

ESSU Research Report No. 2

Options Appraisal Criteria and Matrix

Dexter Whitfield

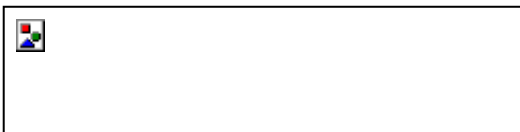


Contents

This paper is organised in the following sections:

- Why comprehensive and rigorous assessment is essential
- Options appraisal of policies, projects and programmes
- Preparing for an appraisal
- Vision, demand and scope for improvement
- Selection of options
- Public sector option
- Evidence-based policy
- Appraisal criteria
- Prioritising and weighting criteria
- Employment options and criteria
- Costs and benefits
- Risk assessment
- Market analysis
- Scenario analysis
- Consultation
- Staff and trade union involvement
- Appraisal bias
- Sensitivity analysis
- Optimism bias
- Options Appraisal Criteria Matrix

June 2007



Dexter Whitfield, Director

Adjunct Associate Professor, Australian Institute for Social Research, University of Adelaide

Mobile 0777 6370884

Tel. +353 66 7130225

Email: dexter.whitfield@gmail.com

Web: www.european-services-strategy.org.uk

The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services which began in 1973.

Introduction

This ESSU Research Report focuses on appraisal criteria, which are a fundamental part of the options appraisal process. It outlines out the key stages in the appraisal process. As options appraisal becomes a more common tool in public management there is evidence that 'appraisal bias' is leading to pre-selected options and construction of particular outcomes by the selective use of evidence and narrow evaluation criteria. Yet a rigorous and investigative approach can be very productive, directing attention to longer-term needs rather than short-term interests.

The report is rooted in options appraisal, procurement and bid evaluation for a wide range of public services over more than two decades, the assessment of Outline Business Cases for Private Finance Initiative/Public Private Partnerships and proposals for Strategic Service Delivery Partnerships in many cities.

It is essential that options appraisal is comprehensive and rigorous. It should assess whether each option can improve investment, modernise services, enhance organisational capacity, achieve efficiencies and achieve regeneration benefits. It must also determine the extent to which options can implement core policies and provide answers to:

- 1) Which groups of people, organisations or companies are the intended beneficiaries of the policy or project?
- 2) What type of benefits are planned – quality of life, physical environment, social, economic, employment and skills?
- 3) What will be the impact on the local or regional economy?
- 4) Who may be adversely affected and can this impact be eliminated or mitigated?
- 5) What mechanisms will be used to maximise the intended benefits?
- 6) Are the options sustainable?

Options appraisal pre-dates a formal procurement process and thus is not constrained by UK and EU procurement regulations. It provides an opportunity to fully assess the economic, social and environmental impact of options. This requires understanding the wider economic consequences and not just potential effect on the authority's budget. It means fully understanding the scope and implications of options and avoiding the undue influence of assertions and claims associated with in-vogue options or those promoted by vested interests.

Options appraisal may, however, trigger a procurement process. This reinforces the need for clarity in deciding which is the best or preferred option before embarking on procurement, which has financial and legal obligations.

Why comprehensive and rigorous assessment is essential

A comprehensive and rigorous appraisal process is important to:

- Identify and align policies and projects with local needs and aspirations.
- Maximise the opportunities for service improvement and ensure the best use of technology, resources and assets in meeting social needs.
- Achieve equity and equalities objectives and identify any adverse impacts and to design action to eliminate or mitigate adverse impacts.
- Meet the requirements of fiduciary duty to identify the full range of costs and benefits and to obtain sustainable value for money.
- Adopt best practice procedures to meet policy and project requirements and standards for external funding if this is required.

- Identify and assess all the potential risks.
- Provide evidence for the next stage of the project.
- Ensure future scrutiny and review will not expose policy and process failings or weaknesses.

Options appraisal of policies, projects and programmes

Options appraisal is used in a wide variety of contexts ranging from policy changes, infrastructure and ICT investment, economic strategies, shared services projects and government programmes. For example:

- Policy and programme appraisal
- Commissioning, procurement and outsourcing proposals
- Shared services projects
- Strategic Service Delivery Partnerships (SSDPs)
- Transfer of services and functions to trusts, arms length companies and joint venture companies.
- PFI/PPP/BSF and NHS LIFT infrastructure projects
- Regeneration and development projects
- Economic development
- Planning and transportation projects
- Reorganisation and mergers
- Other marketisation and privatisation proposals
- Integrated impact assessment

This report does not cover the evaluation of bids during the procurement process although there is considerable overlap in the criteria.

