



Department of
Finance

An Roinn
Airgeadais

Better Business Cases NI Supplementary Guidance

Approval Procedures for Departmental Expenditure

August 2022

Contents

1	General Principles.....	2
2	DoF approval of projects in excess of delegated limits.....	7
3	Standard conditions of DoF approval.....	10
4	Ministerial Directions	12

1 General Principles

In central government, approval is required for the expenditure associated with all capital projects, financial assistance and other expenditures, but the "approving authority" will vary depending on the nature and scale of the project and the level of delegation. The expenditure may be capable of being approved within the organisation but, depending on its size or characteristics, it may require additional approval in a sponsor department or even within DoF.

The final approving authority could, for example, be a line manager, an Accounting Officer or someone with delegated authority from the Accounting Officer, the Departmental Accounting Officer or someone with delegated authority from them, a Departmental Minister or the Department of Finance (DoF).

The Assembly looks to DoF to make sure that departments use their powers only as it has intended and that expenditure is within agreed limits. DoF seeks to secure this in a number of ways outside of the context of individual decisions, and these are outlined in Managing Public Money Northern Ireland. However, the key related outcomes that DoF seeks to secure on behalf of the Assembly through taking an approval role in some individual expenditure decisions are:

value for money, regularity and propriety.

This role is carried out on behalf of the Assembly and not the body making the decision. It does not in any way reduce the personal role of Accounting Officers as set out in Managing Public Money, or the personal role of a formally appointed Senior Responsible Owner. The Senior Responsible Owner (SRO) is the visible owner of the overall business change, accountable for successful delivery and is recognised throughout the organisation as the key leadership figure in driving the change forward. This includes owning all aspects of the business case. As such, they are accountable for all aspects of the business case and for any deficiencies in it.

In approving any capital project, financial assistance or other expenditure, the following principles should be applied by the approving authority:

Approval Principles

1. There should be an early opportunity for the approving authorities to consider and influence the choices made. This could take the form of the formal submission of a Strategic Outline Case for approval or, on some occasions, of informal contacts between the project sponsor and the approving authority.
2. The business case is an important factor in the consideration of any spending proposal, and departments are responsible for ensuring that one is prepared and that the proper methodology is used.
3. Approvals in principle should not be granted, nor should any commitment to funding be given (for example, through a Letter of Offer) prior to the completion of a suitable business case. Only when all relevant factors have been thoroughly investigated according to the relevant appraisal methodology, can approving authorities be assured that a particular proposal is likely to represent VFM and satisfy accountability requirements.
4. Departments should be aware that appraisal techniques should be used for all proposals, not only for those above the limit at which they need to seek DoF approval. The principles of appraisal should be applied with appropriate and proportionate effort to all expenditures, including those at policy, programme and project level. DoF Supply will request sight of appraisals of expenditures below delegation limits from time to time.
5. In some cases, it may be appropriate to grant approval in stages. For example, PPP projects generally require DoF approval at both Outline Business Case and Full Business Case stages. For some other types of proposal, it may be appropriate to grant approval to proceed to detailed planning and design work on the basis of a preliminary option appraisal;

and to grant final approval based on a more detailed analysis of the options. Where approval is given in stages, each stage should have a clear statement from the Project Manager (or Project Sponsor for construction projects) of the status and progress of the project (for example, percentage of design completed) and the accuracy of the estimates of cost and time, highlighting main risks and how they can be managed.

6. Before firm commitment, the approving authority should receive an up-to-date business case for the project, covering the following:

- scope of the project;
- capital costs;
- annual costs/savings/benefits and their phasing;
- statement of accuracy of estimates and main areas of remaining uncertainty and their possible effects on the project;
- recalculated Net Present Social Values (NPSVs);
- a Project Initiation Document, including definition of roles (Project Board, Senior Responsible Owner and Project Manager), risk management proposals, value management proposals, project timetable (including level and amount of project management resources); and
- proposed monitoring and evaluation arrangements.

7. No firm commitment should be made by the approving authority until the costs and the timetable for the project are well established. The probability of project cost or time being more than 10% above or below the estimated figure should be no more than 10%; for straightforward or repetitive projects, the margin of error should be no more than 5%. The stage of firm commitment will vary - for many projects it may be after final sketch plan, but in some cases earlier commitment may be possible. For particularly risky projects, firm commitment might not be given until tenders are received.

