National Audit Office

REVIEW

Department for Transport: Local Authority Major Capital Schemes

Examining programme management and evaluation

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Summary

1 The Department for Transport (the Department) administers the transport element of the Regional Funding Allocation Programme which was introduced in July 2005 to help integrate transport, economic and spatial development strategies in the English regions (excluding London). It is intended to provide local authorities with capital funding to introduce worthwhile highway and public transport schemes that support Local Transport Plans and wider regional strategies that would otherwise be unaffordable.

2 The Government announced in October 2010 that it had abolished the Regional Funding Allocation system and that it planned to develop a more devolved approach to funding major capital schemes in the future. As at March 2010, however, the Department was committed to provide up to £2.4 billion to schemes approved under the previous arrangements.

3 This review examines whether the Department has in place suitable arrangements to secure value for money from this investment with particular regard to its management of the Programme, monitoring of schemes, and evaluation of the benefits achieved. We did not examine how funding is allocated to Regions or how the Department selects schemes for assistance.

4 Our criteria for assessing the suitability of the Department's arrangements were whether it:

- has a clear definition of the intended outcomes from its investment;
- knows what resources had been committed and are being spent;
- monitors risks to value for money during implementation; and
- is able to assess whether what has been achieved represents value for money (both at scheme and programme level).

We also considered the extent to which it acted on the information available.

5 We gathered evidence about the Department's arrangements using a number of methods, including:

- interviews with Departmental staff responsible for managing, monitoring and evaluating projects;
- analysis of the Department's database of schemes;
- detailed review of a sample of 31 out of a total of 111 projects, including those completed and those under construction; and
- interviews with eight local authorities responsible for delivering a number of projects within our sample.

We also consulted a panel of evaluators about approaches to evaluation taken by other sponsors of schemes and programmes in central and local government.

6 Overall, we found that the Department has done much in recent years to improve its management of the Programme. The processes and controls that it now has in place provide a suitable template for managing centrally allocated funds in the future, even in a more devolved environment. There is also scope to build on this good practice to develop systems for reporting more widely on the delivery of the Programme, and to identify and disseminate best practice, thus contributing to the wider transparency, localism agenda, and to the identification of best practice in managing projects across government. Our conclusions and recommendations against each of the criteria identified above are set out overleaf.

On whether the Department has a clear definition of the intended outcomes from its investment

7 The Department has clearly defined the intended outcomes of the Programme as a whole by specifying broad, and high level objectives; namely to fund worthwhile transport schemes that would not otherwise go ahead, meet regional priorities and national objectives, and represent value for money. The wider national objectives are designed to ensure that individual schemes meet a range of conditions including those relating to the environment, safety, and the economy. The Department appraises each scheme before full approval to make sure that these conditions are likely to be met. These should provide a good basis to assess whether the intended outcomes have been achieved for each scheme at completion.

On whether the Department knows what resources have been committed and are being spent

8 The Department does know what resources it has committed and what is being spent on the Programme. As at March 2010 it had committed £2.4 billion on major capital schemes with local authorities, of which it had spent £1.5 billion during the first four years of the Programme. Its systems also flagged up a cumulative underspend against allocation of £303 million in these four years, which the department told us was due to local authorities being consistently overly optimistic in their forecasts of scheme progress in the early years of the Programme. The Department has used the information to seek to improve spend against profile by improving its communications with local authorities and encouraging more realistic forecasting by tighter release of scheme funds in year. These actions are welcomed.

On whether the Department monitors risks to value for money and delivery

9 The Department takes a proportionate approach to monitoring the risks to value for money and delivery by concentrating its efforts on the more costly and more risky projects. While this is good, it could develop its approach further to monitor delivery of the Programme as a whole by using the information it already holds.

- The progress of high risk projects or those costing more than £50 million is monitored through quarterly meetings of the Investment Decision Committee.
- The conditions of grant allow the Department to request additional information from or visit all schemes during construction. It does so only in a few cases where it considers that the schemes are risky. From the evidence we saw, this approach appears to work. In the sample of schemes that we looked at, we did not find any instances of the Department failing to act where schemes appeared to be encountering difficulties.
- The Department receives quarterly monitoring reports from local authorities. These are primarily used to trigger stage payments and to monitor changes to the Department's contributions but we believe that the Department could collate and analyse the data contained within them to provide information about the delivery of the Programme as a whole. We conducted this analysis on a sample of 31 schemes and found that: while overall costs had risen by £35 million, the Department's contribution had risen by £23 million. The conditions of grant require local authorities to meet all cost increases; any additional Departmental funding is discretionary and subject to the availability of funding and the circumstances of each case. Most of the Department's additional contribution was accounted for by one scheme: Selly Oak New Road, where Ministers approved an increase of £17 million, including £16.1 million to mitigate risks to scheme completion following the loss of a developer's funding. The picture was good in terms of delivery to timescales, with only two schemes at the time of our review experiencing delays of more than three months. Making such information publicly available may be of interest to local stakeholders.

- The Department should use information provided by local authorities to identify overall progress with the Programme against metrics such as delivery to time and cost, and to facilitate risk management across the full range of schemes.

- The Department could also contribute to the wider localism and transparency agendas by making publicly available an analysis of the data that it collects on scheme progress and developments under the Programme for use by interested stakeholders.

On whether the Department is able to measure whether value for money has been achieved

10 While few schemes have been completed and warrant an evaluation, we are concerned that in the future the Department will not be able to measure whether it has achieved value for money from its investment. The Department has placed more emphasis on evaluation in recent years, requiring local authorities to develop an evaluation plan as part of the business case for schemes prior to approval, and grant conditions require evaluations of all schemes after completion. It does not, however, enforce these requirements and conditions. We found examples where schemes had been approved without fully completed evaluation plans in place. The Department had received evaluation reports for only two of the seven completed schemes for which evaluations should have been completed. It is unacceptable that local authorities have not complied with these conditions. In a light touch regulatory regime it is essential that the Department ensures compliance with the grant conditions that it has stipulated.

11 We recognise that resources for evaluation are constrained both in local authorities and the Department and our discussions with local authorities revealed that they were not always convinced of the value of conducting evaluations themselves. Nevertheless, evaluations are essential so that:

- local authorities and other implementors of transport infrastructure projects can learn the lessons from other schemes;

- the Department knows which schemes offer the best value for money to inform future investments; and

- the Government can give citizens the information necessary to be able to hold local and central government to account.

12 We worked with a panel of evaluators to identify the key principles for, and main elements of, evaluation in an environment where sponsoring bodies, such as the Department, have devolved responsibility for the design and delivery of projects with multiple stakeholders, and where a programme may encompass a mixed portfolio of project type and size. The resulting framework (Appendix Two) is intended to help assess the fitness for purpose of the Department's evaluation arrangements.

13 We reviewed the Department's arrangements against this framework and concluded that the Department should:

- remind local authorities that the production of evaluations is a condition of grant and that it will follow up compliance with this condition;
- consider how it might resource its evaluation efforts internally. One option might be to utilise the skills of its scheme appraisers to supplement the limited evaluation resources already at its disposal; and
- in the longer term it should:
  - clarify whether all schemes need to be evaluated or whether it would be better to devote resources to evaluating those schemes where the lessons and performance metrics are going to be of most value to the Department and other stakeholders. A lighter touch might then be applied to other schemes by, for example, requiring more limited post completion reviews; and
  - take responsibility for collating and disseminating lessons from evaluation reports, including setting up a national mechanism for spreading best practice.

14 The Department has no plans to evaluate the Regional Funding Allocation Programme as a whole. We believe that there would be value in doing so, however, to determine the value for money that it has provided and to enable informed decision-making on investments in future programmes of expenditure.

