



Fermanagh & Omagh
District Council
Comhairle Ceantair
Fhear Manach agus na hÓmaí

Options Appraisal Policy

(Business Cases)

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Contents	
Detail	Page No
Options Appraisal Policy	4
Introduction	5
Legislative Requirements	7
Aim	8
Objectives	8
Scope	8
Policy Responsibility	8
Review	9
Business Case Appraisal Limits	9
Recurring Capital	11
Projects in receipt of External Funding	12
The Business Case Appraisal Process	12
Project Evaluation	13

1. 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.

A growing demand for public services creates ever more pressure on the public purse, increasing the requirement to make better use of these limited resources to ensure value for money. 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.

What is a Business Case Appraisal?

Business Case Appraisals must be developed when making expenditure decisions. A Business Case process and appraisal is necessary to identify and define the options and to support advice on prioritisation and choice. The Business Case Appraisal process is a decision-making tool and is 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.

Fermanagh and Omagh District Council has defined a new approach to planning, managing and delivery of its Capital Programme. Within this, the Council wishes to set out and implement a clear and understandable approach to comparing projects to prioritise its resources towards delivery and expenditure. Therefore, all Business Case Appraisals must demonstrate they meet at least one of the following prioritisation criteria:

- Projects that are a statutory responsibility of the Council;
- Projects in receipt of external funding;
- Projects presenting a critical risk to the Council in terms of a Health and Safety issue;
- Project with the potential to address the Council's targets within the Climate Change Action Plan;
- Projects that have potential to generate income for the Council;
- Projects that address the objectives set out in the Community Plan for the district and the Council's Corporate Plan.

All approved Business Case Appraisals must demonstrate how they meet the objectives within the Council's Corporate Plan 2024-28, supported by the various Council approved Strategies/Plans, Policies and Frameworks. Where no strategy/plan or policy is in place to support the proposed project then the assessment of the Business Case Appraisal should be paused to allow this to be developed.

When should a Business Case Appraisal be undertaken?

It is imperative that the Business Case Appraisal takes place at the project initiation phase to ensure that all possibilities are considered and that the best outcome is achieved.

Preparing retrospective Business Case Appraisals after a project decision has been made or expenditure committed is bad management practice and is unacceptable.

Business Case 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.

How should Business Case Appraisals be conducted?

Capital projects are complex, and it is a mandatory requirement that robust Business Case Appraisals are completed to reduce the risk of budget overruns and delays in project completion. In November 2020 the Department of Finance introduced a new five-case business model; the five-case model is the HM Treasury best practice approach to the development of business cases – (The Green Book – Central Government Guidance on Appraisal and Evaluation). The Council is following the five-case model templates in the preparation of business cases.

The Five Case Model

Strategic dimension	What is the case for change, including the rationale for intervention? What is the current situation? What is to be done? What outcomes are expected? How do these fit with wider government policies and objectives?
Economic dimension	What is the net value to society (the social value) of the intervention compared to continuing with Business As Usual? What are the risks and their costs, and how are they best managed? Which option reflects the optimal net value to society?
Commercial dimension	Can a realistic and credible commercial deal be struck? Who will manage which risks?
Financial dimension	What is the impact of the proposal on the public sector budget in terms of the total cost of both capital and revenue?
Management dimension	Are there realistic and robust delivery plans? How can the proposal be delivered?

Extract from HM Treasury, The Green Book – Central Government Guidance on Appraisal and Evaluation

Preparing a project Business Case Appraisal using the five-case model provides decision makers and stakeholders with a framework for structured thinking and assurance that the project:

- Provides strategic fit, supported by a compelling case for change;
- Maximises public value to society through the selection of the optimal combination of components, products and related activities;
- Focuses on option appraisal and the identification of the preferred option;
- Is commercially viable and attractive to the supply side;
- Is affordable and is fundable over time; and
- Can be delivered by the organisation and its partners.

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

It is also essential that those involved in the development of a Business Case Appraisal have the correct skills and experience and that any specialist advice sought during completion is documented and included within the completed Business Case.

To reduce the risk of budget increases and delays it is important that time is spent at the outset identifying any barriers to the delivery of the project. An example of this may be securing planning permission. In this case it will be important to detail any early engagement with Planners and any other relevant stakeholders.