Preparing for an appraisal

Options appraisal needs to be planned, managed and resourced. There are many examples of options appraisals which begin with a particular narrow motive such as the transfer of services to a trust. As a result appraisals are often incomplete, lack an evidence base and limited criteria are selected in order to bias the outcome of the appraisal to the original motive to initiating an appraisal. It is essential that the appraisal process includes:

- Clear, concise and specific objectives – such as, to identify and assess alternative options, assess the full impact of proposals, determine the costs and benefits, and to consult with users, staff, community and other bodies in a meaningful way.
- Management of the process
- A methodology based on best practice and corporate policies
- Evidence base and recording of forecasts, assumptions
- Consultation process
- Resources required
- Reporting and communications strategy
- Evaluation of the appraisal process by Scrutiny Panel/Committee

Most authorities and public bodies have the capability of carrying out an options appraisal with adequate planning and preparation. Since options appraisal is almost certain to become more frequent it is essential that in-house capability be strengthened. This is rarely achieved by outsourcing appraisal to management consultants who usually do not fully accept or support public service principles and values, promote a business approach to efficiency, advocate marketisation and offshoring, and often select case studies with a lack of objectivity and assessment of local needs.

See page 13 for an outline of the options appraisal process.

Vision, demand and scope for improvement

This is an important stage of the appraisal process. It should:

- Explore and develop ideas about the future scope, shape and function of the service, how information and communications technology and other changes can be harnessed to maximize social and economic benefits. This must be rooted in reality and focused on addressing needs and opportunities.
- Examine how the current service can be improved and developed, whether there is any scope for redeploying resources and assets in a different way to achieve a more holistic approach and improve service effectiveness. This should include the scope for joint provision, for example with health organizations.
- Evaluate user needs and forecasts of demographic and lifestyle change.
- Organise workshops with staff and trade unions to draw on their ideas and experience and engage with them in the process.

Selection of options for appraisal

It is common practice to include a 'do nothing' or 'status quo' option. A 'do nothing' option may be a relevant option in environmental impact assessments where the potential economic and social costs of environmental damage are likely to be substantial. However, in most situations there is little benefit from this approach because 'doing nothing' is not a feasible option politically, economically and socially. In PPP/PFI projects the purpose of a 'do nothing' option is often to make a private sector option appear more attractive than it would otherwise. A 'do nothing' option is recommended for Regulatory Impact Assessments in order to give a baseline to compare other options against and identify the implications of taking no action (Cabinet Office, 2004). However, this is in the context of the government and business drive to deregulate and is a different context to most service and infrastructure provision.

An options appraisal is always about moving forward, for example investment in new buildings or transport, new equipment and working practices, service improvements, collaborative and joint projects with other authorities. There are few situations where standing still is desirable. A 'do minimum' is a more realistic option.

Each option should set out alternative means by which the policy or project objectives can be achieved. A 'do nothing' option clearly cannot fulfil this requirement.

All options should be:

- realistic, likely to have political support and be sustainable;
- compatible with the corporate priorities of the organisation;
- compatible with the project's objectives.

Public sector option

An in-house option should be developed as standard practice. It should be based on a Service Improvement Plan which sets out a programme of how the service(s) can be improved and developed. It must, however, be a genuine option rigorously assembled and not a vague

public sector comparator drawn up to try to show that an in-house option has been considered. Whatever the intentions, it usually has the effect of making other options appear more 'attractive'. There have been too many instances where an in-house option is little more than the current service with a short term improvement plan branded under a Best Value banner.

Evidence-based policy

Whilst many policies and projects are claimed to be founded on an evidence-based policy-making process this is not the case. There are many examples of policies having been mainstreamed before pilots and pathfinders have been completed, let alone evaluated. The following questions should help to challenge the current claims and weaknesses in the policy making and project development processes:

- Are the findings and conclusions supported by evidence? Verify sources to ensure you use relevant independent research.
- Are the evidence sources credible and independent with a clear research methodology and not simply targets, forecasts or predicted outcomes?
- What is the internal evidence and experience from previous implementation of the same or similar options? Assess the internal evidence in the authority on previous/current collaboration and commissioning.
- Does the evidence relate to similar conditions which exist in the authority? Use private sector evidence of shared services with care. Remember, evidence from failed or less successful projects can be just as useful as the more successful ones.
- What are the limitations of the evidence – what remains unknown/unclear? Don't inflate efficiency savings forecasts to gain support because it could jeopardise the project at a later date.
- Has the evidence been interpreted fairly?
- Is there a need to obtain further information to corroborate the evidence?
- Does each option have a similar and comparable evidence base?
- Have all the operational, investment, staffing, managerial and governance needs of each option been investigated?
- Has the full range of transaction costs (including setting up and procurement costs, consultants fees, client and project management costs) been identified and quantified?