- The Department should identify a set of metrics common to all important schemes, for example, in line with its national objectives or, in the future, with its Departmental Business Plan. These could include, for example, reducing local congestion, increasing bus patronage and reducing carbon or greenhouse gas emissions to aid its assessment of the value for money provided from its investment.

Introduction

15 The Regional Funding Allocation Programme was introduced in July 2005 as part of efforts to integrate transport, economic and spatial development strategies in the English regions (excluding London). The Department for Transport (the Department) administered the £10.6 billion transport element of the Programme which covers major capital schemes costing more than £5 million promoted by local authorities or the Highways Agency. The schemes were of regional rather than national importance and were to be delivered between April 2006 and March 2019. Local government, local transport authorities and the Highways Agency are responsible for delivering the schemes. This review focuses on those grants given to schemes managed by local authorities and transport authorities, which together accounted for £6.6 billion of the Programme's original funds. The Department planned to fund a maximum of 75 per cent of the costs of any light rail scheme or 90 per cent of the costs of other local authority schemes.

16 Following the Comprehensive Spending Review, in October 2010, the Department announced that it would no longer be able to fund all schemes that had previously been accepted into the Programme. The overall programme to 2014-15 was reduced to £3.4 billion. The Department will select schemes on the basis of bids submitted directly to it by authorities following a detailed reassessment process. The previous Regional Funding Allocation system, where Regional Assemblies and Regional Development Agencies were able to influence the choice of scheme, no longer exists. Overall, there is still a sizeable investment to be made under this scheme, and so it is essential that the Department's approach to managing it is not one of managing a terminal scheme.

17 The Department plans to develop a more devolutionary approach to the funding of major capital schemes beyond 2014-15 within which it will have a reduced role and give local authorities and businesses a direct role in the prioritisation of transport schemes. It intends that new Local Enterprise Partnerships will play a role in the revised arrangements, consistent with wider Government plans for encouraging locally driven growth as set out in the local growth White Paper published in October 2010. Even in a devolved environment, it will still be important for the Department to have mechanisms for securing value for money from centrally allocated funds.

Scope of NAO review

18 As at 31 March 2010, the Department had fully approved 111 local authority major capital schemes and committed funding totalling some £2.4 billion. We examined whether the Department had in place suitable arrangements to secure value for money from this investment. We focused particularly on the adequacy of the Department's arrangements in relation to the schemes for:

- managing its financial contributions;
- monitoring their progress; and
- evaluating the benefits achieved.

We analysed a sample of 31 of the 111 fully approved schemes covering a range of types and values, including both completed schemes and those under construction.

19 In considering whether the Department's arrangements were likely to secure value for money, we examined whether the Department:

- had a clear definition of the intended outcomes from its investment;
- knew what resources had been committed and are being spent;
- was monitoring risks to value for money during implementation; and
- was able to assess whether what has been achieved represents value for money (both at scheme and programme level).

Intended outcomes

20 The Department set the national policy framework for the Programme and Regional Assemblies and Regional Development Agencies, and worked with local authorities to prioritise schemes within their regions, based on indicative funding envelopes. In setting transport priorities, regions were encouraged to link these with wider economic and spatial development strategies in their particular region. The approval process is set out in Appendix One. The overall aim of the Programme is to provide local authorities with the capital funding necessary to take forward worthwhile highway and public transport schemes that support the objectives of their Local Transport Plans and the wider regional strategy, but which would otherwise be unaffordable for the local authority, and which comply with the Department's wider national objectives (**Figure 1**).

Figure 1
Scheme benefits by national objective

Objective	Beneficial Impact	Neutral Impact	Adverse Impact	Not applicable
Environment	8	20	1	2
Safety	24	5	0	2
Economy	27	2	0	2
Accessibility	22	7	0	2
Integration	28	1	0	2

Source: National Audit Office analysis of Departmental data

21 The projects are assessed on the basis of the five national objectives that look at their effect on:

- environment – the built environment and greenhouse gases;
- safety – on accidents and general security;
- economy – the costs to the wider public accounts, to business users and consumers, on congestion and journey reliability and if there are any wider impacts;
- accessibility – improving wider access to key services, employment and leisure; and
- integration – compliance with land use policy and alignment with wider national, regional, and local strategies.

In our sample of 31 schemes we found that, for four of the five national objectives, a majority of schemes were expected to deliver benefits in each case (Figure 1). Only eight schemes were expected to yield overall positive benefits for the environment. However, one scheme was assessed as having an adverse impact. Two maintenance schemes were not assessed using these objectives. The objectives are not weighted for importance.

22 To assess the likely value for money offered by each scheme, the Department calculates a benefit cost ratio. Schemes can fall into one of four categories:

- **High** – where benefits are at least double the costs;
- **Medium** – where benefits are between 1.5 and 2 times costs;
- **Low** – where benefits are between 1 and 1.5 times costs; and
- **Poor** – where benefits are less than costs.

Twenty six of the 31 schemes we examined were assessed to have high value for money, with eight having a benefit cost ratio of five or more. The remaining five schemes were assessed as having medium value for money.

Does the Department know what resources it has committed?

23 The Department does know what resources it has committed on the Programme. Prior to the spending review, the Department gave approval to major schemes at three key stages:

- Programme Entry – this followed receipt of a business case and indicated the Department's intention to provide funding towards construction costs. It allowed the scheme promoter to apply for any statutory powers that may be required;
- Conditional Approval – this was a firm commitment to funding, subject to a number of specified conditions being met, typically there was no change to the expected costs, scheme design or risks after procurement; and
- Full Approval – this was granted once a preferred contractor and a final price had been agreed, and allowed the promoter to begin construction and drawdown grant funds. The Department was only fully committed to fund a scheme at this stage.

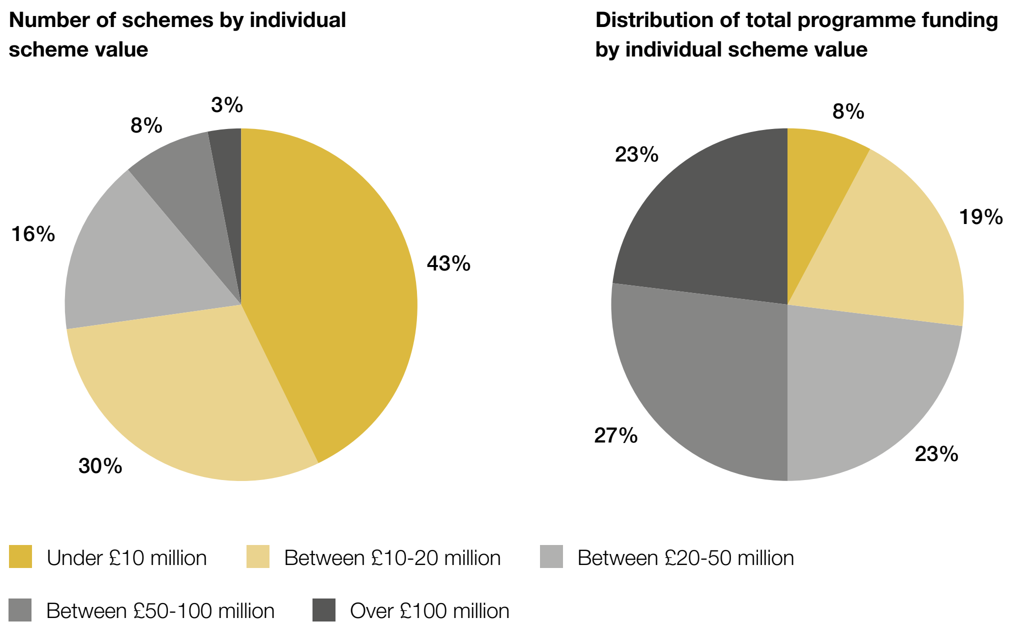
The Department plans to bypass the Conditional Approval stage in future, except in exceptional cases, so as to minimise the assessment burden on schemes.