8. For particularly risky or contentious projects, approval at strategic outline case (SOC) stage might be given. SOC approval is only for further development work to refine the estimates further by better project definition, with no commitment to the project itself.
9. At initial approval of each subsequent approval stage, the approving authority should specify parameters or conditions under which the project must be resubmitted for approval. Re-submissions might be required where:
 - a specified time elapses before the commencement of the next stage of the project, or a key activity occurs;
 - estimated capital or resource costs fall or rise by more than a given amount or percentage of original estimate;
 - the estimated time for completion slips by a specified period; or
 - the NPSV of the project alters to a negative figure.
10. Re-submission should generally be required in any case for which a satisfactory business case has not been completed. Depending upon the case, this may mean complete revision of an appraisal, or re-submission of certain unsatisfactory elements of it.
11. It is the Project Sponsor's/Senior Responsible Owner's responsibility to monitor progress of the project and to resubmit it as soon as it appears likely that a triggering condition will be met.
12. When re-appraisal is considered necessary in financial assistance cases, it should include re-assessment of the appropriateness of the proposed eligible grants or other financial assistance.

Departments are asked to ensure that the above principles are adhered to as a minimum in all cases. Where a department is at present applying more rigorous guidelines it should continue to do so. Where appropriate, departments should have regard, in consultation with their Supply Divisions, to relevant practice in GB departments.

Dear Accounting Officer letters (DAOs) currently in issue identify that each year, departments should report findings of their “test-drilling” activity of appraisals and PPEs to both the Departmental Accounting Officer and DoF Supply. Departments should also submit to Supply a list of all appraisals above the level agreed with their Supply Officer. Supply may request a sample of those cases for review, to confirm the effectiveness of departments’ control systems (in line with the criteria in MPMNI A.2.3.8). Any necessary corrective action identified should be implemented within an agreed timescale.

2 DoF approval of projects in excess of delegated limits

General guidance about DoF approval and delegation is given in Managing Public Money Northern Ireland (MPMNI) and is not repeated here. This document concentrates on approval and delegation specifically in relation to business cases.

Arrangements on the level of delegation from DoF are subject to agreement between departments and DoF. The level of delegation may take account of past history of project management, and the current expertise in project management, as evidenced by documented client project management procedures and client training. Other considerations may also be relevant.

The DAO letter on delegations currently in issue ([DAO \(DoF\) 05/25](#)) lists existing delegations and sets out the requirements for departments and their ALBs to obtain prior DoF approval before making commitments to or incurring expenditure. Supply Officers can advise on the current delegations. They are generally expressed in terms of "total central government cost", but there are some differences in detail depending on the type of expenditure e.g. some delegations are expressed solely in terms of capital costs, others include both capital and resource costs and others are associated primarily or entirely with other characteristics of the transaction and not the amount.

Where a department is proposing to introduce a new policy or programme of expenditure, prior DoF approval must be obtained before any relevant expenditure is incurred. DoF approval should be sought only after the sponsoring department has considered the proposals thoroughly itself and granted formal approval to them.

Projects must not be split into separate components or phases in order to bring them below delegation limits and avoid submission to DoF. Expenditure incurred in this way will be regarded as irregular. Where expenditures or activities are

linked together and the costs or benefits are mutually dependent, the proposal must be appraised as a whole and submitted to DoF accordingly. **Examples of bad practice** include:

- appraising purchases of capital items such as vehicles or computers separately from other directly related capital expenditures such as ancillary equipment, accommodation, installation or testing;
- splitting the roll out of ICT projects into phases to avoid exceeding delegation limits; and
- appraising building construction costs without taking account of associated spending on land purchase, infrastructure and works services, fitting out with equipment, security, staffing, maintenance and other operational costs.

Where expenditure proposals exceed the department's delegated limits, DoF Supply will act as the approving authority. The principles set out above will generally apply, but DoF would also emphasise the additional points below.

- Where DoF approval of expenditure is required, none of the relevant expenditure should be committed, and none of the relevant works should commence, until DoF approval has been granted. When DoF's approval has not been sought, DoF will not generally grant retrospective approval in cases where the relevant expenditure has already been committed or project works have commenced.
- MPMNI states that DoF may consider granting retrospective approval if it is satisfied that:
 - (a) it would have granted approval had it been approached properly in the first place; and
 - (b) the department is taking steps to ensure that there is no recurrence.
- DoF will generally interpret condition (a) to refer to a situation where a department has already completed a business case to support the

decision to spend, but has neglected to forward it to DoF for approval. Regarding condition (b), DoF will expect evidence that specific measures have been taken to ensure that the need to seek retrospective approval is not repeated.