Evaluation process

- Are the forecasts of change in economic and social conditions from reliable sources?
- Has the appraisal process been transparent?
- Have the appraisal criteria been applied consistently for all the options?
- Is the sample/methodology of user views and aspirations reliable and reflect the diversity of the population/service users and potential users.
- Has the appraisal process considered fully the positive and negative impacts of each option?
- Are the values and ideological perspectives of the options appraisal team recognised?
- Are the assumptions and judgements made for each option transparent?
- Have all the risks been identified and assessed?

- Does the appraisal balance local needs and priorities with national policies? Assess the impact of options on different groups/interests and the local economy.
- Is the selection of a preferred option supported by evidence and assessments?
- How sensitive is the preferred option to changes in forecasts, assumptions and judgements made in the course of the appraisal?

Appraisal criteria

The Options Appraisal Criteria Matrix (pages 14 – 16) is divided into twelve sections, which cover the full range of issues that should be taken into account in appraising options. They are summarised below:

1. **Design and scope:** How each option meets strategic objectives, vision and aspirations, ability to meet current and future needs, user views, effect of creating/extending market mechanisms, scope for synergies and design/technical assessment.
2. **Accountability, governance and participation:** The implications of each option for enhancing democratic accountability, transparency and scrutiny and user/community and staff/trade union involvement in planning, policy and provision.
3. **Financial assessment:** Assess whole life and transaction costs, investment requirements and funding, affordability, use and allocation of savings, Best Value and risk assessment.
4. **Quality of service:** The potential impact on performance, service integration, continuous improvement and innovation, flexibility and responsiveness, accessibility and connectivity.
5. **Local/regional economy and community well being:** Assess impact on jobs, skills, labour market and local economy, contribution to regeneration and economic development strategies, community well being and cohesion.
6. **Quality of employment:** Application of employment models to each option, ability to retain terms and conditions, pensions and labour standards, impact on working practices, workplace training, access/provision of childcare and health and safety in workplace and community.
7. **Sustainable development:** Impact on local/regional production and supply chains, access to parks and recreational activities, services and facilities, environmental impacts and efficient use of resources.
8. **Ability to address social justice and inequalities:** The appraisal should identify how each option will reduce/eliminate health and other inequalities and discrimination for different equality groups. It should include a distributional analysis of the costs and benefits of each option and assess the contribution to building community capacity, power and participation.
9. **Capability, management and intellectual knowledge:** Effect of each option on retention of key skills and intellectual knowledge, ability to manage change and regulatory frameworks and transferability of skills to rest of the authority.
10. **Organisational arrangements:** Effect on flexibility, scope for collaboration and consortia, impact of transfer to arms length bodies and trusts and capability of third sector organisations.
11. **Added value:** Proposals over and above core requirements and additional community benefits.

12. **Corporate impact on the authority:** Assess the impact on the viability of in-house provision, service integration and the financial and employment knock-on effects on central and other services.

All 12 elements are applicable in all options appraisals although the level of detail will vary according to the service or project being assessed.

The nature of options appraisal means that the evidence base is usually not as comprehensive as the evaluation of bids in the procurement process. Some degree of estimating and making assumptions is inevitable but it is important that these are written up as part of an evidence base – this is vitally important for an audit trail, scrutiny and review and for new staff joining a project team.

The Options Appraisal Criteria Matrix does not contain separate sections for specific services such as health, education, housing or transport because the criteria are applicable to all options appraisals. However, the application of the criteria may vary depending on whether policy, project or programme options are being appraised.

Prioritising and weighting criteria

Options appraisal is a much more than a formulaic box-ticking exercise. The assessment of impacts should include a descriptive analysis and, where costs and benefits can be quantified, numerical and financial provided including the sources and assumptions used to estimate impacts. It is important that the descriptions are full and accurate. Estimates and forecasts should be clearly stated so that they can be judged accordingly and, if necessary, challenged.

In many cases a monetary assessment is neither feasible nor desirable. There are basically three types of costs and benefits:

- Those that can be quantified and monetised;
- Those that can be quantified but cannot be monetised;
- Those that cannot be quantified but can be identified by estimating and making assumptions supported by experience and case studies.

Where a monetary assessment is either not desirable or possible, then the criteria can be assessed using a plus/minus 7-point scale.

