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TO: FINANCE DIRECTORS cc Permanent Secretaries

PROCESS FOR SEEKING DFP APPROVAL OF STRATEGIC OUTLINE CASES FOR MAJOR PROJECTS – REVISED GUIDANCE

1. FD(DFP)20/09 promulgated the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and introduced a requirement for Departments to consult DFP at the earliest stages in the development of major projects and other potentially high profile cases. Specifically, Departments were required to obtain DFP approval of a Strategic Outline Case (SOC) for all such cases before commencing the detailed work needed to develop an Outline Business Case (OBC).

2. FD(DFP)20/09 indicated that the new arrangements would be reviewed after a period of one year, and amended or refined as necessary. Accordingly DFP has been reviewing how the new arrangements have been working in practice, based on the experience of dealing with about 20 SOCs submitted to DFP since September 2009.

3. The general conclusion is that the SOC approval process adds value and should be continued. It allows early intervention to ensure that key issues such as affordability and stakeholder support are addressed before substantial resources, including external consultancy in some cases, are engaged in the development of a detailed OBC. For example, in one case the SOC sought
approval to spend a substantial sum on consultancy to develop an OBC. However, it became apparent that the project itself was not going to be affordable; hence it was concluded that it would not be VfM to proceed with the consultancy or the OBC until it became clear that the project would be affordable.

4. In general, the early experience of working with the SOC approval process suggests that it has the potential to deliver what was intended for it i.e. it encourages strategic thinking and helps to ensure that fundamental issues are identified and addressed early in a project’s life. Thus it addresses the weakness of the previous approach, whereby DFP did not usually get involved until an OBC had been completed, by which time it was often too late and too difficult to resolve fundamental issues. The SOC approval regime enables a streamlined and easier process of engagement at OBC stage, since fundamental issues will already have been given some consideration, with agreement made on how best to proceed to OBC. Thus it operates in the best interests of both DFP and the sponsoring Department.

**Definition of A Major Project**

5. The review has suggested a need for a slight refinement of the definition of the projects for which SOC approval is required. The definition given in FD(DFP)20/09 para 14 contained three bullet points. These are retained but the wording of the second bullet point has been altered from ‘Other projects’ to ‘Revenue projects which fall above the department’s delegated limits’. This is to clarify that:

1) DFP does not need to see SOCs for any projects with capital costs of less than £20million; and
2) in the case of revenue projects, DFP only wishes to see SOCs where they both exceed current delegation limits and cost £20million or more over the project’s life.

6. Thus approval at SOC stage is now required for:
- All capital projects with a total capital value of £20 million\(^1\) or more:

- All revenue projects which fall above the department’s delegated limits and for which total central government costs will be £20 million or more over the project’s life; and

- All projects, irrespective of cost, that set precedents, are novel, are potentially contentious, could cause repercussions elsewhere in the public sector, or are potentially politically sensitive\(^2\).

**Content and Presentation of Soc Documents**

7. It is also important to be clear regarding the level of detail required in a SOC. The SOC approval requirement is intended to streamline the process, and thus will work effectively only if SOCs are completed very early in the development of the project and before detailed analysis is undertaken. This will be undermined significantly if SOCs contain in-depth analysis of the sort that is normally found in an OBC.

8. The brevity of the SOC document reflects the fact that analysis at SOC stage is necessarily very broad and indicative - much too broad and indicative to determine a preferred option, but sufficient to form a view as to whether it is worth committing resources to the more substantial work of an OBC. The SOC is a preliminary think-piece document that flags up the project and identifies key issues relating to strategic fit, options, value for money, affordability and achievability. Typically, the SOC should provide high level coverage of:

- the project concept and rationale for government intervention;

- initial statements of strategic aims, business needs and project objectives;

- relevant management considerations, including e.g. any necessary stakeholder consultations and legal or contractual issues;

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\(^1\) The £20m thresholds stated above should be interpreted as cost figures expressed in real terms (i.e. in prices held constant at their current level), undiscounted.

