

• PO-CH/NL/0446

PART A

Part .A.

**CONFIDENTIAL**  
(Circulate under cover and notify REGISTRY of movement)

Begins: 8/2/88.  
Ends: 9/3/88.

**THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM**

PO CH | NL | 0446  
PT.A.

Chancellor's (Lawson) Papers:  
Publication of A Guide on Policy Evaluation.

PO CH | NL | 0446  
PT.A.

DD's: 25 Years

*Lawson*

7/2/96.

*purp*FROM: W L ST CLAIR  
DATE: 8 February 1988

1. MR HARRIS

2. CHIEF SECRETARY

copies attached for:

Chancellor

Financial Secretary

Paymaster General

Economic Secretary

cc Sir Peter Middleton  
Mr Anson  
Dame Anne Mueller  
Sir A Wilson  
Mr Kemp  
Mr Scholar  
Mr Byatt  
HEG

copies without the Guide:

Mr C D Butler  
Mr R I G Allen  
Mr Welsh  
Mr Parsonage  
Mr J B Jones  
Mrs Carrington  
Parliamentary Clerk**POLICY EVALUATION: A GUIDE TO MANAGERS - PUBLICATION ARRANGEMENTS**

This submission seeks your approval to the proposed arrangements for publishing the Treasury's Guide to Policy Evaluation.

2. This Guide is one of the more tangible outputs of the initiative to improve policy work which was launched in 1985 as part of the FMI. It was drafted by the Treasury (formerly Joint Management Unit) based on experience in tackling actual evaluations in departments. There have been several drafts, and the document is already widely used in departments, the Civil Service College and elsewhere. A copy of the text as it has gone to the printer is attached with the cartoons and blurb.

**Objectives in Publication**

3. The main purpose is simply to make the document available to departments. They are keen to have it in a durable form, and some have plans for internal announcements and other initiatives towards their own staff linked to publication. However we also have an opportunity to help to rebut the impression put about by the media that the FMI has run out of steam. There is a reasonably good story to tell, and we could use the occasion to give evaluation a further boost.

4. If you wish, we can meet the main objective without fuss by asking HMSO to publish the document as a routine step without any Treasury announcement. If however, as we believe, you will want to pursue the other objectives as well, then we need to make a positive bid for publicity. The rest of this submission is on the assumption that you would prefer this.

#### Suggested Date

5. Thursday 10 March. This is the earliest at which copies can be produced. It falls in the gap between the debate on the Public Expenditure White Paper and the Budget. If we wait until after the Budget, the impact is bound to be blunted.

#### Nature of the Announcement

6. Since the initiative was launched by means of a PQ, (extract from Hansard attached) we suggest a PQ for written answer, and a draft is attached. As it happens, the Treasury is first in order for questions that day, and a mention could probably also be made orally in the House as part of the answer to some other question.

7. We also suggest issuing a Treasury press release which will put the Guide in a wider context and explain the background. At one time we had in mind to offer a published report in which the Government could explain the changes since 1985, but there is not enough material. We propose however to include more in the press release than is perhaps normal, and also to make available copies of the individual case studies done by departments which show how evaluation is being applied in practice. These are bulky and vary in quality, but they offer a vivid impression of what can actually be done and so complement the Guide which is necessarily abstract and general. The case studies would not be formally published but made available on request on a first come - first served basis. As the draft press announcement makes clear, we would stress that they are working documents only, some written months ago, and there have been further improvements since

then.

### Publication Details

8. HMSO has agreed to publish the Guide as one of their own publications. This means that they will put up the capital and distribute the document through their normal retail outlets. The initial run is likely to be about 3,000, and HMSO has agreed to reprint for small orders (eg 500). This will be important since the Civil Service College foresees an annual demand of 250 copies after an initial order of 350.

9. The price is likely to be £3.50. We have negotiated a royalty to the Treasury of 10%. Although the main customers will be departments, we already know of likely demand from outsiders, such as management consultants, people in local government, teaching and training institutions, and governments overseas. The Treasury as author will therefore benefit as well as HMSO as publisher. All this reflects the new untied relationship with HMSO.

### Risks

10. Giving publicity to the Guide will help outsiders to ask good questions. Whenever a Government policy is mentioned the Minister concerned may be asked "Are you proposing to evaluate this policy?" Drawing on the text, he may be asked to state precisely "What is to be achieved, by when, at what cost, and how it is to be measured?" Such questions may be asked about proposals in the Budget, but departments are more vulnerable than the Treasury. All of them know that they are required to have evaluation plans for all the new Government policies announced in the Manifesto and Queen's Speech. For example, with help from the Treasury, DES are preparing to evaluate all the education initiatives, DOE the housing initiatives, DHSS changes in primary health care, and so on. Nowadays such questions are liable to come up anyway. If we give a boost to evaluation, we are bound to encourage such questions, but from the Treasury's point of view, this is no bad thing.