It may be useful to prioritise the 12 criteria into broad groups mirroring the priority accorded to the project objectives, if these have been prioritised.

The weighting of main criteria and sub-criteria must be transparent and politically approved.

Employment criteria

Absence of assessment of jobs and the quality of employment in shared services projects. It is often assumed, wrongly, that TUPE affords protection for staff which leads to the potential consequences for staff being downplayed or even ignored. Each option should be based on the most appropriate employment model.

There are four employment models:

- 1) In-house and remain with current employer.
- 2) Secondment to a joint venture company or public body.
- 3) Transfer to a new employer under the TUPE regulations.
- 4) A 'choice' model promoted by some private contractors which is a mix of secondment and transfer.

More than one employment model may be suitable for some options and each should be fully assessed. The appraisal should assess the risks borne by employees (see the Employment Risk Matrix at www.european-services-strategy.org.uk/outsourcing-library). This assesses the:

risk of changes to terms and conditions of service, pensions arrangements, staff consultation and representation and the risk of problems with secondment agreement.

Costs and benefits

Costs and benefits for each option should:

- Be proportionate to the likely impact.
- Include the cumulative effect of each option.
- Identify direct and indirect impacts (wage costs should be multiplied by 1.4 to reflect non-wage labour costs; Local multipliers of 1:1.15, 1:1.25 and 1:1.35 should be used to identify the knock-on impact of low pay/part time work, general local authority/public sector work and construction work respectively).

Risk assessment

A risk profile for each option should be prepared. It should identify the risks, how likely they are to occur, the potential consequences and impacts, who bears the risk and how they might be eliminated or reduced. There are many different types of risk (HM Treasury, 2005). The evaluation of risks should ask a number of questions:

- *“Are the reasons for intervention still valid?”*
- *Is the scope of the risk and the hazard the same?*
- *Has the risk profile changes?*
- *Is there evidence of cause and effect – have the changes in risk occurred due to the policy response?*
- *What is the level of public concern? Has this changed?*
- *Have there been any unanticipated effects – negative or positive?*
- *What were the actual costs, direct and indirect?*
- *How might intervention be improved?*
- *What transferable lessons can be identified for other existing or planned policies?*
- *To what extent can we assign effects to the intervention, or to other factors?” (Ibid).*

Market analysis

The purpose of market research and consultation is to develop an understanding of:

- the current range and type of provision and the extent to which market mechanisms operate;
- anticipated future changes as a result of legislation, user demands and/or best practice;
- the organisation of the sector and the key providers – other public sector organisations, private companies and consultants and voluntary sector contractors – and related supply chains delivering goods and services;
- the main developments and trends in the sector;
- the pattern of mergers and take-overs;
- assess the performance of contractors, trusts, strategic service delivery partnerships, shared services projects and PPP/PFI projects.

This knowledge base will improve understanding about provision, the extent to which services have been marketised and assess the potential effects of different options. In most cases it will not be necessary to carry out a ‘market sounding’ (seeking the views of private and

voluntary sector contractors on their level of interest in providing a particular service). This would normally be undertaken at a later date if the local authority or public body agrees to a procurement process and an Outline Business Case is required.

The government requires a Competition Assessment (part of a Regulatory Impact Assessment (RIA) when policy and legislative change could increase business regulation. However, this assessment is focused the potential effect of regulatory changes on competition. Options appraisal must have a wider agenda taking into account the performance of markets, market failure, the effect of market mechanisms on the quality and access to services, skills and workforce development, the local and regional economy in addition to the regulatory framework. Since April 2007, government departments must carry out an Impact Assessment on all proposals, which impose or reduce costs on businesses or the third sector (Cabinet Office, 2007). This also applies to public sector costs unless they fall beneath a pre-agreed threshold, generally £5m).

Scenario analysis

Identifying the major global, national and regional economic, social and political trends and future events and examining the plausible impacts on the selected options can be a useful part of the appraisal process. It can be a useful means of assessing the robustness of options in responding to change, for example, growth or decline in demand, changes in employment and regulatory frameworks, competition from other sectors, capability to restructure and reinvest.

However, scenarios must avoid resorting to a short term perspective which narrows consideration of the potential impacts and robustness of the options. Similarly, constructing scenarios full of visioning and 'blues skies' thinking projecting long-term economic and social change have limited value because it is difficult to assess the impact on options.