24 Following Programme Entry, the Department entered scheme details onto its major project database, profiled over schemes' expected lifetimes. The database underpins all the Department's analysis and monitoring. It allows the Department to track its commitments and spending and to identify expenditure allocations by region, by authority, by scheme type, and by stage. As at 31 March 2010, the Department had fully approved 111 major capital schemes and committed some £2.4 billion (36 per cent) of its original major scheme allocation (**Figure 2**).

Does the Department know what is being and will be spent?

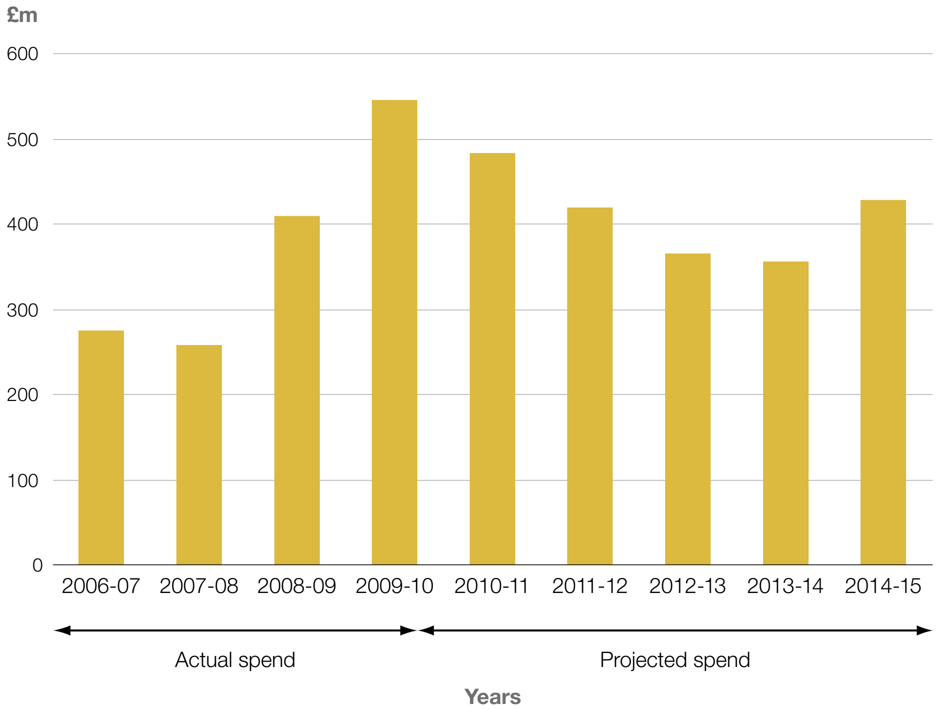
25 The Department does know what is being spent on the Programme. The Department manages its Programme expenditure on an ongoing basis, informed by forecasts of expected progress on schemes provided by the respective local authorities through quarterly monitoring reports, showing the actual and anticipated spending in each year. These are amalgamated to provide the Department with an anticipated spending profile for the Programme. As at March 2010, the Department had spent £1.5 billion of the £2.4 billion committed to fully approved schemes. It expects to spend a further £480 million in 2010 11. The Department has undertaken to provide £1.5 billion during the period 2011-12 to 2014-15 of which around £600 million will be used to meet existing commitments and £900 million to fund new schemes which the Department will select following a competitive bidding process (**Figure 3** overleaf).

Figure 2
Profile of local authority schemes funded within the Programme



Source: National Audit Office Analysis of Department for Transport Project Database

Figure 3
Spend profile showing the Department's funding commitments to 2015



Source: Department for Transport

26 In line with normal Government accounting conventions, using End of Year Flexibility, the Department has some options in rolling budgets forwards to manage spend against budget profiles and retain any unused funds. However, taking this option has the effect of pushing spend to later years and there is no guarantee that the postponed funding will be made available to the Department. As part of its budget management process, the Department notifies each local authority at the beginning of every financial year of the maximum grant allocation that it will pay for individual schemes that year. Local authorities underspent against their allocations in the first three years of the Programme's operation and there was a small overspend in the fourth year. Over the period 2006-07 to 2009-10 the Department allocated a total of £1,787 million, but actual spending by local authorities on schemes totalled £1,484 million, a cumulative underspend of £303 million (17 per cent) over four years (**Figure 4**). The Department told us that the main reason for underspend has been that local authorities were consistently overly optimistic in their forecasts of scheme progress in the early years of the Programme.

Figure 4
Annual spend against allocations 2006-07 to 2009-10

	2006-07 (£m)	2007-08 (£m)	2008-09 (£m)	2009-10 (£m)	Total (£m)
Local authority allocation	326	465	465	531	1,787
Actual spend	274	257	409	544	1,484
Over/(under) spend[1]	(52)	(208)	(56)	13	(303)

NOTE
1 Over and underspend due to timing of payments rather than projects over or underspending.

Source: Department for Transport

27 In view of local authority underspends and increasing Government funding restrictions, which will continue for the foreseeable future, the Department has, since 2008, been more proactive in its monitoring and financial management of the Programme. For example:

- the Department told us that it has increased its communications with local authorities on an informal basis, with individual case officers looking at the returns and judging whether they are 'reasonable' compared with past performance, and adjusting spend profiles where necessary;
- in February 2010, the Department issued an interim monitoring report to local authorities stressing the need for accurate spending forecasts for the remainder of 2009-10 and 2010-11 to contain a potential overspend against Departmental budgets; and
- for 2010-11, the Department is limiting its reimbursement of local authorities to 90 per cent of forecast expenditure until it receives confirmation from them that the remaining allocation will be spent in year.

28 We welcome these actions to improve forecasting and profiling of expenditure within years by local authorities, and the limit on reimbursement introduced in 2010-11 seems sensible when Government funding restrictions are likely to become even tighter.

Is the Department monitoring risks to value for money during implementation?

29 The Department takes a proportionate approach to monitoring the risks to value for money and delivery by concentrating its efforts on the more costly and risky projects.

Governance and oversight

30 Ministers provide departmental funding approvals for all local authority major capital schemes on the advice of the Department's City and Regional Networks Group. Those projects costing more than £50 million are considered by the Group's Investment Decision Committee prior to Ministerial approval. In line with the Department's business as usual governance arrangements, the Group reports to the main Departmental Management Board on an exception basis.

31 The Committee, chaired by the Board member responsible for the City and Regional Networks Group, receives quarterly budget reports on the financial position of the Programme and is the main forum for exercising central control on local authority major schemes. It also receives progress reports on all major capital schemes within the Programme costing more than £50 million or considered as high risk. These reports are based primarily on the quarterly monitoring report data held by the Group. As at June 2010, the Committee received regular reports on 14 fully approved local authority major capital schemes, which together comprise of £1.1 billion (46 per cent) of committed regional allocation funding. Schemes costing less than £50 million, totalling £1.3 billion of Departmental funding are monitored less formally at an aggregate level on a monthly basis. The Local Authority Major Projects Team provides monthly updates to the Department's finance teams on the in-year spend to date and forecast for the remainder of the year. This information is then reviewed alongside all other group budgets in a forum chaired by the above Board member and any necessary actions are communicated back to the Local Authority Major Projects Team.

Scheme monitoring

32 The Department held regular six-monthly meetings with the regions to discuss the progress of regional programmes, current financial issues and strategies, and to promote any national messages. In turn, the regional and local attendees were able to feed back any relevant issues.

