



Fermanagh & Omagh  
District Council

Comhairle Ceantair  
Fhear Manach agus na hÓmaí

# **Options Appraisal Policy**

## **(Economic Appraisals and Business Cases)**

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## Introduction

Fermanagh and Omagh District Council is committed to ensuring that public money is expended in a manner which represents value for money and satisfies public accountability requirements.

When committing funds, it is essential to ensure that resources are utilised in a manner which will provide an optimal solution to an identified need. As such, a Business Case is a key decision-making tool which must be carried out at the project initiation phase to allow for full consideration to be given to all potential options.

It is imperative that Directors, Heads of Service and Managers employ a proactive approach to Business Case preparation so that the appropriate documentation is available for the budget setting cycle.

For the purposes of this document, both Business Case and Economic Appraisal have been referred to as 'Appraisal'.

**NB:** Appraisal itself uses up resources. The effort that should go into it and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and associated resource consequences. Decisions on small expenditures need relatively little appraisal, while those with major spending implications require significant resources to be devoted to appraisal. Similar principles apply to post project evaluation.

## 1. Aim

The aim of this Policy is to provide guidance on the Appraisal process from assessing the level of Appraisal required right through to assessment, reporting and project evaluation.

## 2. Scope

This Policy is of material consideration to all Directors, Heads of Service and Managers within Fermanagh and Omagh District Council to inform decision making. This policy refers to capital expenditure and recurring expenditure where it may have a long-term resource implication for the Council, for example: land or property acquisition, consultancy support or provision of events in the district.

## 3. Objectives

The objectives of this Policy are to:

- Specify Appraisal limits;
- Clarify the extent of Appraisal required in relation to the level of expenditure;
- Outline where the responsibility for Appraisal preparation lies;
- Document the assessment and reporting process; and
- Highlight the need and specify requirements for post project evaluation.

## 4. Policy Responsibility

The **Senior Management Team of Fermanagh and Omagh District Council** has overall responsibility for the implementation and monitoring of this Policy.

**Directors** are responsible for compliance with this Policy within their own directorate and the Capital Programme Lead will be responsible for the day-to-day management and administration of the Policy.

All relevant employees are expected to follow this Policy and take the appropriate action to meet the aims and objectives.

The **Regeneration & Community Committee** is responsible for the consideration and approval of all projects with expenditure greater than £250,000.

## 5. Review

The Policy will also be subject to routine scrutiny and, from time to time, updates and re-issues will be circulated.

The policy will be reviewed sooner in the event of any one or more of the following:

- A failure or weakness in the policy is highlighted;
- Changes in legislative requirements;
- Changes in Government/Council or other directives and requirements.

## **6. Appraisal: Overview**

Fermanagh and Omagh District Council is committed to ensuring that public money is expended in a manner which represents value for money and satisfies public accountability requirements.

In order to comply with the Finance Act (NI) 2011 and the Prudential Code, an Options Appraisal including an assessment of long-term affordability is necessary to justify capital investment. This can take the form of an Economic Appraisal or Business Case.

The Economic Appraisal and Business Case are both decision making tools and are the systematic process by which alternative uses of resources are examined. It is the process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made (CIPFA 'Option Appraisal – a practical guide for public sector organisations).

A good Appraisal will lead to better decision making, facilitate good project management and project evaluation.

## **7. Why do we need an Appraisal?**

Preparing an Appraisal is necessary; it is an essential part of good financial management, vital to decision making and accountability and an integral part of the Council's capital strategy, programming and budgeting arrangements.

It is imperative that the Appraisal takes place at the project initiation phase to ensure that all possibilities are considered and that the best outcome is achieved. Preparing retrospective Appraisals after a project decision has been made or expenditure committed is bad management practice and is unacceptable. Appraisals should not be used to refine the details of a predetermined option and should not be prepared in a manner as a justification for a decision already made.

It is essential that Directors, Heads of Service and Managers give consideration to projects all year round and not just at the annual budget setting time. A proactive approach must be taken to identifying opportunities and methods for continuous improvement so that adequate time and resources can be given to an Options Appraisal. The Appraisal will be used to inform the budget setting cycle when all projects for consideration will be reviewed and prioritised accordingly within the context of what is affordable for the Council.

## 8. Appraisal Limits

The level of Appraisal required will be appropriate and proportionate to the level of expenditure to be incurred. These are aligned to guidance available from Department of Finance through Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE). All costs will be exclusive of VAT.

Expenditure	Level Required
> £1,000,000	Full Economic Appraisal
£100,000 - £999,999	Business Case
£30,000 – £100,000	Business Case (Short Form)
£30,000 - £100,000*	Expenditure Request Form (Maintenance)

*\*where the project involves the replacement of a piece of equipment or routine maintenance which is like for like.*

### **>£1,000,000 Full Economic Appraisal**

For projects or commitments with a level of expenditure expected to be greater than £1,000,000 a full economic appraisal must be prepared and appropriate support and professional advice should be sought through the relevant Director.

### **£100,0000 - £999,999 Business Case**

For projects with a level of expenditure greater than £100,000 but less than £999,999, a Business Case must be prepared. A template is provided in the supporting guidance.

### **£30,000 - £100,000 Business Case (Short Form)**

For expenditure between £30,000 and £100,000 which is over and above the operational costs of a department, a Business Case (Short Form) must be prepared. A template is provided in the supporting guidance.

Examples of such expenditure would include:

- the purchase of a piece of equipment,
- the implementation of a new system.