Consultation during options appraisal

There are significant benefits to organising consultation with users and staff during the options appraisal process. This should commence at early stage so that it is a genuine process and will not be viewed as an attempt to legitimise a particular option. The benefits include:

- Gathering views and comments of service users, potential future users and other stakeholders.
- Helping to identify unforeseen problems, risks and unintended consequences of the options.
- Opening up thinking to external challenge.
- Helping to increase the robustness of costs and benefits.
- Deepening understanding of equality issues and how adverse impacts may be eliminated or mitigated.
- Helping to consider environmental impacts which are often difficult to evaluate.

Consultation should involve internal users, external users including community organisations, other public sector bodies, organisations representing different social groups and voluntary organisations. Their views and responses should be documented. The consultation should how different options impact on different groups and whether they are affected directly and/or indirectly.

Staff and trade union involvement in options appraisal

The above advantages also apply to engaging staff and trade union representatives in the options appraisal from an early stage.

- Staff workshops to discuss cause/effect of current performance and ideas and proposals for service improvements.
- Consider research and information from trade unions on performance/options from other local authorities or public bodies.
- Jointly discuss the findings of visits to other local authorities/public bodies.
- Jointly discuss staff/trade union proposals and comments on options.

Appraisal bias

Options appraisal can sometimes reflect an overly optimistic view of the effect of a particular option. However, there is evidence of 'appraisal bias' in which options appraisal is carried out with a predetermined option in mind. This highly selective approach has been evident in many options appraisals preceding Strategic Service-delivery Partnerships and Private Finance Initiative projects. 'Appraisal bias' can take many forms:

- Failure to fully assess current performance to identify strengths and weaknesses. This can have the effect of downplaying or distorting the current and prospective quality of service and performance in order to justify another course of action. This should include Best Value Reviews and inspection reports of individual services and not just corporate-wide Comprehensive Performance Assessments. This reinforces the need for an evidence-based methodology.
- Assessment of recent reorganisation and restructuring to ensure an up-to-date appraisal of capability and capacity is made. Do not rely solely on 'old' assessments. Options appraisals often undervalue and under-estimate the capacity of the authority to achieve change whilst simultaneously overstating the capacity and track record of the private or voluntary sector.

If an options appraisal proceeds to an Outline Business Case (OBC):

"The OBC should be supported by a robust reporting structure that provides a structured and systematic approach to analysing the current service.....including analysis of the existing service strengths and weaknesses, key service standards and outputs, the condition of the current assets or infrastructure, and trends in public opinion about the service." (4ps, 2004)

- Inadequate and selective research – for example selecting case studies and visits to authorities which have outsourced services but ignoring those which had decided a different course of action, had experienced contract failure and/or had adopted a secondment employment model.
- The appraisal does not establish the business need for the preferred option.
- The identification of transitional and permanent costs is incomplete.
- The evaluation of options is not transparent and is biased against the insourcing and public-public collaboration options. The advantages and disadvantages of each option should be set out together with references to the evidence base, spreadsheets and other documentation. The documentation should provide an explanation as to how the estimates have been arrived at.
- The appraisal displays a lack of understanding of the economics and market forces operating within the sector.
- The risk assessment is not sufficiently comprehensive and/or some risks are downplayed.
- Appraisal of job creation and business growth proposals is essential because they often play an important part of the 'attraction' of particular options. However, the track

record of job generation in strategic partnerships is very poor. Rigorously assess income projections, anticipated job losses from reengineering, shared service participation levels and balance potential inward investment with potential offshoring.

Sensitivity analysis

Sensitivity analysis is an important part of options appraisal because it is a means of testing the validity of the key variables. For example, calculation of the impact of a 50%, 75% and 125% success rate in generating additional income/contracts which could have a marked effect on the viability of a project and the extent to which it achieved employment targets. By changing each variable and calculating its impact, it is possible to identify the key variables and parameters.