33 In terms of individual schemes, as part of the conditions of grant, the Department requires local authorities to keep it closely informed of the progress with, and expenditure on, each scheme and to complete and return quarterly monitoring reports. Local authorities must also inform it of any significant changes to the scheme, including its annual cost profile, within a set period (usually 28 days). The Department also reserves the right to conduct on-site reviews during construction and, following completion, to review scheme documentation held by local authorities for a period of up to six years.

34 All 31 schemes that we reviewed submitted quarterly monitoring reports regularly. The Department mainly uses the financial information provided in the reports to reimburse the costs incurred and to inform its forecasts of spend as outlined above. Local authorities can provide more details about scheme progress but we found that they rarely did so.

35 The Department could also use the basic information contained in the quarterly monitoring reports to assess whether there are any risks to delivery and to value for money overall. We analysed data from the reports to assess progress on delivery to time and cost, and to identify whether there had been any changes to the Departmental contribution.

36 In terms of changes in costs, from our sample of 31 schemes we found that, since full approval:

- the total expected outturn costs for the combined 31 schemes had risen from £2,397 million to £2,432 million with increases on ten schemes by £37.7 million and decreases on two schemes totalling £2.5 million; and

- the largest increase was on Selly Oak New Road (from £49.6 million to £63.6 million).

37 The Department's expected contribution has increased from £1,474 million to £1,497 million. Most of this was accounted for by an increase of £17 million on the Selly Oak New Road scheme (**Case Study A**), where the Department provided an additional £16.1 million so that the scheme could go ahead when another contributor had to drop out, as well as £0.9 million towards increased construction costs. For the nine completed schemes the Department's contribution was as anticipated in six cases. As a condition of grant, the Department requires local authorities to accept responsibility for meeting all costs, including increases, above the Department's contribution agreed at Full Approval. The Department told us that any decision by Ministers to provide additional funding is discretionary and subject to the availability of funding and the circumstances of each case.

Case Study A
Selly Oak New Road

Local Authority	Birmingham City Council
Description	The scheme involves the construction of a single carriageway road to the north-west of Selly Oak town centre to provide additional road capacity and to serve as an access to major developments in the area.
Objective	To reduce the flow of traffic through Selly Oak town centre by around 50 per cent, reducing congestion, making the town an attractive investment opportunity, and aiding the regeneration of the area.
Departmental approved cost	£38.3 million (60 per cent of total project cost of £63.6 million)
Departmental spend to March 2010	£26.6 million
Benefit Cost Ratio	2.8
Started	October 2007
Completion	Estimated January 2015
Key lessons	This case illustrates the rationale for the Department increasing its contribution where expected third party funding failed to materialise. At full approval in March 2006, the Department agreed to contribute £21.4 million, 43 per cent of the total scheme costs. Birmingham City Council and third parties agreed to provide the balance of funds. Subsequently, in March 2009, one third party funder, who was to contribute £16.1 million, had to withdraw. Scheme completion, which was essential before the final phase of the new Queen Elizabeth hospital opened in Autumn 2011, was at risk unless an alternative source of funding became available. The scheme promoters asked Ministers for extra funding of £16.1 million to ensure the scheme could be completed. As the situation was outside the control of the local authority, and it was agreed that costs would be met by reprofiling of other schemes in the West Midlands' share of the Regional Funding Allocation without increasing the Department's costs, the Department approved the application in August 2009. (Ministers had earlier approved separately an increased contribution of £0.9 million towards increased construction costs.)

38 In terms of delivery to expected timescales, progress was generally good:

- of the 31 schemes, eight had experienced delays, 21 were on track and two were ahead of schedule;
- six of the eight delayed schemes, all of which were completed, were delayed by three months or less. The Selly Oak New Road (Case Study A) had the longest delay at 24 months, while the Luton Dunstable Busway (**Case Study B**) was delayed by 11 months. Both schemes are still ongoing. Five of the delayed schemes, including the Selly Oak New Road, have also experienced cost increases; and
- for the nine schemes completed, one scheme, A6096 Ilkeston – Awsworth Link Road, was completed one month ahead of schedule.

39 Conducting such an analysis regularly gives assurance that there are no looming problems and would help the Department to assess:

- whether delivery is on track or whether there are delays or cost increases which might put value for money at risk or affect its spending profile in future years;
- the impact of changes in contributions on the available funding within the Programme. This is going to be particularly important as the Department has to manage a smaller budget going forward. It would also enable those monitoring the Programme to ask questions about the consistency of decisions of changing the level of contributions on schemes; and
- which schemes may be running into difficulties and warrant increased monitoring or other remedial action.

Case Study B
Luton Dunstable Busway

Local Authority	Luton Borough Council
Description	A bus rapid transport scheme, mainly guided busway, linking Houghton Regis, Dunstable, and Luton with London Luton Airport using disused rail corridors.
Objective	To bring about modal change, maximise mobility and accessibility, aid regeneration of the area, be environmentally friendly, and improve personal and technical safety.
Departmental approved cost	£80.3 million (90 per cent of total project cost of £89.2 million)
Departmental spend to March 2010	£1.6 million
Benefit Cost Ratio	1.63
Started	June 2010
Completion	Estimated April 2013
Key lessons	The Department considers the project to be large and complex, and with its funds to be used in a short period, it considers its involvement would help Luton deliver the project successfully. The Department is able to draw on lessons learned from a similar scheme elesewhere which had encountered difficulties.

40 We would not expect the Department to visit or to request additional information on all schemes, but we would expect it to do so where projects are particularly risky or important, or the Department can draw on wider knowledge to inform implementation. In the 31 schemes that we examined, we found evidence that this is the approach adopted by the Department:

- the Department's Olympic Programme Board requires separate progress reports on the Weymouth Transport Package scheme because of its contribution to transportation for the 2012 Olympic Games;
- the Department told us that it intends to monitor more closely the Luton Dunstable Busway (Case study B) as it is a large, complex project and the Department is able to draw on lessons learned from a similar project elsewhere; and
- it is also more closely involved in monitoring the Greater Bristol Bus Network (**Case Study C** overleaf) because of the number of parties involved in delivery and the greater potential for changes to the project.

It was not clear to us, however, whether there was a systematic process for selecting projects for more careful monitoring.

Case Study C
Greater Bristol Bus Network

Local Authority	South Gloucestershire Council (Lead) along with Bath and North East Somerset Council, Bristol City Council and North Somerset Council. These local authorities are also working in partnership with a bus operator.
Description	To develop ten showcase bus corridors to benefit 70 services in the sub-region.
Objective	To tackle congestion, improve accessibility, road safety, air quality and quality of life, and provide alternatives to private car use.
Departmental approved cost	£42.3 million (55 per cent of the total project cost of £76.5 million)
Departmental spend to March 2010	£17.0 million
Benefit Cost Ratio	4.1
Started	May 2008
Completion	Estimated Mar 2012
Key lessons	This project comprises a number of small scale improvements which together form a wider programme and is being delivered by four local authorities working in partnership. The Department considers that there is greater potential than normal for changes to the project. All parties need to be kept informed of developments and the project has detailed and transparent reporting arrangements, putting all reports on the website. The Department is included in this process. The improved communications include: • the project team visiting and meeting Departmental staff involved in appraising and monitoring the project; • the project has a named Senior Responsible Officer for liaising with the Department; • the Department has been invited to attend the quarterly Project Board meetings and will be sent progress and other reports as a matter of routine; • the Department is working closely with the project team in developing evaluation plans and criteria, especially around the delivery of environmental and wider impacts; and • as part of the change control process, the Department is to be notified of any major changes (such as changes in scope exceeding an agreed amount) for its approval.

