



Department of

Finance

An Roinn

Airgeadais

Better Business Cases NI Supplementary Guidance

Evaluation Guidance

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1 Introduction

Evaluation plays an important role complementary to appraisal. Evaluation is an ex post activity which examines the outturn of a project, programme or policy, and is designed to ensure that the lessons learned are fed back into the decision-making process. This ensures government action is continually refined to reflect what best achieves objectives and promotes the public interest.

Evaluation is like appraisal conducted in retrospect. Thus the general principles and techniques of the Better Business Cases NI guidance apply as much to evaluation as to appraisal.

When any policy, programme or project is completed or has advanced to a pre-determined degree, it should undergo a comprehensive evaluation. Major or on-going programmes, involving a series of smaller capital projects, must also be subject to ex post evaluations (also known as post project evaluations (PPEs) or post implementation reviews (PIRs)). Major expenditures or changes in resource use should be followed by full scale post implementation reviews. Lesser decisions require a more modest evaluation effort.

An evaluation might address a project, programme or policy, particular aspects of one of these activities, or key issues affecting a number of activities. Where a programme may consist of a large number of small scale projects or activities, it may be appropriate as part of the evaluation of the programme to select a representative sample of these for detailed evaluation. Where a department proposes to adopt such an approach, it should present the details of its proposals for sampling in advance of the exercise to the relevant supply division for consideration. It may equally be appropriate to conduct more than one PPE for a particular project, for example, where it has been implemented in stages. In these cases the gateway 5 review may need to be repeated in line with the outcomes of each stage or phase.

With the introduction of the Five Case Model (FCM) for developing business cases in Northern Ireland in 2020, the Department of Finance (DoF) wishes to use this

opportunity to ensure that evaluation continues to be given the appropriate level of attention throughout the appraisal process.

This supplementary guidance sets out common evaluation terms, the relevance of each case in the FCM to conducting an evaluation and information on DoF monitoring of PPEs. This should be read in conjunction with other guidance on the Better Business Cases NI website.

2 Conducting an evaluation

Project evaluation reviews (PERs) should be conducted by the project manager at project closure. However, all other evaluations should be led by individuals who have not been involved in the management or implementation of the proposal under consideration. This is so that they are in a position to take an independent and unbiased view. It is desirable and should be possible to maintain this principle even for the evaluation of lower value projects, although it may not be practical for all de minimis expenditures (i.e. those below £1m).

DoF will generally expect departments to conduct project evaluations in accordance with the [post review section](#) of the programme and project management and assurance web pages and according to PRINCE2 procedures.

This requires evaluation to be conducted in two stages:

Stage 1 - Project evaluation review (PER)

This reviews the effectiveness of the project management up to the point of project closure. Led by the project manager, it should result in an end project report and a lessons learned report as described in the PRINCE2 guidance.

Stage 2 - Post project review (PPR)

A PPR, often referred to as a post project evaluation (PPE), should be planned before project closure and is the main substance of the ex post evaluation. It compares outturns against estimates for all relevant costs and benefits, and generally reviews success in achieving objectives. It can be conducted 6 to 12 months after project closure, although some projects may require a longer period of time for benefits realisation, led by an individual independent of the project board and project team.

This is the main substance of a PPE and hence the terms PPR and PPE are now often used interchangeably

Initiatives which have a long life should be evaluated regularly to ensure that they remain affordable and continue to provide value for money. This should include re-examining the information used and assumptions made in the original business case (BC) to ensure that these remain valid.

It is important to note that this work should adhere to the principle of proportionate effort, with the amount of time and resources spent on quantifying/monetising impacts reflecting the scale and scope of the project/programme.

Planning for evaluation must begin at the appraisal stage and should ensure that the appraisal reports contain the information needed for evaluation. This should include an outline plan, setting out the general boundaries of the proposed evaluation.

An evaluation should normally follow this sequence:

- establish exactly what is to be evaluated and how the outturns can be measured;

- define the counterfactual i.e. estimate what would have happened if the intervention (e.g. the project, programme policy or financial assistance) had not occurred;
- compare the outturn with the target outturn, and with the effects of the chosen counterfactual(s);
- present the results and recommendations; and
- disseminate and use the results and recommendations

The status quo / business as usual or other baseline option used in the original appraisal should normally inform the counterfactual. However, viewing events from a post hoc position, evaluators may judge that the counterfactual would actually have been quite different from what was envisaged at the time of the appraisal, due to, for example, alternative states of the world and/or alternative management decisions. In such circumstances it may be helpful to consider other counterfactuals in addition to the original baseline option. The streams of costs and benefits that would have occurred in the counterfactual(s) should be estimated and set out so that the actual outturn costs and benefits can be compared with them.

