

BERR

Department for Business
Enterprise & Regulatory Reform

**GUIDANCE FOR RDAs IN APPRAISAL,
DELIVERY AND EVALUATION**

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Foreword

RDAs are a key element of Government economic policy and invest significant sums of money each year in their regions. When planning their work, RDAs need to ensure that all projects and programmes financed from their single budget:

- Fit with Corporate Plan and RES priorities
- Address market failure and demonstrate good value for money
- Are monitored to ensure delivery
- Are covered by evaluations to measure outcomes and learn lessons
- Comply with public procurement requirements and
- Fall within state aid rules

RDAs should also ensure that projects/programmes are consistent with the Business Support Simplification Programme and, in due course, with the national framework when it is agreed.

This Guidance has been produced jointly by BERR, EP, RDAs and OffPAT. It sets out best practice for the full cycle of project development-approval-delivery-learning related to RDA funded projects or programmes and provides a framework within which RDAs can operate. It incorporates the requirements of the Treasury Green Book, which sets out the principles of project appraisal and evaluation, and draws on other relevant guidance as appropriate. It applies whether the project is appraised directly by the RDA itself or by a regional partner.

Proper appraisal to secure efficient use of public money is vital. It is important that RDAs ensure that project development work is properly resourced; that all staff dealing with it are trained in and fully aware of the requirements on them; and that internal processes provide for appropriate challenge and analysis of options. Board members should be aware in outline of the requirements and their own responsibilities for ensuring all projects comply with this guidance, including those which come to them. The RDA Chief Executive, as Accounting Officer, has responsibility for seeing that this happens.

This Guidance applies to all RDA financed projects and programmes. It is important to note that EU funded projects have additional, more stringent, appraisal and audit requirements and each RDA will need to ensure its processes match up to these higher expectations for these projects.

This Guidance replaces the DTI Single Programme Appraisal Guidance 2003 (SPAG) with immediate effect.

Introduction

1.1 Purpose

This guidance sets the principles and key stages for project development, appraisal, approval, delivery, monitoring and evaluation. It provides the framework for Regional Development Agencies¹ (RDAs) to develop the most appropriate project systems for their particular circumstances. In doing so they should ensure that it is universally applied, rigorous, decision orientated, open and transparent and continuously improved.

RDA projects which are developed and delivered in accordance with this guidance are deemed to be compliant with relevant mandatory central government guidance, in particular HMT's Green Book² and its supplements and OGC's Gateway Reviews and Common Minimum Standards.³ It replaces the *Single Programme Appraisal Guidance* issued by DTI in July 2003.

1.2 Scope

This guidance covers RDA projects funded from their Single Budget and European Funds; it excludes RDA administration, research, SFIE and R&D grant projects.

In transferring responsibility for managing the Rural Development Programme for England (RDPE⁴) socio-economic projects and European Regional Development Funds (ERDF) 2007-13 programmes to the RDAs it was recognised that there would be efficiencies from joining the project activities. The principles of this guide and those of the European Programme User Guides are compatible. However, European programmes will need to pay particular attention to their technical requirements on procurement, publicity, audit and monitoring, fit with regional programme objectives and priorities which go beyond the requirements for the Single Budget. It is expected that where projects are co-financed by the RDA Single Budget and these programmes the opportunity will be taken to align or merge activities.

Where RDAs choose to delegate responsibility for programme and project funding to partners, these requirements must be passed on to those undertaking the work.

This guidance applies equally to programmes funded by RDAs. For the purpose of this guidance a programme is defined as a decision and an irreversible commitment to investment funds in a programme of activity either through direct procurement or through a grant to a third party. In such circumstances the guidance is applicable at programme level and in respect of the projects contained within the programme. Section 3 provides more information on how project and programme appraisal and evaluation can fit together.

The responsibility for the appraisal and evaluation of national programmes will lie with the central Government Department that initiated the programme.

¹ The term RDA is used to cover the 8 Regional Development Agencies and the London Development Agency.

² *The Green Book - Appraisal and Evaluation in Central Government*, HM Treasury.

³ Common Minimum Standards for the Procurement of Built Environment by the Public Sector.

⁴ The funds come from the European Agriculture Fund for Rural Development (EAFRD), co-financed with Defra funding. England will make use of voluntary modulation.

1.3 Benefits

Appraisal and evaluation act as:

- a continuous process to help RDAs understand the effects of their interventions and to ensure that their public sector interventions provide value for money;
- a mechanism to understand the social⁵ and sustainable development⁶ as well as the economic, impact of programmes and projects (i.e. their social, economic and environmental costs and benefits over time); and
- a tool to enable RDAs to assess the positive and negative effects of such interventions, allowing them to learn valuable lessons for the future.