Measuring the achievement of value for money

The case for evaluation

41 Evaluating whether schemes have achieved their intended outcomes helps to:

- prioritise funds in the future to those schemes that offer the best prospect of achieving good value for money;
- provide good quality data for citizens so that they can see whether value for money has been achieved; and
- facilitate the learning of lessons and sharing of best practices between stakeholders.

42 Historically, the Department has not placed much emphasis on evaluation, although it told us that this is changing. Evaluation became a requirement for local authority major capital schemes in 2006 when the Regional Funding Allocation Programme was introduced. Very few schemes are sufficiently mature to have completed an evaluation at present but the Department does need to consider and establish now how schemes will be evaluated.

43 We commissioned a panel so that we could compare what the Department does with other similar sponsors.[1] Appendix Two sets out the key principles for, and main elements of, evaluation in an environment where sponsoring bodies, such as the Department, have devolved responsibility for the design and delivery of projects with multiple stakeholders, and where a programme may encompass a mixed portfolio of project type and size. It does not provide detailed guidance about specific evaluation methodologies that might be applied. The principles address five key questions (**Figure 5**).

Figure 5
Key principles of evaluation

Key question	Principle
What is meant by evaluation?	The sponsoring body has clearly defined 'evaluation' in the context of the programme and projects in question.
What should be evaluated?	The sponsoring body has clearly articulated which projects it wishes to have information about, the rationale for their selection, and the aspects of performance that it wishes to evaluate.
Why should evaluation be undertaken?	The sponsoring body has a clearly articulated rationale for evaluating the nominated programme and associated projects.
Who should undertake the evaluations?	The sponsoring body has clearly defined and communicated the respective roles and responsibilities of the programme/project sponsor and others for undertaking evaluations, taking into account the capacity of each to do so.
How should evaluations be conducted and lessons disseminated?	The sponsoring body has: • provided guidance on how key aspects of project and programme evaluations are to be conducted; • incentivised nominated stakeholders to carry out evaluations; and • efficient and effective arrangements for learning lessons from individual evaluation reports and for disseminating and applying them more widely within the sponsoring body, scheme promoters, delivery bodies, and the wider stakeholder community.

Source: National Audit Office Expert Panel[1]

1 The panel was chaired by the National Audit Office's Director of Economic Analysis and comprised representatives of: the Department for Transport; the Department for Business, Innovation and Skills; the Audit Commission; the Association of Directors of Environment, Economy, Planning and Transport; and the National Audit Office Value for Money Practice and Quality Team.

44 We used these principles to assess the Department's approach to the evaluation of local authority major capital schemes and the Programme overall (Appendix Three). Taking each of these principles in turn, we found that:

- the Department had defined evaluation in the context of the Programme.
- It had clearly articulated that all projects should be evaluated but follow-up was lax:
  - while it required local authorities to include an evaluation plan in their business cases, we could not find these in 15 of the 31 cases that we examined;
  - grant conditions require local authorities to carry out full evaluations of the schemes in line with the evaluation plans and to make the evaluation reports available to the Department. Local authorities had undertaken in 11 schemes in our sample to conduct 'before' and 'after' studies of specific conditions but we were unable to find any evidence that such work had been carried out; and
  - nine of the 31 schemes we examined had been completed, of which, given the elapsed time since completion, seven schemes could reasonably have been expected to have had evaluations carried out. We found that the Department held a full evaluation report for only one scheme, Ridgmont Bypass in Bedfordshire (**Case Study D** overleaf), and an interim evaluation report for one other scheme, the Darlington Eastern Transport Corridor. In one case, the Glasshoughton Link Road, the delay in evaluation seemed justified as the local authority told us that it was waiting until another local scheme with which it was linked had been completed to gain a fuller understanding of the benefits achieved.
- The rationale for evaluation did not appear to be clearly understood by the eight local authorities that we consulted. Three authorities did not understand why the Department required evaluation reports. However, three recognised the scope for learning lessons and evaluating benefits where schemes were large or novel and considered this was a role the Department could usefully fulfil.
- On roles and responsibilities, it is clear that local authorities are responsible for carrying out evaluations but there is limited capacity to undertake evaluation, both at the Department and in local authorities. Two of the local authorities we consulted were concerned that evaluation is resource intensive and that it is difficult to secure the funds to carry out the work. In the Department, the evaluation of major capital schemes falls to a single officer and is just one part of their responsibilities.
- The Department has provided guidance on carrying out evaluations but the local authorities that we spoke to were either unaware or had made little use of it. The Department planned to revise its guidance to build more transparency into evaluation methods and to take account of challenges faced by local authorities, but this exercise was suspended pending the outcome of the Comprehensive Spending Review and the findings of this review. The Department also currently does little actively to promote the sharing of learning and has not considered how it might develop its arrangements in future.

Case Study D
A507 Ridgmont Bypass

Local Authority	(Now) Central Bedfordshire Unitary Council
Description	Construction of a single carriageway road
Objective	To reduce delays at Ridgmont Level Crossing and to divert traffic away from villages reducing the adverse impacts of traffic on three conservation areas.
Departmental approved cost	£17.4 million (79 per cent of the total project cost of £22.0 million)
Departmental spend to March 2010	£16.5 million
Benefit Cost Ratio	4.3
Started	November 2006
Completion	June 2008
Key lessons	This project was completed in June 2008 and was evaluated independently, commissioned and funded by the local authority. The evaluation found that, overall the objectives of the project were achieved and in particular: • there was a reduction in traffic through Woburn of 24-30 per cent; • a significant decline in heavy goods vehicle movements of up to 35 per cent; and • a decline of over 50 per cent in the number of personal injury accidents occurring within the area. The evaluation report did not comment on whether the scheme had achieved the approved benefit cost ratio.

45 One local authority has acted on its own initiative to share its experiences of delivering major capital schemes (**Case Study E**).

Case Study E
MyBus

Local Authority	West Yorkshire Passenger Transport Executive
Description	Purchase of 150 school buses
Objective	To deliver a modal shift from private car use for home to school transport, improve pupil safety, reduce school exclusion, and improve educational attainment.
Departmental approved cost	£16.7 million (89 per cent of total project cost of £18.7 million)
Departmental spend to March 2010	£16.7 million
Benefit Cost Ratio	2.98
Started	December 2003
Completion	March 2008
Key lessons	The MyBus Metro Scheme in Leeds (alternatively known as Yellow Bus), promoted by West Yorkshire Passenger Transport Executive, received a great deal of interest from transport and education authorities as it was one of the first to adopt dedicated home to school transport systems. Other authorities were keen to understand the benefits of this scheme along with its development and application to their environment. Rather than conducting numerous *ad hoc* visits, the Authority convened a conference to highlight practices and processes, and to share experiences. The conference was aimed at anyone with an interest in providing and promoting public transport to young people. It provided feedback on the results of the scheme and a platform to discuss how local authorities, Passenger Transport Executives, operators and other agencies could use the findings from the project to achieve increased usage, reduced congestion, educational attainment and social benefits.

Evaluation of the Programme

46 The Department currently has no plans to evaluate the Regional Funding Allocation Programme as a whole. It considers that the diversity of schemes included in the Programme and the link to region-specific economic and spatial strategies makes evaluation of the Programme difficult to do at a national level.

47 This was a problem identified by the Department for Business, Innovation and Skills, the sponsoring department for the Regional Development Agencies, in assessing the impact of interventions. The eight Regional Development Agencies funded a wide range of diverse programmes with differing priorities. The Department for Business, Innovation and Skills, together with the Agencies, developed common measures and approaches to collecting data to ensure consistency in evaluation across interventions. They noted that all schemes delivered wider economic benefits in addition to meeting individual specific objectives and developed a common metric, Gross Value Added, and associated methodology for assessing performance against this. They also identified other key metrics, such as carbon emissions, environmental indicators, social measures, and strategic added value, which were to be expressed in terms of Gross Value Added to enable them to be included in an overall Gross Value Added:cost ratio.