The request must be approved by the relevant Director and a report taken to the Regeneration and Community Committee for noting purposes.

### **£30,000 - £100,000\* Expenditure Request Form (Maintenance)**

For expenditure between £30,000 and £100,000 which is part of the operational costs of the department an Expenditure Request Form must be prepared.

*\*where the project involves the replacement of a piece of equipment or routine maintenance which is like for like.*

Examples of such expenditure would include:

- Replacement of windows from single to double glazed,
- Upgrading or improvement of an existing software system,
- Upgrade or improvements to existing toilet block.

The request must be approved by the relevant Director and the Director of Corporate Services and a report taken to the Regeneration and Community Committee for noting purposes.

### **Expenditure Request Form - Health and Safety (up to £250K)**

For expenditure on a project whenever a facility/building is not complying with Health and Safety regulations or has failed an inspection from HSENI. In this case, when work must be completed as a matter of urgency, the request must be approved by SMT and reported to the Regeneration and Community meeting for noting.

All projects involving expenditure of more than £250K must be sent to the Regeneration and Community Committee for approval.

## **9. Recurring Capital**

Where a project has an element of recurring capital expenditure and has been included in the appropriate Strategy / Policy / Conditions Survey, for example:

- public convenience refurbishments,
- play-park upgrades,
- replacement of vehicles,

then an overarching Business Case or Economic Appraisal may be prepared. Such an appraisal would include a detailed report on the condition of current facilities and set out a planned programme of expenditure over the next three to five years.

## **10. Projects in receipt of external funding**

When a project is able to obtain funding from an external source and has been subject to an appraisal process by another funder the application form submitted to the other funder will be assessed to determine if the Council will provide match funding for the proposed project. In that instance there will be no requirement to complete an additional template.

## 11. Elements of an Appraisal

The appropriate level of appraisal for the amount of expenditure is outlined in Section 8, templates for completion are included as appendices.

Whilst the extent of an Appraisal will depend on the level of expenditure to be incurred, the Appraisal must take a realistic look at available options without bias toward a preferred outcome.

It is essential that all Appraisals give full consideration to the ongoing revenue costs of the project to facilitate adequate and appropriate revenue budgeting.

## 12. Preparation

The preparation of an Appraisal could have cross cutting implications for a number of departments and directorates as various personnel may need to be involved in the process.

The responsibility for the preparation of an Appraisal lies with the department which has identified the need and whose service delivery will be improved as a result of the project.

- The Head of Service will be responsible for coordinating and overseeing the completion of the Appraisal with support provided by the Directorate Accountant.
- The appropriate Director must sign off the Appraisal on completion.
- All staff within the Directorate should provide adequate assistance as required to support the process.

In some cases it may be necessary to externalise the preparation of an Appraisal based on the availability of internal resources, the complexity of the issue or the requirements of a funder.

Should the overall cost of the project be close to any level, then due consideration must be given to the level of Appraisal required to be submitted.

For example: if the overall cost of the project is £975,000 it may be prudent to take the project on to the next level of Options Appraisal, ie, from a Business Case to an Economic Appraisal as the procurement process may result in higher than anticipated tenders being returned.

For projects above £30,000 a 10% variance on tender price is the acceptable limit, anything over 10% will require an addendum to be submitted to explain the variance as approval from Council will be required for additional costs.



Regardless of whether an Appraisal is prepared internally or externally the preparation of a thorough, comprehensive and extensive Appraisal is a resource intensive process. It is essential that adequate time is afforded to the Appraisal process to ensure that the optimal decision is made.

### **13. Assessment**

In order to ensure an independent and objective approach, assessments will be led by personnel who have had no input into the preparation of the Appraisal and who have no responsibility for, or involvement in, the management and implementation of the proposal under consideration.

It will be the responsibility of the Capital Programme Lead to coordinate the assessment process which will include an Assessment Panel comprising of relevant experienced officers.

The relevant Head of Service may be required to meet with members of the Assessment Panel to provide clarification on the proposed project as required. It is important that those involved in the Appraisal preparation give their full support to the Business Case assessment team so that any additional information that may be required is easily available.

Each Business Case will be scored against an assessment matrix template which is provided in the supporting guidance. It is essential that a minimum score of 65 is achieved. Feedback can be provided on each Business Case. Where a Business Case has failed to achieve the minimum score, the opportunity will exist for resubmission.

### **14. Reporting**

On a monthly basis or as necessary, the Assessment Panel will provide to the Senior Management Team a report summarising the projects assessed.

SMT will then review this report; projects that require Council reporting/consideration, ie, over £250,000 will then be presented to the Regeneration and Community Committee for noting/approval as required.

### **15. Project Evaluation**

The purpose of project evaluation is to provide a critical and objective analysis of the project.

#### **Regular Reports**

It may be required to provide the Capital Team with an update on the on the progress of projects, this will detail progress and expenditure to date and this information will be regularly reported to Council.

### **Post Project Evaluation**

A post project evaluation should be carried out between 12 months and 18 months following project completion. It should follow the template provided in supporting guidance. and include the following elements:

- Overview of Project Purpose
- Did the project meet its original aims and objectives
- Unexpected Benefits
- Unexpected Problems
- User Reaction/Feedback
- Final budget, variance from the value approved.

The Capital Programme Lead will be responsible for coordinating and overseeing the completion of a post project evaluation and ensuring it is brought to the attention of the relevant Director.