\(^2\) Where there is any doubt as to whether a particular case meets these criteria, there should be early dialogue with DFP Supply to determine whether the SOC approval requirement applies.
- high level consideration of possible options; and
- very preliminary assessment of costs, benefits, risks, funding and affordability.

9. It is vital that SOC documents are very short. Accordingly, DFP previously recommended that the SOC document should extend to no more than 5 or 6 pages. The review has suggested that this is a little too restrictive. Accordingly it is now proposed that SOC documents may extend to 10 or 12 pages. However, anything longer than this will be regarded as too long.

**New Soc Pro Forma**

10. In order to facilitate the preparation of SOCs, DFP has developed a short pro forma for use by Departments. A copy is appended to this letter. It may be adjusted to suit the needs of individual cases but otherwise its use is self-explanatory. DFP will monitor how it is used in practice and refine it further if necessary in due course.

**DFP Approval**

11. DFP now expects to see SOCs for all major projects and others as indicated in para 6 above. DFP approval at SOC stage grants permission for the project to proceed to OBC stage. **It does not include approval to commit expenditure and go ahead with the project.** Such approval will continue to be based on the Outline Business Case (OBC).

12. Note also that any proposal to employ external consultants to prepare a SOC or for any other purpose requires separate approval in accordance with the latest guidance on Use of External Consultants. The current guidance is given in FD(DFP)04/09. **[NB The latter was replaced by FD(DFP)07/12 on 20 April 2012, which was supplemented by FD(DFP)13/12 on 07 August 2012].**
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STRATEGIC OUTLINE CASE PRO FORMA

A Strategic Outline Case (SOC) is a very brief preliminary document designed to introduce the basic project concept and identify key issues at the earliest stages of project development. It helps to assess whether it is worth committing resources to developing a more detailed Outline Business Case. Fuller guidance on the role of SOCs in project development and expenditure approval is given in the NIGEA business case section.

This pro forma is designed to help Departments complete a SOC using appropriate and proportionate effort. There is flexibility over the amount of information to be included under each heading below, but note that the SOC is intended to be a very short document and should rarely exceed 10 or 12 pages.

Section 1: Project Overview
Briefly describe the basic project concept.

Section 2: Aims, Needs, Objectives & Constraints
State the rationale for government intervention e.g. by reference to market failures or equity objectives.
Identify the relevant NI Government/Departmental strategic aims and policy objectives.
Outline the need for the project e.g. demand for services, deficiencies in existing provision etc.
List the project objectives as specifically as possible at this stage.
Identify likely constraints e.g. timing issues, legal requirements, professional standards, planning constraints.

Section 3: Stakeholder Issues
Identify the key stakeholders and explain their involvement.
Indicate their level of commitment to the project as specifically as possible.
Describe any consultations held or still required.
Are there any outstanding stakeholder issues?

Section 4: Management & Implementation
Give a preliminary indication of the proposed project management structure and key personnel.
Is any consultancy support likely to be required?
Identify accommodation, staff and TUS issues.
Describe any legal, contractual or procurement issues.
Are there any important outstanding management/Implementation considerations?
Section 5: Consideration of Options

Provide an initial list of options identified that could meet the objectives and briefly describe their main features. (Consider variations in scale, quality, technique, location, timing etc). NB A preferred option should not be identified before options have been developed and appraised more fully at OBC stage.

Section 6: Costs, Benefits & Risks

Provide broad estimates of the capital and revenue costs of the project. If financial savings are anticipated, explain their nature and quantify them broadly. Describe the non-monetary costs and benefits that are expected to arise. Explain the key risks that the project is likely to face and any potential mitigation measures.

Section 7: Funding & Affordability

Outline the estimated phasing of cash/DEL requirements. Identify the expected sources of funding and the degree to which the funders are committed. Indicate the current cash/DEL provision for the project (if any) and the additional resources that are likely to be required. State any particular concerns over affordability.

Detailed guidance on project appraisal, evaluation, approval and management is available at the Northern Ireland Guide to Expenditure Appraisal and Evaluation (‘NIGEAE’) website: http://www.dfpni.gov.uk/index/finance/eag.htm

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