A Business Case 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.

2. Legislative 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 will take the form of a Business Case Appraisal (following the five-case model).

The Prudential Code requires that Council looks at Capital Expenditure and Investment Plans and debt in the light of the overall organisational strategy and ensures that decisions are made with sufficient regard to long term financing implications and potential risks to the Council. The Prudential Code highlights that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment, and debt.

In addition to the Finance Act (NI) 2011 and the Prudential Code, the Council must also comply with all relevant statutory UK regulations and guidance that includes:

- Local Government Act (Northern Ireland) 2014;
- Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and
- Department of Finance – Managing Public Money NI.

In addition to the guidance contained in the HMT's Green Book, the Council also adheres to the guidance provided by the Department of Finance through Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) superseded in November 2020 by Better Business Cases NI.

3. Aim

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

This policy should be read in conjunction with the Council's Procurement Policy.

4. Objectives

The objectives of this Policy are to:

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

5. Scope

This Policy is of material consideration to all Elected Members, Directors, Heads of Service, Lead Officers 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.

6. Policy Responsibility

To ensure the successful implementation of the Options Appraisal Policy, in line with the procurement policy, it is essential that clear roles and responsibilities are identified:

Group or Individual	Role and Responsibilities
Full Council	<ul style="list-style-type: none"> • Ratification of all Business Case Appraisals with expenditure greater than £250,000. • Overall responsibility for the direction of the Capital Plan with the five-year Capital Plan agreed annually through the estimates process. • Approval of the Options Appraisal Policy.
Regeneration and Community Committee	<ul style="list-style-type: none"> • Approval of Business Case Appraisals with expenditure greater than £250,000.
Directors	<ul style="list-style-type: none"> • Ensure compliance with this Policy within their own directorate. • Sign off Business Case Appraisals.
Director of Regeneration and Planning assisted by the Capital Programmes Lead Officer	<ul style="list-style-type: none"> • Day-to-day management and administration of the Policy. • Review the Policy every three years.
Capital project Management Board (CPMB)	<ul style="list-style-type: none"> • Implementation and monitoring of this Policy. • Approval of Business Case Appraisals with expenditure between £30,000 and £250,000.
Capital Programme / Investment Oversight Group	<ul style="list-style-type: none"> • Provide Member oversight on the Council's Capital Programme in terms of value or significant reputational risk.
Heads of Service	<ul style="list-style-type: none"> • Prepare Business Case Appraisals as required.
All Staff	<ul style="list-style-type: none"> • Adhere to the Policy.

7. Review

The Options Appraisal Policy will, under normal circumstances, be formally reviewed every three years.

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 every three years, and 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.

8. Business Case Appraisal Limits

The level of Business Case Appraisal required will be appropriate and proportionate to the level of expenditure to be incurred. These are aligned to the Council's Procurement

Policy and to the guidance provided by the Department of Finance through Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE)-superseded in November 2020 by Better Business Cases NI. All costs will be exclusive of VAT.

Expenditure	Level Required
>£5,000,000	Business Case - Five Case Model - Three Stage Process
£250,000 - £5,000,000	Business Case - Five Case Model*
£30,000 - £250,000	Business Justification Case
£30,000 - £250,000	Health and Safety Business Case

**dependent upon the complexity of the project –for some projects a three-stage process may be required.*

>£5,000,000 Business Case - Five Case Model - Three Stage Process

For projects or commitments with a level of expenditure expected to be greater than £5,000,000 a three-stage Business Case Appraisal must be prepared. Appropriate support should be sought through the relevant Project Board and the Senior Responsible Officer.

Approval from Council will be required to commence work on any project requiring a Business Case Appraisal of this value.

Documents in line with those recommended by [Better Business Cases NI](#) should be completed for each stage.

Council approval is required for each stage of the process:

Stage 1 Strategic Outline Case (SOC)

Stage 2 Outline Business Case (OBC)

Stage 3 Full Business Case (FBC)

£250,000 - £5,000,000 Business Case (Five Case Model)

For projects with a level of expenditure greater than £250,000 but less than £5,000,000, a Business Case (five-case model) must be prepared.

