferred option, which only emerges after full economic appraisal in the Intermediate Business Case stage.

Preferred option is the option selected, as offering best value, after a detailed analysis of the shortlist of options in the Economic Case at the Intermediate Business Case stage.

Programme is a series of coordinated activities designed to pursue a long-term goal. In the infrastructure area, it is normally seen as an overarching structure under which a number of related individual projects can be coordinated and delivered. A programme business case can also be produced using the Five Case Model.

Project Owner is the senior person who represents and champions the Project within the relevant Ministry or Local Authority and who has overall responsibility for the success of the Project. The Project Owner is not part of the project executive team, but will chair the supervisory board overseeing the Project. In the UK this person is known as the “Senior Responsible Officer”. Guidance setting out the responsibilities of the Project Owner/SRO can be found at <https://projectdelivery.gov.uk/library-product/the-role-of-the-senior-responsible-owner/>

Public Value is the net measure of social welfare resulting from an option or project looking at the ‘whole of society’, or more particularly, it is the sum of total benefits and total costs, including private and social costs and benefits. It is sometimes referred to as ‘net present social value’.

Qualitative risk/benefits are risks/benefits that are not easily measurable in financial terms.

Quantitative risk/benefits are risks/benefits that are easily measurable in financial terms.

Risk is the possibility of a negative event arising that could adversely affect the project.

Sensitivity analysis is an analysis tool used in the cost benefit analysis of the Economic Case; it is a process of changing key variables and modelling their impact on the preferred options.

Shortlist refers to the shortlist of project options to be taken forward to detailed economic analysis in order to find a single preferred option.

SMART Objectives are objectives that are specific, measurable, achievable, realistic and time-bound.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹⁰⁷

The UN Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. They address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Value for money (VfM) is the optimum combination of whole-of-life costs and quality, or fitness for purpose, of a good or service that meets the user’s requirements (though there are many different possible definitions).

Report criteria – Lines of enquiry

Objective

An operations review of the Project to see if it is delivering its expected benefit

Timing

After service delivery has reached steady state and has built a reasonable track record – commonly two years after service commencement.

N.B This review can be repeated later in the project life cycle (e.g. after 10 years of service)

#	Criteria	Definition
1	Strategic Need	<p>Assessment and recommendations related to: does the service continue to meet the strategic need and are expected outcomes being achieved or on track?</p> <p>Hints:</p> <ul style="list-style-type: none"> • Have there been any changes to the strategic context since the Gateway 4 review; if so, should the Authority trigger any agreed change procedure under the contract to deal with them? • Have these affected the overall strategic need and aims of the Project? • Have there been annual service review meetings and have any agreed service improvements been adopted?
2	Economic Benefits	<p>Assessment and recommendations related to: Monitoring and assessment of Benefits</p> <p>Hint:</p> <ul style="list-style-type: none"> • Has there been monitoring of actual benefits delivered as against expected benefits under the contract? • Have any of the key economic assumptions used in the Full Business case been changed and if so, what effect has this had on Public Value? • Do benefits and whole life costs (taking into account operating and maintenance costs) still indicate good value for money • Looking at the level of life cycle reserve against life-cycle maintenance. does the reserve look over or under-funded?
3	ESIA	<p>Assessment and recommendations related to: the Environmental and Social Impact Plan</p> <p>Hint</p> <ul style="list-style-type: none"> • How is the Project delivering environmental benefits and managing the environmental risks as against expectations set at Gate 4 (in the Full Business Case)? Is any remedial action necessary? • How will the intended future benefits be delivered and measured? • Are required safeguards, systems and processes in place and working effectively?
4	Commercial Service delivery and Management	<p>Assessment and recommendations in respect of: the contract and contract management</p> <p>Hints</p> <ul style="list-style-type: none"> • Are services being delivered to an acceptable standard as required by the Contract? • Has a stakeholder and user satisfaction survey been conducted and what are its principal findings? • Have any service pay deductions become due under the contract and, if so, have they been made? • Have any event of default or contract termination rights been triggered?

		<ul style="list-style-type: none"> • Have any warranty or indemnity provisions (on either side under the contract) been triggered and is it considered that the risk allocation under the contract continues to provide good value for money?
5	Financial Ongoing affordability	<p>Assessment and Recommendations in respect of: the affordability of the Project</p> <p>Hints:</p> <ul style="list-style-type: none"> • Does the service remain affordable and financially sustainable over the longer term? • Are costs in line with the assumptions and read-out from the financial model (see Gate 2) • Are there any particular funding issues giving concern to the Authority? • Are effective financial control and reporting arrangements in place for the Authority?
6	Management	<p>Assessment and recommendations in respect of: the Authority's management of the Project</p> <p>Hints</p> <ul style="list-style-type: none"> • Does the Authority have adequate staff to perform its monitoring and management duties and have any management issues arisen • Are project risks monitored and reported on in accordance with relevant management plans. Have any risks for which the authority is responsible, been triggered? • Is there any future risk which is concerning the Authority? • Are there any outstanding stakeholder (including local communities) issues? • Is the Authority keeping a record of "lessons learnt" from the Project and feeding these back to its Management Board?
7	Outstanding actions	<ul style="list-style-type: none"> • Have all required actions left over from the previous Gateway Review 4 been cleared • Are there any other issues which you have identified of which the management board should be aware • Do you believe that this Project would benefit from a further operational review in the future and, if so, when?
8	Delivery confidence	Is there any other matter which should be flagged which could have an effect on overall Delivery Confidence?