The above sequence applies broadly as much to projects as to policies and programmes. However, proportionate effort should be applied e.g. when dealing with individual projects, particularly smaller projects, there tends to be less emphasis upon detailed consideration of alternative counterfactual states of the world. In most cases effort should be concentrated upon evaluating the extent to which objectives have been achieved, whether assumptions have proved accurate (for example, by comparing outturns with target outturns), and what lessons can be learned.

In general, evaluation reports should summarise:

- whether, and if so, why the outturn differed from that foreseen in the appraisal;
- how effective the activity was in achieving its objectives, and why;
- the cost-effectiveness of the activity; and

- what the results imply for future management or policy decisions.

The results obtained should generally lead to recommendations for the future. These might include, for example, changes in procurement practice, improvements to methods for estimating costs or benefits, changes to management procedures, or the continuation, modification or replacement of a project, programme or policy.

The results and recommendations should feed into future decision making. The methods used to achieve this may require senior management endorsement. Efforts should be made to disseminate the results widely within the organisation, and for this purpose it may be useful to employ summaries of the main points, and synthesis reports incorporating the results from a number of evaluations with common features.

Evaluation templates can be found on the [BBCNI website](#).

3 Five Case Model & Evaluation

As outlined in HMT's [Guide to Developing the Project Business Case](#), the FCM is applicable to policies, strategies, programmes and projects and comprises of five key dimensions:

- The Strategic Case;
- The Economic Case;
- The Commercial Case;
- The Financial Case; and
- The Management Case.

Generally, the information required to undertake an evaluation is likely to be the same as required before the introduction of the FCM, aside from some differences in terminology. Nevertheless, this section of the supplementary guidance takes each of the five cases in turn to highlight they can provide the basis for post-evaluation.

Note that as with the business cases developed under the FCM, evaluations may require input from specialists to ensure information is accurate and a meaningful evaluation is undertaken. This should be done with proportionate effort in mind with larger, contentious, novel or precedent-setting projects/programmes/policies likely to require more input than those which are smaller, straightforward or recurring.

3.1 The Strategic Case

The purpose of the strategic dimension of the business case is to set the strategic context and make the case for change. Making a robust case for change requires a clear understanding of the rationale, drivers and objectives for the spending proposal, which must be SMART – Specific, Measurable, Achievable, Relevant and Time Constrained for the proposed post-evaluation.

Setting robust spending or investment objectives at this stage is essential in terms of making a coherent case for change. They describe clearly what the organisation is seeking to achieve in terms of targeted outcomes and provide the basis for post-evaluation.

The Strategic Case should also include a brief overview of the organisation. This summary introduces the organisation to the reader of the business case and can assist post-evaluation of the project at a later stage, because public sector organisations can often be reorganised and renamed before projects deliver their outcomes.

Evaluation and The Strategic Case

Information from The Strategic Case is likely to be used in the **Post Project Review**.

This includes:

- **Spending objectives and targets** - were these achieved as planned in the timescales envisaged? If not, why not?

3.2 The Economic Case

The purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects. This is achieved by formulating and shortlisting options, before appraising these using economic analysis.

The economic analysis should include quantifiable costs and benefits to society where possible and one of the challenges of the Economic Case is to try to place a value on these, many of which do not have a market value.

Departments should make arrangements to measure outturns and record them. Outturns should be compared with initial estimates and the results used to consider how to improve the quality of the assumptions in future appraisals, including, for example, the estimates of costs and benefits and the assumptions made about risks and appraisal optimism in the Economic Case.

Evaluation and The Economic Case

Information from The Economic Case is likely to be used in both the **Project Evaluation Review** and the **Post Project Review**.

For the PER this could include:

- **Capital or implementation costs** – how did actual costs compare to estimated costs? Were there any unforeseen costs? If the variation in cost is more than 10% an explanation should be provided?
- **Optimism Bias and risk-adjusted costs** – how reasonable was the estimate in the BC? Can the outturn information be used to inform future projects?

For the PPR this could include:

- **Recurring costs** – how did actual costs compare to estimated costs? Were there any unforeseen costs? If the variation in cost is more than 10% an explanation should be provided.
- **Revenues/Income/Efficiencies** – did these benefits accumulate to the magnitude estimated in the BC? If the variation is more than 10% then an explanation should be provided.
- **Non-monetary costs and benefits** – did these impacts accrue as the BC envisaged? Has it been possible to measure these against the baseline?
- **Net Present Social Value** - In some instances it may be useful to re-run NPSV calculations with actual costs and benefits to show how the outturn NPSV compared to the estimated NPSV, and conclude if the preferred option is likely to represent VfM compared to the updated baseline and other options in the BC. However, this is likely to be resource-intensive and is only advised where the conclusion on VfM is not clear.