If a project is very complex a three-stage approach may be required.

£30,000 - £250,000 Business Justification Case

For expenditure between £30,000 and £250,000 a Business Justification Case Appraisal must be prepared.

Examples of such expenditure would include:

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

Any Business Case Appraisal with a value up to £250,000 must be recommended for approval by the relevant Director and taken to CPMB for approval.

A report will be taken to the Regeneration and Community Committee meeting for noting purposes.

Where it is agreed by a majority of Members of the Regeneration and Community Committee, the decision of the Capital Programme Management Board to either approve or refuse a Business Case Appraisal up to the value of £250,000 may be 'called-in' by the Committee for consideration. In these circumstances, a more detailed report will be presented to the next meeting of the Committee for decision.

Health and Safety Business Case (up to £250K)

This Business Case Appraisal template will be used when a facility/building is not complying with Health and Safety regulations or has failed an inspection from HSENI. The request will be approved by CPMB and reported to the Regeneration and Community meeting for noting.

All other Business Cases for projects regarding a Health and Safety issue involving expenditure of more than £250K must be sent to the Regeneration and Community Committee for approval.

For all Business Case Appraisals

Should the overall cost of the project be close to any appraisal upper limits then due consideration must be given to the Business Case Appraisal template required to be submitted.

For example: if the overall cost of the project is £245,000 it may be prudent to take the project on to the next limit of the Options Appraisal process, i.e. from a Business Justification Case to a Five Case Model Business Case as the costs of projects can fluctuate during the development of the Business Case.

9. Recurring Capital

Where a project has an element of recurring capital expenditure which has been outlined and included in a Council approved Strategy / Policy / Conditions Survey, for example:

- play-park upgrades,
- replacement of vehicles.

The approved programme of expenditure will be included within the five-year Capital Programme.

10. Projects in receipt of External Funding

Where possible Council will try to obtain funding from external funders for projects to reduce the financial burden on the Council.

When Council obtains funding of more than **50% of the total project costs** from another funder and the funding has been subject to an appraisal process by the funder, there will be no requirement to complete an additional business case template.

However, where the external funding is less than 50% of the total project costs consideration should be given to whole life costs of the project and a report taken to Committee for approval to proceed with the project.

11. The Business Case Appraisal Process

The responsibility for the preparation of a Business Case Appraisal lies with the department which has identified the need, through an approved Project Mandate, 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 Business Case Appraisal on completion.
- All staff within the Directorate/other Directorates should provide adequate assistance as required to support the completion of the Business Case.

In some cases, it may be necessary to seek external support to help with the preparation of an Appraisal subject to the complexity of the project, the requirements of a funder or the availability of internal resources.

It is essential that all Business Case Appraisals give full consideration to the ongoing revenue costs of the project to facilitate adequate and appropriate revenue budgeting as projects can have implications for a number of departments and directorates.

When the business case is completed, it is submitted to the Business Case Team for review and assessment against agreed criteria (as per the business case template) and a report is sent to CPMB or Committee for approval, depending on the level of funding.

A report will be brought to Committee including a recommendation to approve/or reject the business case (with a value of more than £250,000) or to note the approval/or rejection of the business case (with a value of under £250,000).

Business Case Value	Assessment Panel	CPMB Approval/Rejection	CPMB Recommendation	Committee
£30,000 - £250,000	✓	✓		Noting Decision
>£250,000	✓	✓	✓	Approval/Rejection

A copy of each business case will be saved within the confidential library resource of the software tool “Decision Time”.

If the Business Case Appraisal has been approved/recommended for approval the report will also include a recommendation to proceed to tender and award to most economically advantageous tender.

All Business Case Appraisals approved are subject to having statutory approvals in place and work cannot commence on any project until all permissions have been granted.

Addendum

The purpose of an addendum is to seek approval for change/s to an originally approved Business Case Appraisal, for example a cost increase or a significant variation in the scope of the project.

An addendum is progressed and approved in the same way as a Business Case and in line with appraisal limits.

For projects above £30,000, where there is a variance of 10% or more (of the approved Business Case value) an addendum seeking approval of the increased costs will be required.

12. 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 Officer 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.