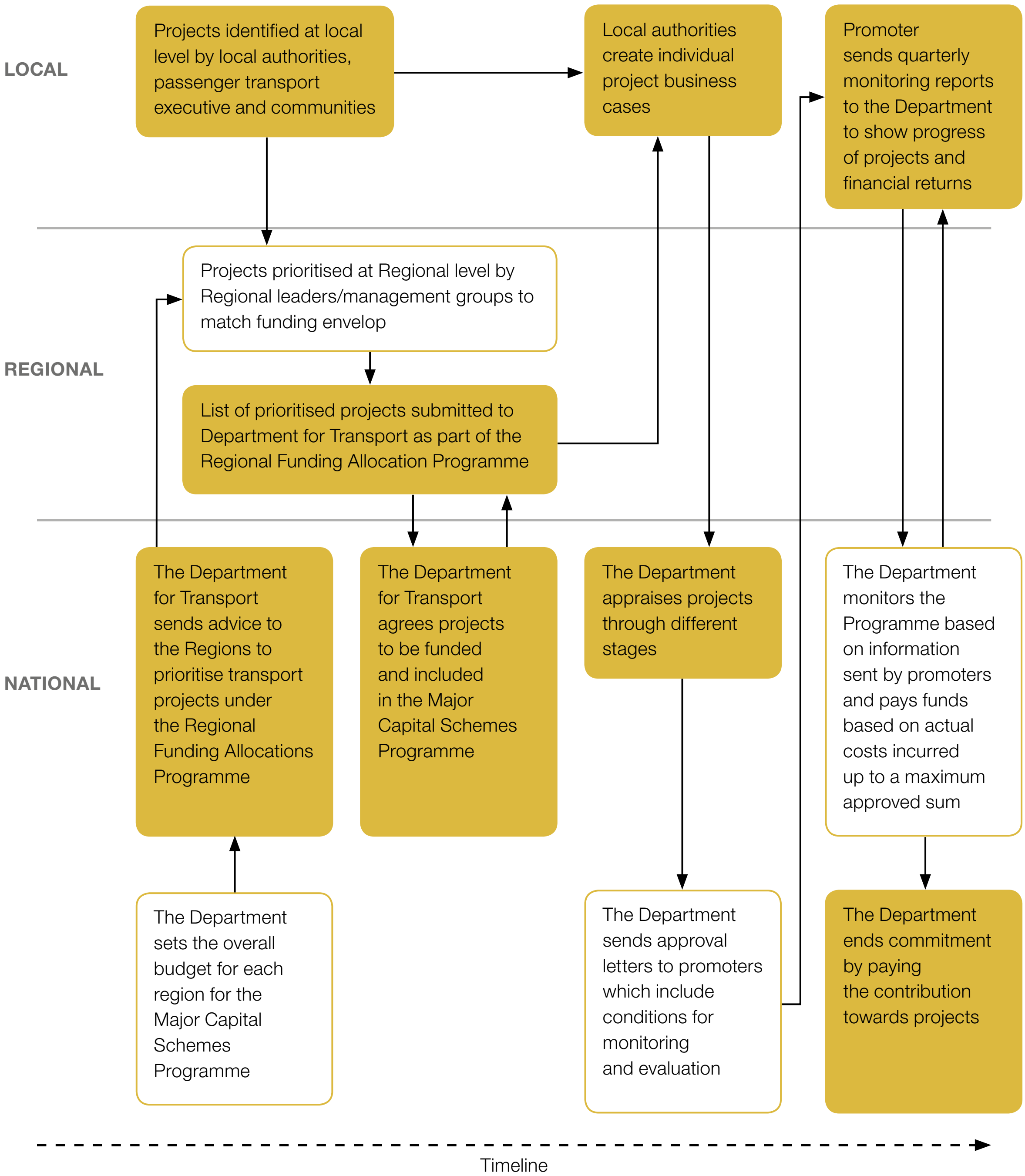
48 For transport schemes, key metrics might include the Department's overall business objectives for supporting economic growth, reducing greenhouse gas emissions, improved safety and security, equality of opportunity for all, and promoting the natural environment. The five national objectives used to appraise individual major capital schemes (paragraph 21) might also be relevant.

49 We consider that the Department should develop plans to evaluate the Programme as a whole so as to provide assurance that taxpayers' money has been put to effective use and to aid future investment decision-making. To assess whether the Department has achieved value for money from its expenditure it is important that schemes are evaluated against a range of benchmarks established at the outset.

50 The new Government has abolished regional strategies and the associated Regional Funding Allocation system and committed to develop a more devolved system for future local authority major capital schemes. In developing a new evaluation framework for local major schemes, the Department is interested in identifying schemes funded through the previous arrangements that could provide valuable evidence to central and local government's future interventions.

Appendix One

Overview of Regional Funding Allocation Programme process



Source: National Audit Office analysis of the Regional Funding Allocation process

Apendix Two

Framework for comparing the evaluation of the Regional Funding Allocation Programme and associated schemes

Purpose and overview of framework

This framework is intended primarily to help the Department assess the fitness-for-purpose of its evaluation arrangements for the Regional Funding Allocation Programme and associated projects by drawing on the knowledge of those with experience of evaluating projects and programmes in central and local government. The framework was developed by a panel chaired by the National Audit Office's Director of Economic Analysis and comprised members of the Department for Transport, the Department for Business, Innovation and Skills; the Audit Commission, the Association of Directors of Environment, Economy, Planning and Transport, and the National Audit Office. It sets out the main elements of ex-post evaluation activity in the context of an environment of devolved design and delivery, the drive for greater localism and transparency in the delivery of services, multiple stakeholders and where a programme may encompass a mixed portfolio of type and size of project. It does not provide detailed guidance about specific evaluation methodologies that might be applied, though it does consider whether such guidance is available and appropriate.

Interested stakeholders will include: the sponsoring body (often the principal funder of the programme or projects in question); scheme promoters; project/programme managers within the delivery bodies; the ultimate beneficiaries of the programme or projects such as local citizens; businesses or their representatives; and those designing and delivering similar programmes/projects.

Evaluation is part of an overall 'policy and delivery cycle' which also includes appraisal, monitoring and feedback or learning, and it should be considered in relation to these other aspects. Sponsoring bodies need to consider carefully at the outset of a programme or project the balance of resource that should be devoted to each element and how they can be mutually supportive, bearing in mind that the resources expended on evaluation should be proportionate to the overall scale, nature and potential benefits of the programme or project. For example, if a project is particularly innovative, even though small, it may warrant more extensive evaluation to learn lessons and inform future decisions.

The framework is organised around five key questions dealing with whether there is a clear and shared understanding of:

- What is meant by evaluation?
- What should be evaluated?
- Why evaluation should be undertaken?
- Who is responsible for what aspects of the evaluation process?
- How evaluation should be conducted and the lessons disseminated and learned?

On what is meant by 'evaluation'?