Carrying out effective appraisals and evaluation help all those involved to understand and challenge:

- why the RDA is proposing to intervene;
- how and to what extent projects and programmes may impact on them;
- the estimated costs and benefits of proposed and actual measures; and
- the potential risks and consequences.

As the public sector aims to intervene only when necessary and since most programme and project objectives can be achieved through a range of options, the aim of appraisal and evaluation is to identify the proposals that best achieve RDAs' objectives while minimising costs and burdens.⁷ Doing so in a manner which encourages sustainable development and the promotion of equality of opportunity for disadvantaged groups.

The RDA Act 1998 requires the RDAs "to contribute to the achievement of sustainable development in the UK where it is relevant to do so". This is a cross-cutting theme that should be considered in project appraisal to ensure.

- it is resource efficient and, where appropriate, has adopted a low carbon approach;
- has investigated ways to increase economic inclusion and support sustainable communities;
- has considered how sustainable development opportunities and risk can be maximised and mitigated respectively.

Sustainable development means that RDAs should consider the long term impact of projects they fund. The benefits of this approach also accrue to the public purse – as multiple benefits can be achieved by considering how projects and programmes are managed and may enable savings to be made elsewhere in the public sector.

Like all public sector organisations, RDAs have statutory duties in relation to race, gender and disability equality. Their obligations within each area focus on:

⁵ Providing economic opportunities for all groups in all sub-regions and localities within each region, including rural and urban areas, so they can achieve their potential.

⁶ Principles are living within environmental limits; ensuring a strong, healthy and just society; achieving a sustainable economy; using sound science responsibility; and promoting good governance. See www.sustainable-development.gov.uk.

⁷ BERR BRE Impact Assessments guidance para 3.

- promoting equality of opportunity;
- promoting good relations;
- promoting positive attitudes;
- eliminating harassment; and
- eliminating unlawful discrimination.

1.4 RDA responsibilities

RDA Accounting Officers are expected to ensure their internal project development, appraisal, approval, delivery and evaluation systems are compliant with this guidance and that projects funded by them are developed, appraised, approved, delivered and evaluated in accordance with it. They should ensure that:

- there is clear accountability for projects at every stage in their development, approval, delivery and evaluation;
- a [Senior Responsible Owner](#) (SRO) is assigned to projects at a level commensurate with its scale and importance;
- appraisals and evaluation are conducted by staff with appropriate skills and experience, whether internal or external; drawing on external expertise as appropriate;
- there is a separation⁸ of functions and assignment of project roles at each stage, with a clear distinction between project sponsors and appraisers and with the investment decision makers;
- appraisals are informed by the appropriate level of consultation;
- a clear audit trail with reports and records kept at each stage of the project to provide evidence that the project is being effectively managed (see Annex A).

1.5 Proportionality

The RDA incurs costs when it appraises monitors and evaluates projects. These costs should be proportionate to the project size, complexity and risk to the RDA.

In designing their systems to meet these requirements RDAs should build in proportionality. For large, complex and high risk projects including those outwith their financial delegations RDAs should show that they have given full consideration to all the requirements; for smaller simpler less risky projects RDAs need to have addressed the relevant appraisal requirements proportionately.

1.6 Risk and OGC Gateway Reviews

Risks must be identified and managed throughout the project life. Risk is influenced by a number of factors including the scale of RDA investment, the size and complexity of the project, whether it is novel, repercussive or contentious and its delivery. All risks, including environmental risks, should be noted in the project risk log and show how they will be managed. SROs should ensure that their projects do not suffer from the common causes of project failure.⁹

⁸ ERDF Council Regulation 1083/2006 Article 58(b)

⁹ DAO(GEN) 7/04 *Delivering Success in Government Acquisition based Programmes and Projects*.

The OGC Gateway Review Risk Potential Assessment¹⁰ or OffPAT's summary of their underlying principles in Appraisal Advice Note 3 should be used to assess the overall project risk. Projects that are high risk must be notified to the BERR Projectcentre who will liaise with OGC as required.

¹⁰ OGC Gateway Review process applies to a wide range of acquisition programmes and projects. High risk projects must be notified to the BERR Projectcentre. Projects that score a risk factor of 18 or less on the OGC RPA do not need to go through the Gateway process as the project risk is deemed to be very low and the process would not be cost effective. Additional requirements have been introduced for projects where their success is dependant on an IT component (DAO GEN 01/03).