Optimism bias

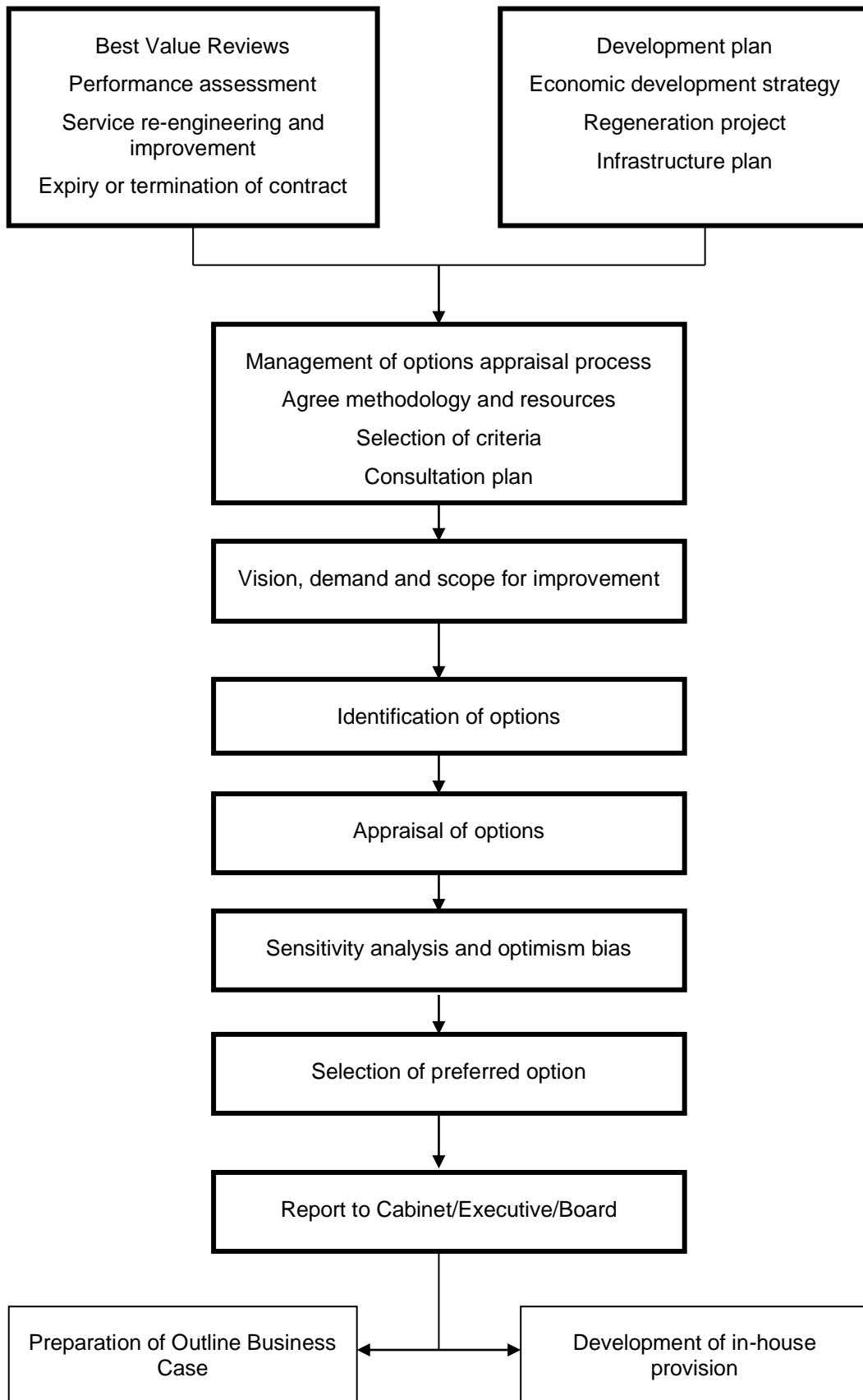
Options appraisal can often be biased by the assessment team being overly optimistic about project costs, duration and benefits. It reinforces the need for the selection of options and the assessment/evaluation process to be realistic and sustainable. Project costs and benefits may be inflated or exaggerated as a result of the systematic tendency to view things in an overly positive light. It can arise in relation to any aspect of a project but it particularly applies to:

- costs (capital and revenue);
- works' duration; and
- benefits delivery (outputs and outcomes)."

In order to redress this tendency, the Green Book recommends that appraisers should make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration (HM Treasury, 2005).

Adjustments should be based on data from past projects or similar projects elsewhere, and adjusted for the unique characteristics of the project in hand.