Principles	Factors to consider
The sponsoring body has clearly defined 'evaluation' in the context of the programme and projects in question.	The sponsoring body should explain clearly how [ex-post] evaluation sits within an overall policy/delivery life cycle which also comprises ex-ante appraisal of delivery options, monitoring of implementation and learning lessons from evaluation. Evaluation might relate to the process (to understand why something did/did not work), what was delivered and project/programme costs as well as outputs and outcomes. The sponsoring body should establish and communicate a clear definition of the term 'evaluation' for the benefit of its own staff and others, including scheme promoters, since there are a number of interpretations that may be inferred. Options, which are not mutually exclusive, include: **a** A post completion report, evaluating a project's outputs, carried out on completion of the project, focusing on the outturn cost, schedule and quality of delivery of outputs to expected criteria (for example, a road or bus station built, tram system working). For transport, this could also include some initial usage statistics; **b** A full economic evaluation of the project's outcomes and longer-term impacts, carried out at a specified interval after the project has completed and become operational. Focus on whether the expected (wider) benefits of the project have been realised (jobs created, economic growth, regeneration, improved road safety, reduced traffic congestion, increased reliability of public transport, increased accessibility) and if so why or why not and whether there have been significant unintended impacts (positive or negative); and **c** Continuous whole life evaluation, where evaluation is undertaken throughout the project's life cycle including the construction phase, running parallel with, and forming an intrinsic part of, the ongoing monitoring process to provide assurance that interim milestones and targets are being achieved, enabling lessons to be learnt at an early stage and informing the project's decision-making processes.

On what should be evaluated?

Principles

The sponsoring body has clearly articulated which projects it wishes to have information about, the rationale for their selection and the aspects of performance within each project that it wishes to evaluate.

Factors to consider

Ideally, all projects should be subject to evaluation. However, limited resources and varying circumstances of individual projects may mean that the depth and coverage of the evaluation required will vary. It is incumbent upon sponsoring bodies, along with scheme promoters, to determine which programmes/projects should be evaluated and to ensure that evaluation is appropriate and proportionate. This should be based on clear criteria, and those aspects of performance within the programme/project that they wish to assess. There may be tensions between a wish to adopt a light touch or proportionate approach to evaluation and a sponsoring body's requirement to undertake a comprehensive evaluation of a relatively small-scale, but innovative, project. Hence the importance of clear criteria which will help communicate such tensions.

Without clear guidelines there is a risk that evaluations will not focus on the achievement of objectives specified in project business cases, or on those outputs and outcomes that are important to a sponsoring body's considerations of whether value for money has been achieved and to inform its future investment decisions within the programme. As a minimum, evaluations should cover whether the inputs (for example, costs, staff time) were as envisaged and whether projects delivered outputs to anticipated quality but may be extended in selected cases to assess the added value provided by a project's outcomes, including any wider economic benefits (that is, over and above what would have happened without the programme/project being in place). Sponsoring bodies should identify common impact measures and metrics within schemes that would aid project comparison and the evaluation of wider programmes. Considerations relevant to project evaluation coverage include:

a Whether it is necessary to evaluate every project; if not, the criteria by which projects will be selected for evaluation. For example:

- the coverage that should be provided of large, risky or novel projects, or those that were expected to yield high levels of benefits for relatively low costs;
- whether some projects could be deselected, such as projects that do not align with key priorities, 'routine' projects about which type the sponsoring body holds sufficient information or 'one-off' projects that are unlikely to be repeated; and
- whether it would be acceptable to select projects for evaluation by using a recognised sampling methodology.

b The need for guidelines on the level and source of funding that should be budgeted for evaluation and whether evaluation is proportionate.

c Whether the evaluation should be limited to a post completion review, looking at the direct outputs of the projects (cost and infrastructure etc) or whether it should be a full economic evaluation looking at wider economic, social, and environmental impacts.

d Whether evaluations should address the achievement of all objectives specified in approved project business cases or focus on agreed priority objectives.

e Whether evaluations should assess the project's contribution to a range of wider benefits other than specific project objectives.

f Whether evaluations should identify unintended impacts or potentially adverse impacts on stakeholders.

On why evaluate?

Principles	Factors to consider
The sponsoring body has a clearly articulated rationale for evaluating the nominated programme and associated projects.	The sponsoring body should have a clear strategy for evaluation across all of its programmes within which the evaluation strategy and process of the nominated programme would sit. The sponsoring body should explain the purpose of evaluating the programme/projects and the potential benefits to different stakeholders since not all may be convinced of the need for evaluation. Reasons for undertaking evaluations include any one or more of the following: • The sponsoring body is accountable (to Parliament where the sponsor is a Government department, for example) for the proper use of funds that it provides for an overarching programme and to scheme promoters/delivery bodies; • Other scheme promoters and delivery bodies are accountable (perhaps to local communities) for the proper use of their own funds and for delivering local benefits; • To inform the sponsoring body's understanding of the value for money and wider benefits secured by its investment in specific schemes and in the overarching programme, and to enable it to prioritise future investment decisions across different programmes; • To enhance delivery bodies' understanding of the local benefits (and, potentially, drawbacks) delivered by specific types of projects, thus informing future investment decisions, whether or not supported by a third party sponsoring body's funds; and • To facilitate the learning of lessons and sharing of best practices within and between stakeholders.

On who should undertake the evaluations?

Principles

The sponsoring body has clearly defined and communicated the respective roles and responsibilities of the programme/project sponsor and others for undertaking evaluations, taking into account the capacity of each to do so.

Factors to consider

As principal funder of the programme or projects in question, the sponsoring body should decide how evaluation is to be funded and communicate its expectations of the role that respective parties are to play in carrying out project and programme evaluations. In principle, someone outside the delivery of the project should be commissioned to undertake the work to maintain the independence of the evaluation. The sponsoring body will need to take into account a number of considerations, including:

a The precise roles and responsibilities that it envisages its staff and others, for example scheme promoters, should have in the evaluation of the overarching programme and individual schemes and the need to avoid duplication of effort;

b Whether the sponsoring body and scheme promoters have the capacity and capability to undertake good quality evaluations. For example, there may be insufficient skilled staff available to do/manage the work;

c Whether it is necessary for scheme promoters to carry out evaluations themselves. While it is important that there should be ‘intelligent’ users of evaluation reports within scheme promoters there may be advantages in having evaluations conducted by independent skilled third parties, including more expert, rigorous, and objective evaluations;

d Whether a centralised approach and structure (for example, managed at a regional level) would be appropriate so that scheme promoters might share resources and expertise to conduct evaluations;

e Where a programme is to be evaluated, whether a single evaluation team should undertake all project evaluations to aid consistency and standardisation of approaches and reporting of benefits, thus facilitating comparison of the achievements of individual projects, or whether the sponsoring body has a responsibility for developing market capacity to undertake evaluations by allocating the evaluation role more widely (the scale of the programme in question may have a bearing on whether it is feasible to allocate responsibility to a single team); and

f The need for, and level of, quality assurance of completed programme and project evaluations.

On how to conduct evaluations and disseminate lessons?

Principles

The sponsoring body has provided guidance on how key aspects of project and programme evaluations are to be conducted.

The sponsoring body has incentivised nominated stakeholders to carry out evaluations.

The sponsoring body has efficient and effective arrangements for learning lessons from individual evaluation reports and for disseminating and applying them more widely within the sponsoring body, scheme promoters, delivery bodies and the wider stakeholder community.

Factors to consider

To improve the chances of effective and useful evaluations the sponsoring body needs to have set out the key ingredients of an effective evaluation exercise and to have suitable incentives in place to encourage nominated stakeholders to undertake project evaluations. In addition, it needs to have established effective mechanisms for learning, disseminating, and applying lessons learned from a range of individual evaluation reports. It may be that the sponsoring body will be best placed to undertake the evaluation of a given programme.