- Submissions to DoF should be made at a stage early enough to permit dialogue on assumptions and methodology between DoF and the relevant department; and to permit revision of business cases or re-appraisals to be undertaken where necessary. DoF reserves the right to withhold approval when there is inadequate time for the appropriate scrutiny and discussions to be undertaken.
- Submissions to DoF should normally be in the form of a suitable business case. DoF will continue to monitor the quality of submissions and will expect proposals to comply with the appropriate procedures and to be VFM and affordable and to be in line with the requirements of regularity and propriety.
- It is typically a function of Departmental and organisational economists, departmental finance and a range of other advisors to help contribute to or quality assure business cases. Departments should consult the appropriate advisors relevant to each of the five cases including, for example, CoPEs, Finance, Statisticians, Policy experts and others as appropriate in all cases requiring DoF approval, and should take account of their views before submissions are made to DoF.

3 Standard conditions of DoF approval

The standard conditions of DoF approval of expenditure are outlined below, which Supply will amend as the circumstances dictate.

Standard Conditions of DoF Approval

- Approval is always given on the basis that projects will be implemented as described and costed in the business case upon which the approval is based. If a department wishes to implement a project on a basis other than that approved by DoF, it should consult DoF again to ensure that any proposed changes to the original business case do not alter DoF's view of the scope, scale and content of the project.
- Tolerance levels on cost are 10%. If it becomes apparent that the total capital expenditure or total revenue expenditure will differ by more than 10% from that indicated in the business case, Supply should be notified as soon as possible and appropriate further action agreed between the department and Supply.
- The same applies where project implementation is expected to be delayed by more than 12 months by comparison to the timescale indicated in the business case, on which Supply approval is based.
- Supply should be informed as soon as possible of any substantial changes to the project which occur at any time after DoF approval is granted. This applies to both proposed substantial changes to the project, and to actual substantial differences in outturns compared to the assumptions in the business case. In this regard, a substantial

change may be defined broadly as a variance of 10% or more from the assumption in the business case, on which Supply approval is based.

- In such circumstances, Supply will consider the specifics of the case and decide what additional submissions are required - for example, a letter or addendum covering specific issues that require further consideration, or a more substantial revision of the business case.

If there is any doubt as to whether any of these conditions has been triggered, Supply should be consulted. In exceptional cases, Supply may stipulate or agree to different conditions.

It should be the Project Sponsor's /Senior Responsible Owner's responsibility to monitor progress of the project and to resubmit it through the approval chain as soon as it appears likely that a triggering condition will be met.

DoF approval of a particular project relates solely to agreement to proceed with the project. It does not imply approval for expenditure to be incurred beyond existing agreed public expenditure (PE) or budgetary provision; in other words, affordability remains the concern of the spending department.

DoF approval letters require satisfactory arrangements for completion of PPEs in all cases and sometimes ask for copies of PPEs. This requirement does not have the status of a condition of approval and failure to complete or submit a PPE to DoF does not render expenditure irregular, as the completion of a PPE is normally separate from and after project completion. DoF will monitor the completion of PPEs. Exceptional situations could nonetheless occur where completion of a PPE is fundamental to VFM. In such a case the Supply Officer will insert an additional specific condition of approval.

4 Ministerial Directions

Where an expenditure proposal sought by a Minister cannot be shown to be value for money and/or does not conform to regularity and/or propriety requirements, it may be appropriate for the Departmental Accounting Officer to consider asking the Minister and/or Executive for a Ministerial or Executive direction. In these cases, DoF Supply can be contacted in the first instance for routing to the appropriate advice.

Proportionate documentation in support of the decision is still required, as, inter alia:

- for clarity, the Departmental Accounting Officer needs to set out in an appropriate level of detail what specifically they are asking ministers to direct them on;
- for clarity, the Departmental Accounting Officer needs to set out why value for money and/or other considerations cannot be demonstrated; and
- the Departmental Accounting Officer will need to ensure that what is being taken forward is executed in a manner that is as compliant to value for money, propriety and regularity principles as it can be.

The DAO letter on ministerial directions currently in issue ([DAO \(DFP\) 01/22](#)) provides more detailed guidance to NI departments on the process for Ministerial Directions.

[DoF Supply](#) should be able to advise on specific approval queries. Any questions or comments about this guidance should be sent to DoF at the email address below.

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