Options Appraisal Process



| Options Appraisal Criteria Matrix | |
|---|---|
| 1. Design and scope | 2. Accountability, governance and participation |
| <ul style="list-style-type: none"> • Public service principles and ethos. • Strategic and project objectives. • Vision and aspiration for services and infrastructure. • Understanding of current needs, problems, opportunities and market mechanisms. • Ability to fulfil client functions, responsibilities and accountability. • User views and aspirations. • Ability to meet future needs, changes in levels of demand, demographic and technological change. • Effect of creating/extending market mechanisms. • Potential response from the market and the need for regulatory change. • Scope for taking advantage of synergies. • Compatibility of systems and processes. • Design/technical quality assessment. • Communications strategy | <ul style="list-style-type: none"> • Maintaining and enhancing democratic accountability, governance and role of elected members. • Accountability and governance of partnerships, alliances and joint venture companies. • Implications of increased role of private companies or third sector organisations in governance. • Management accountability. • Scope for internal/external user and community involvement in planning, policy and provision. • Contribution to neighbourhood management, delivery and participation. • Accountability of user, community and other representation. • Staff and trade union involvement and industrial relations framework. • Transparency and disclosure to political, management, employees and public interest. • Scope for review and scrutiny. |
| 3. Financial assessment | 4. Quality of service |
| <ul style="list-style-type: none"> • Ability to access and deploy resources. • Whole life costs including transaction costs – commissioning, procurement and contract management. • Investment strategy and source of funding. • Medium and long term affordability. • Best Value and value for money. • Pooling of budgets and scope for sharing costs. • Asset management proposals including impact on accommodation needs and costs. • Ability to identify, apportion and manage demand, design, economic, operational, residual value and other risks. • Use and allocation of projected savings. • Medium/long term financial impact of sale of assets. | <ul style="list-style-type: none"> • Scope for improved integration of services. • Ability to achieve service quality, standards and responsiveness. • Ability to achieve continuous service improvement. • Ability to cope with changes in service volumes and delivery. • Operational flexibility and ability to cope with policy changes. • Scope for innovation in design and delivery. • Equity of accessibility and connectivity. • Improving crime prevention and increasing security. • Meeting internal/external user needs and requirements. • Ability to maintain service quality and continuity during transition. |

| 5. Local/regional economy and community well being | 6. Quality of employment |
|---|---|
| <ul style="list-style-type: none"> • Scope for increased collaboration and shared services. • Job creation opportunities and overall growth or decline in employment. • Increasing level of education and skills in workforce and labour market. • Provide accessible secure jobs for local unemployed people and other disadvantaged groups. • Assess impact of distributional and transitional effects on the local and regional economy. • Developing role of public sector in the economy and in particular sectors. • Community well being and cohesion. • Contribution to regeneration and economic development strategies. • Increase capacity for innovation and research and development. • Avoidance of offshoring. | <ul style="list-style-type: none"> • Impact of employment models. • Ability and resources to fulfil TUPE, TUPE Plus and Code of Practice obligations. • Ability to meet core labour standards. • Implications of TUPE avoidance strategies – spot purchasing, changing method of service production. • Sharing/pooling of staff arrangements. • Quality/security of terms and conditions. • Quality/security of pensions for existing and new staff. • Ability to recruit/retain staff and avoidance of two-tier workforce. • Trade union representation and facilities. • Workplace and community training and learning including workforce skills. • Access/provision to childcare and family friendly policies. • Changes to working practices. • Impact on health and safety in the workplace and community. |
| 7. Sustainable development | 8. Ability to address social justice and inequalities |
| <ul style="list-style-type: none"> • High quality affordable and sustainable housing. • Impact on developing local/regional production and supply chains. • Sustainability of construction methods and buildings. • Access to parks, open space and recreational activities. • Transport/access to health, education and other services. • Increasing participation in arts, local culture and heritage. • Improved community safety and reduced accidents. • Environmental impact and quality including air quality, landscape, noise, climate change, biodiversity; recycling, reusing and minimising waste, and efficient use of energy and water. • Economic and social costs of environmental damage. | <ul style="list-style-type: none"> • Proposals for reducing/eliminating health and other inequalities and discrimination – race, gender, disability, age, sexual orientation, religion and belief. • Progress in reducing inequalities in health and social care, education, housing and transport. • Distributional analysis of costs and benefits and opportunities – by income, gender, ethnic group, age, disability and by area, city and region. • Redistribution and improvement in life chances. • Workplace equalities and diversity. • Accessibility to work, facilities and services. • Contribution to building community capacity, power, and participation of minority groups. |

| 9. Capability, management and intellectual knowledge | 10. Organisational arrangements |
|---|---|
| <ul style="list-style-type: none"> • Retention of key skills and intellectual knowledge. • Capability to secure and manage objectives. • Ability to manage cultural change. • Ability to operate within regulatory frameworks. • Transferability of skills and change to rest of authority. • Contribution to neighbourhood management initiatives. • Ability to manage project to conclusion. • Exit strategies, implications and costs. | <ul style="list-style-type: none"> • Legal powers to act. • Organisational structures and delivery options. • Scope for collaboration and consortia arrangements with other public bodies. • Organisational flexibility to respond to changing circumstances. • Impact of establishing new organisations on existing structures and accountability. • Impact of transfer of services and functions to/from public bodies including arms length organisations and trusts. • Capability and willingness of third sector to provide services. |
| 11. Added Value | 12. Corporate impact on the authority |
| <ul style="list-style-type: none"> • Proposals over and above the core requirements of the project. • Additional community benefits negotiated during procurement process (local labour, training, facilities via Section 106 agreement). • The creation of public value – a holistic rather than sectoral approach, public perception of fairness and distributional equity, and taking account of the needs of future generations. | <ul style="list-style-type: none"> • Impact on corporate policies and priorities. • Effect on integration/coordination of services. • Degree of organisational change required. • Impact on viability of in-house provision. • Employment knock-on effects in other directorates. • Assessment of effects on provision of similar services to internal and external users. • Assessment of effects on central services. • Assessment of any wider costs impact. • Specific corporate risks with service model. |