On methods and associated guidance, relevant considerations include:

a The need for practical guidance for nominated stakeholders on the conduct of project evaluations including, for example, establishing clear attribution and additionality principles to deal with confounding variables and multiple funding sources respectively;

b Identification of key metrics and base data with clear objectives and targets against which to measure project and programme performance;

c The setting of a realistic budget and identification of a source of funding for the evaluation process (should the sponsoring body fund all evaluations? Should there be a central ‘pot’ of funding for evaluation?);

d Establish clear timelines for undertaking evaluations;

e Incorporate methodological lessons and practices from previous similar evaluations;

f Where programmes being evaluated support a variety of scheme types, identification of a set of common metrics that will aid comparison of respective performance and benefits achieved;

g The creation of an external review function provided by an independent and credible alternative group to challenge and scrutinise the evaluation exercise and to quality assure the process;

h When a light touch approach to reduce costs would and would not be appropriate, and whether it would provide evidence which is fit for purpose; and

i The need to build capacity and work ‘smarter’ using existing or already collected data or surveys to minimise the burden of evaluation.

On the incentivisation of nominated stakeholders, relevant considerations include:

j The need to inform stakeholders of the benefits of project evaluations to their own decision-making;

k The need for transparency in the evaluation process. A commitment to making data on scheme evaluation publicly available which, over time, would inform public knowledge of programme/project benefits;

l Mandating the creation of an agreed evaluation plan and production of a final evaluation report as part of the final project approval process or contract conditions;

m Phasing the disbursement of project funding and linking it to, for example: appropriate evaluation planning at the project development stage; monitoring during the life of the project; and production of a final evaluation report after a specified period of time; and

n Giving preference to scheme proposals which evidence the use of previous evaluation reports in new appraisals and/or that are submitted by organisations with a strong track record in delivering results.

On the identification, dissemination and application of lessons learned, relevant considerations include:

o The need to ensure that all evaluation reports clearly identify the benefits and drawbacks of each project and to avoid the risk of 'selective' reporting;

p The establishment of appropriate, transparent, arrangements to ensure that the sponsoring body receives all evaluation reports promptly following their completion and notifies nominated stakeholders of actions taken;

q The allocation of responsibility to a central team within the sponsoring body to identify appropriate lessons from individual project evaluations;

r The mechanism by which lessons (including those related to scheme design, delivery and impacts as well as sharing best practice in evaluation approaches and methodologies) could be shared nationally, including between scheme promoters and delivery bodies (for example, web-based information, workshops) so as to maximise the value of the evaluations conducted across all projects within a programme;

s The publication of a periodic report summarising the findings of recently completed evaluations; and

t The incentives available to encourage scheme promoters, delivery bodies and others to access evaluation information once collected.

Appendix Three

National Audit Office assessment of the Department's evaluation arrangements against the evaluation framework

What is meant by 'evaluation'?

Principles	Assessment of the current position of the Department for Transport
The sponsoring body has clearly defined 'evaluation' in the context of the programme and projects in question.	The Department has defined evaluation in its guidance for developing the business case for Major Capital Schemes. This states that evaluation is: *...an independent quantitative and qualitative assessment of the processes of implementing a scheme and its impacts. Evaluating major schemes will help the Department meet its commitment to assess the impacts of its policies, and provide the Department and authorities with valuable evidence to inform future scheme development and decision-making.*[2] This definition for evaluation is primarily around the evaluation of projects. The Department has not defined or articulated a need for an evaluation of the overall Regional Funding Allocation programme.
What should be evaluated?	
The sponsoring body has clearly articulated which projects it wishes to have information about, the rationale for their selection and the aspects of performance within each project that it wishes to evaluate.	The Department requires evaluation plans to be in place for all approved projects. Evaluation plans vary depending upon what is to be evaluated and who is to undertake the evaluation. The aspects of performance or benefits delivered, whether monetised or non-monetised, to be evaluated have not been identified or made clear. Nor is there clarity on whether unintended or possibly adverse impacts should be assessed. There are no common metrics or measure to aid any comparison of schemes or benefits delivered across the programme. Nor is any guidance provided on how projects contribute, if at all, to wider programme objectives.
Why Evaluate?	
The sponsoring body has a clearly articulated rationale for evaluating the nominated programme and associated projects.	The Department's rationale for evaluating projects is included in its major scheme business case guidance (above) and centres around getting assurance that benefits identified are delivered and informing future scheme development and decision-making. We have not found any evidence of the Department using, or planning to make use of, evidence collected from current or past evaluation to provide assurance to accountable bodies that funds have been used appropriately. We have not seen any evidence of the Department collecting data from ongoing or completed evaluations to get a better understanding of what benefits (and possible adverse impacts) were delivered, and whether these were attributed to specific types of projects, places, or processes. Although few schemes are sufficiently mature to have completed an evaluation as yet, we have not found any evidence of the Department having any plans to utilise lessons from current or ongoing evaluations to inform or to influence decision-making. There are no processes in place to identify and highlight good practice and to facilitate learning.

2 Guidance for Local Authorities seeking Government funding for major transport schemes.

Who should undertake the evaluations?

Principles	Assessment of the current position of the Department for Transport
The sponsoring body has clearly defined and communicated the respective roles and responsibilities of the programme/project sponsor and others for undertaking evaluations, taking into account the capacity of each to do so.	The responsibility for undertaking evaluation falls to the local authority promoting the scheme. The Department reviews the evaluation plans submitted at the appraisal stage. The Department has limited resources to undertake any further reviews or initiatives. There is limited expertise and funding within local authorities to undertake evaluations. Evaluation is not funded separately by the Department. The Grant is provided for capital works.
How to conduct evaluations and disseminate lessons?	
The sponsoring body has provided guidance on how key aspects of project and programme evaluations are to be conducted.	The Department's guidance on undertaking evaluation, produced in 2006, is available on its website and has the stated purpose of promoting well planned and proportionate evaluation. It is primarily targeted for the local authority major capital schemes programme. The Guide provides advice and ideas and recognises the need for flexibility. It includes high level principles and overall strategy. The Department was involved in a refresh of the guidance but has suspended this exercise pending the outcome of the Spending Review. Local authorities do not find it user friendly and relied upon their project consultants to produce plans. The Section 31 Grant Full Approval letter issued by the Department to project promoters includes specific conditions on the requirement for evaluation to be carried out and for any lessons or practices to be shared. The letters do not prescribe the metrics to be used, attribution principles, exact timelines, or how lessons are to be shared. The Department does not have any clear objectives or guidelines for its own staff to evaluate the Programme.
The sponsoring body has incentivised nominated stakeholders to carry out evaluations.	There is no incentive for local authorities to carry out evaluations. It is a resource intensive and costly operation for them which they consider difficult to justify in the current economic climate. There are no programmes to build capacity or support local authorities to undertake evaluation. Local authorities said there is a lack of transparency in the Department's processes. They were unclear as to why the Department wanted evaluations carried out, and what they would be used for. Although the requirement to undertake evaluation was included as part of the grant conditions, there has been a lack of policing of compliance.
The sponsoring body has efficient and effective arrangements for learning lessons from individual evaluation reports and for disseminating and applying them more widely within the sponsoring body, scheme promoters, delivery bodies, and the wider stakeholder community.	There is no evidence of the Department collecting, reviewing, and taking action on the (limited number of) evaluations it has received, or sharing any lessons learnt or good practice. Local authorities have received little feedback from the Department on how the evaluations are to be used or whether there are any lessons to be learned and how these are to be shared. The Department does not actively police or monitor the specific conditions included in the Section 31 Grant Full Approval letter. The Department has limited resources, currently part of one Full Time Equivalent member of the Evaluation team, available to monitor and review the evaluation processes and practices carried out by local authorities, and to identify and collect good practices. The Department does not have any plans to undertake any programme evaluation which could identify wider lessons and practices across regions and types of projects.

Where to find out more

The National Audit Office website is
www.nao.org.uk

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