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Via email – committee.publicaccounts@niassembly.gov.uk

Dear Mr Humphrey

PAC EVIDENCE SESSION ON MAJOR CAPITAL PROJECTS – REQUEST FOR FOLLOW-UP INFORMATION

Thank you for your letter of 10 March 2020 in which you requested some follow-up information. I am sorry for the delay in replying.

I will address each point in the order in which you raised.

1. I have attached an extract from HM Treasury's 'Guide to Developing the Project Business Case' which lays out in detail the new 5 stage model being introduced by Department of Finance for the business case development. This will be rolled out from September 2020 (delayed from April because of COVID).
2. The table below details the number of chartered professional staff within Construction and Procurement Delivery:

PROFESSION	NUMBER
New Engineering & Construction Contract (NEC) accredited Project Manager	100
Chartered Institute of Procurement & Supply	56
Architect	34
Quantity Surveyor	29
Mechanical	15
Building / PM	14
Civil	9
Electrical	6

Structural	4
Building Surveyor	1
Health & Safety	1
TOTAL	169

I have asked for information on a similar basis from other Centres of Procurement Expertise and will provide this in due course. Regarding project management qualifications, based on an analysis of the most recent Project Delivery Profession staff survey, a total of 409 registered as having a project delivery qualification (includes PRINCE2, MSP & APM).

3. Department of Finance do not currently record and maintain information regarding instances where Senior Responsible Officers have left projects before they have been completed, and I am therefore unable to provide you with such information. However, this is an area which we are putting significant effort into and I would be happy to come back to you in 6 months to report on progress.
4. The anticipated capital budget of £4.2 billion is actually for the period 2019-21. Whilst departmental Capital allocations for 2020-21 have been agreed by the Assembly, Ministers are currently assessing the implications of the COVID-19 pandemic on their respective departmental Capital Budgets. The Department of Finance has also commissioned an exercise to further understand the Capital position and how funding might be re-purposed to support economic recovery. In that regard it is therefore not possible to clarify the amount to be spent on major capital projects during 2020-21 at this stage.

Yours sincerely



SUE GRAY

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An Overview of the Five Case Model

Introduction

This chapter provides an overview of the Five Case Model Methodology for the preparation of business cases.

The Five Case Model 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
- The Management Case

The Strategic Case

The purpose of the strategic dimension of the business case is to make the case for change and to demonstrate how it provides strategic fit.

Demonstrating that the scheme provides synergy and holistic fit with other projects and programmes within the strategic portfolio requires an up-to-date organisational business strategy that references all relevant local, regional and national policies and targets.

Making a robust case for change requires a clear understanding of the rationale, drivers and objectives for the spending proposal, which must be made SMART – Specific, Measurable, Achievable, Relevant and Time constrained – for the purposes of post-evaluation.

Key to making a compelling case for intervention is a clear understanding of the existing arrangements: the Business As Usual (BAU), business needs (related problems and opportunities), potential scope (the required organisational capabilities) and the potential benefits, risks, constraints and dependencies associated with the proposal.

The challenges are:

- to explain how further intervention and spend on key 'inputs' will deliver 'outputs' that improve the organisation's capability to deliver better outcomes and benefits to stakeholders and customers, while recognising the associated risks
- to ensure the organisation's proposals focus on business needs that have been well researched and are supported by service demand and capacity planning
- to ensure schemes are planned and delivered as part of an approved organisational strategy that has a well defined portfolio of related programmes and projects.

Box 1: Contents of the Strategic Case

Strategic Context

Organisational overview
Business strategy and aims
Other relevant strategies

The Case for Change

Spending objectives
Existing arrangements
Business needs – current and future
Potential scope and service requirements
Main benefits and risks
Constraints and dependencies

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.

Demonstrating public value requires a wide range of realistic options to be appraised (the long-list), in terms of how well they meet the spending objectives and critical success factors for the scheme; and then a reduced number of possible options (the short-list) to be examined in further detail.

The short-list must include the BAU, a realistic and achievable 'do minimum' that meets essential requirements, the preferred way forward (if this is different) and any other options that have been carried forward. These options are subjected to cost benefit analysis (CBA) or cost effectiveness analysis (CEA), where more appropriate, to identify the option that offers best public value to society.

The challenges are:

- to begin by selecting the 'right' options for scope, solution, service delivery, implementation and funding, otherwise options will represent sub-optimal Value for Money (VfM) from the outset
- to justify higher cost options in relation to BAU and the 'do minimum'
- to measure and monetise the benefits and risks.

Box 2: Contents of the Economic Case

Critical Success factors

Long-listed options
Preferred Way Forward

Shortlisted options (including the "Business As Usual (BAU)" and 'do minimum')
NPSC/NPSV findings
Benefits appraisal
Risk assessment
Sensitivity analysis
Preferred option

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.

Demonstrating a viable procurement requires an understanding of the market place, knowledge of what is realistically achievable by the supply side and research into the procurement routes that will deliver best value to both parties.

Putting in place a well-structured Deal requires a clear understanding of the services, outputs and milestones required to be achieved and of how the potential risks in the Design, Build, Funding and Operational (DBFO) phases of the scheme can best be allocated between the public and private sectors and reflected in the charging mechanism and contractual arrangements.

The challenge for the public sector is to be an 'intelligent customer' and to anticipate from the outset how best public value can continue to be secured in during the contract phase in the face of inevitable changes to business, organisational and operational requirements.

Box 3: Contents of the Commercial Case

- Procurement strategy and route
- Service requirements and outputs
- Risk allocation
- Charging mechanism
- Key contractual arrangements
- Personnel implications
- Accountancy treatment

The Financial Case

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

Demonstrating the affordability and fundability of the preferred option requires a complete understanding of the capital, revenue and whole life costs of the scheme and of how the Deal will impact upon the balance sheet, income and expenditure and pricing arrangements (if any) of the organisation.

The challenge is to identify and resolve any potential funding gaps during the lifespan of the scheme.

Box 4: Contents of the Financial Case

- Capital and revenue requirements
- Net effect on prices (if any)
- Impact on balance sheet
- Impact on income and expenditure account
- Overall affordability and funding
- Confirmation of stakeholder/customer support (if applicable)

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.

Demonstrating that the preferred option can be successfully delivered requires evidencing that the scheme is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change and contract management, benefits realisation and risk management.

The challenges are:

- to manage the risks in the design, build, funding and operational phases of the scheme and put in place contingency plans
- to deal with inevitable business and service change in a controlled environment, and
- to ensure that objectives are met, anticipated outcomes delivered and benefits evaluated.

Box 5: Contents of the Management Case

Programme management governance arrangements (roles, responsibilities, plans etc.)
Project management governance arrangements
Use of specialist advisers
Change and contract management arrangements
Benefits realisation arrangements (including plans and register)
Risk management arrangements (including plans and register)
Post-implementation and evaluation arrangements
Contingency arrangements and plans