Source: European Services Strategy Unit, 2007

References

- Cabinet Office (2003) Quality in Qualitative Evaluation: A framework for assessing research evidence, National Centre for Social Research, August, London. www.policyhub.gov.uk
- Cabinet Office (2004) The Magenta Book: Guidance Notes for Policy Evaluation and Analysis, September, London. www.cabinetoffice.gov.uk
- Cabinet Office (2006) Regulatory Impact Assessment (RIA) <http://www.cabinetoffice.gov.uk/regulation/ria/overview/index.asp>
- Cabinet Office (2007) Impact Assessment Guidance, London. <http://www.cabinetoffice.gov.uk>
- Centre for Public Services (1994) A Detailed Handbook on Tender Evaluation: Public Services Practice No 1, Sheffield.
- Department for Communities and Local Government (2007) Adjusting for Optimism Bias in regeneration Projects and Programmes: General Guidance Note, March, London. www.communities.gov.uk
- Department of Health (2007) Draft Guidance on Health in Strategic Environmental Assessment, London. www.dh.gov.uk
- Environment Agency (2005) Using Science to Create a Better Place: Developing Social Appraisal Criteria for the Environment Agency, September, Bristol. www.environment-agency.gov.uk
- European Services Strategy Unit (2006) Employment Risk Matrix, Sustainable Cities Research Institute, Northumbria University, Newcastle upon Tyne. www.european-services-strategy.org.uk/outsourcing-library.
- European Services Strategy Unit (2007) Shared Services in Britain, for Australian Institute for Social Research and Public Services Association, May, Newcastle. www.european-services-strategy.org.uk
- European Services Strategy Unit (2007) Shared Services Strategic Framework, May, Newcastle. www.european-services-strategy.org.uk
- House of Commons Environmental Audit Committee (2007) Regulatory Impact Assessment and Policy Appraisal, Third Report, Session 2006/07, HC 353, March, London. <http://www.publications.parliament.uk/pa/cm/cmenvaud.htm>
- HM Treasury (2003) The Green Book: Appraisal and Evaluation in Central Government, London. http://www.hm-treasury.gov.uk/media/785/27/Green_Book_03.pdf
- HM Treasury (2005) Supplementary Green Book Guidance: Optimism Bias, London. http://www.hm-treasury.gov.uk/media/885/68/GreenBook_optimism_bias.pdf
- HM Treasury (2005) Managing Risks to the Public: Appraisal Guidance, June, London. http://www.hm-treasury.gov.uk/media/3E3/EE/managingrisks_appraisal220705.pdf
- Newcastle City Council (2004) Corporate Procurement Strategy, Newcastle upon Tyne.
- Office of Fair Trading (2007) Completing Competition Assessments in impact assessment, February, London. www.of.gov.uk
- Office of Government Commerce (2006) Social Issues in Purchasing, February, London. www.of.gov.uk
- UNISON Northern (2005) Procurement Toolkit for Local Government, Newcastle upon Tyne, www.european-services-strategy.org.uk
- 4ps (2004) The Outline Business Case: Project and Procurement Support for Local Authorities, May, London. www.4ps.gov.uk/
- 4ps (2004) Options Appraisal and the Outline Business Case, London. www.4ps.gov.uk/
- 4ps (2006) Local Authority Corporate and Transactional Services: Guidance on Collaborative Options Evaluation and Appraisal of Service Delivery Models, London. www.4ps.gov.uk/

ESSU Research Reports

Available for downloading at www.european-services-strategy.org.uk/publications

No 1. A Typology of Privatisation and Marketisation, Dexter Whitfield, November, 2006.

No 2. Options Appraisal Criteria and Matrix, Dexter Whitfield, June, 2007.

No 3. Cost overruns, delays and terminations: 100 outsourced public sector ICT projects, Dexter Whitfield, June 2007.