3.3 The Commercial Case

The purpose of the commercial dimension of the business case is to demonstrate that the preferred option will result in a viable procurement and a well-structured deal between the public sector and its service providers.

Evaluation and The Commercial Case

Information from The Commercial Case is likely to be used in in both the **Project Evaluation Review** and the **Post Project Review**.

For the PER this could include:

- **The procurement strategy** – was this successful? Is there anything that might be done differently in future for proposals of this nature? Does CPD/CoPE have any issues of concern with how the procurement went?
- **Contracting for the deal** – any lessons learned? Was risk apportionment successful? Were payment mechanisms in the pre-delivery stage reasonable?

For the PPR this could include:

- **The Operational Phase** – have payment mechanisms worked as planned? Are contract outputs being delivered as envisaged? Any lingering issues with the contract?

3.4 The Financial Case

The purpose of the financial case is to demonstrate the affordability and funding of the preferred option, including the support of stakeholders and customers as required.

Evaluation and The Financial Case

Information from The Commercial Case is likely to be used in in both the **Project Evaluation Review** and the **Post Project Review**.

This could include:

- **Affordability and funding** – this might require commentary and analysis on the financial statements (budget, cashflow and funding) outlined in the BC to show if adequate funding was secured and how overspend/underspend was addressed.

Note one of the key differences between this and the analysis for The Economic Case is that costs and revenues given in The Financial Case should be in current (nominal) prices i.e. including inflation. Costs and revenues in the Economic Case should be real prices with the same base year. The principles are the same when evaluating.

3.5 The Management Case

The purpose of the management dimension of the business case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme, including feedback into the organisation's strategic planning cycle. It includes post implementation and evaluation arrangements.

Evaluation and The Management Case

Information from The Management Case is likely to be used in both the **Project Evaluation Review** and the **Post Project Review**.

For the PER this could include:

- **Project milestones** - were these achieved as planned in the timescales envisaged? If not, why not?
- **Management Structure** – what aspects worked well or what could have been improved?
- **Risk management** – how well were the risks managed? Were there any unforeseen risks?
- **Specialist Advisors** – were specialist advisors used when developing the BC or implementing the project and how well did this work?

For the PPR this could include:

- **Benefits Realisation Plan** – was this robust enough to ensure that the project delivered its anticipated benefits and that these could be measured, monitored and evaluated?

4 DoF monitoring of PPEs

DoF requires all projects to be subject to proper monitoring and control measures including PPEs for all projects, both above and below the de minimis level. Such measures can help ensure good VFM by identifying difficulties, preventing the repetition of mistakes, revealing positive points and generally learning lessons which may be of use in other projects and/or other departments. However, proportionate effort should always be applied, and, where a programme consists of a large number of small scale projects or activities, instead it may be more appropriate to select a representative sample in evaluating the programme. Where a department proposes to adopt such an approach, it should present the details of its proposals for sampling in advance of the exercise to the relevant supply division for consideration.

DoF will expect both a PER and PPR to be prepared for all projects in accordance with the guidance at DoF's Successful Delivery (NI) website and PRINCE2. However, DoF recognises that the PER is primarily a management tool for the use of the SRO and project board, whereas the PPR is the main substance of the ex-post evaluation or PPE. Accordingly, DoF Supply will only require the submission of PPRs and will generally use the term PPE to refer to the PPR.

In monitoring PPEs, DoF now gives greater priority to the larger projects and areas where lessons learned can be of most value. DoF requests to see PPEs only for larger projects and those projects which DoF believes to have substantial read across to other projects. The letter of approval from DoF now stipulates in each case whether or not a PPE report must be submitted to Supply.

This does not affect the continuing requirement to ensure that suitable arrangements for PPEs are made for all projects, but simply means that DoF will not require sight of all PPEs as a matter of routine. DoF approval of all projects above delegated limits will still be conditional upon satisfactory arrangements for PPEs in all cases. DoF will request an assurance from departments on an annual basis that all PPEs that are due to be carried out have actually been completed.

In the interest of ensuring good practice and VFM, DoF may occasionally require departments to produce a list of all projects approved in the previous year which were below delegated limits, but above de minimis levels, and to specify when these projects will be, or have been, completed and whether PPEs have been undertaken or when they are due to commence. DoF may ask to see a sample of these PPEs from time to time by way of quality assurance.

For more information on evaluations, see HMT's [The Magenta Book](#).

Departmental economists should be able to provide advice or signposting on evaluation queries.

Any questions or comments about this guidance should be sent to DoF at the email address below.

economicappraisal@finance-ni.gov.uk