11. The Treasury and departments are also likely to be asked "Can you point to actual benefits deriving from evaluation?" There are numerous individual examples which could be quoted, including the Business Expansion Scheme, many of the employment measures, and DTI grants to industry. Most however come from departments who already have a well established tradition of evaluation. It will be some time before the full benefits come through, and as with all management changes, benefits from evaluation will be difficult to disentangle from benefits from other initiatives. There is a case for getting our publicity out now while we can still claim that it is too early to expect to point to results in all departments from an initiative started in 1985.

### Views of Departments

12. Departments have been consulted about the proposed publication arrangements. The only one who has raised any objection is DES who would prefer a very low key announcement but I have spoken to them and they will not press their objection. They accept that the final decision is for you even although most of the questioning may be for departments.

### Conclusion

13. The main point for decision is whether you want us to arrange publication with the minimum of fuss or actively to look for publicity. If, as we recommend, you choose the latter, then we suggest:

- a. an inspired PQ on 10 March;
- b. the Treasury press announcement and making available the case studies;
- c. an article in the Economic Progress Report, a mention in Civil Service News, and other measures to interest specialists.

The draft Parliamentary Answer and Press Release have been agreed

with IDT and others concerned in the Treasury.

*W.L.C.*

W L ST CLAIR

**Mr. MacGregor:** Net expenditure on refunds on exports of foodstuffs to third countries, including monetary compensatory amounts, in 1983-84 was £360 million, all of which was prefunded by the EAGGF.

### Milk Quotas

**Mrs. Kellett-Bowman** asked the Minister of Agriculture, Fisheries and Food how much quota has now been surrendered under the milk outgoers' scheme; and if he will make a statement.

**Mr. MacGregor** [*pursuant to his reply*, 16 May 1985, c. 202]: At 7 June, some 265 million litres of quota had been bought in under the outgoers scheme. Although we have now achieved the two principal objectives of the scheme—to help small producers (those with under 200,000 litres) and to make exceptional hardship awards in full for 1985-86—we have not yet achieved our overall target of 289 million litres of outgoers' quota for England and Wales. We have decided therefore that the scheme should be re-opened to enable our target to be reached.

The scheme will also now be open to producers who were not themselves in milk production on 2 April 1984 but who have subsequently purchased land with quota and who do not wish to produce milk.

## NATIONAL FINANCE

### Member's Correspondence

**Mr. Ashdown** asked the Chancellor of the Exchequer if he will publish in the *Official Report* the text of the letter dated 20 May from the Financial Secretary to the Treasury to the hon. Member for Yeovil.

**Mr. Moore:** No; but I am quite happy to place copies of the letter in the Library of the House, and this has been done.

### PAYE

**Mr. Lester** asked the Chancellor of the Exchequer if he has any plans to put the pay-as-you-earn system on to a non-cumulative basis and subsequently to put national insurance contributions and pay-as-you-earn calculations into the same joint deduction tables.

**Mr. Moore:** The Green Paper on reform of personal taxation, to be published later this year, will discuss a range of possible developments including non-cumulation for PAYE and closer integration between the tax and social security systems.

### EC (Grants)

**Mr. Teddy Taylor** asked the Chancellor of the Exchequer what was the total sum received from the European Economic Community in grants or other payments in the most recent year for which figures are available; and how much of this total was in respect of payments made to compensate for subsidies expended by the intervention board for the export of food to non-European Economic Community countries.

**Mr. Ian Stewart:** The most recent outturn for United Kingdom receipts from the European Economic Community in the calendar year 1984 was £2570 million.

This figure includes £528 million for the United Kingdom's agreed refunds. The latest available information is that payments to the Intervention Board for export refunds on agricultural products exported to non-EEC countries during 1984 totalled 666 mecu, or about £390 million when converted at the average ecu/sterling exchange rate for 1984.

### Financial Management Unit

**Mrs. Virginia Bottomley** asked the Chancellor of the Exchequer if he will make available the final reports of the financial management unit.

**Mr. Peter Rees:** Yes. Copies of three reports, Policy Work and the Financial Management Initiative, Resource allocation in Departments—Role of the Principal Finance Officer, and Top Management Systems Second Report, are being placed in the Libraries of both Houses. They are useful background documents for Members and others who have an interest in Civil Service management matters, and a number of copies can be made available on request.

The Government share the approach to policy management which is described in the report on policy work and the financial management initiative and will be considering further how best to take advantage of the useful ideas which are discussed in that report.

### Value Added Tax

**Mr. Heddle** asked the Chancellor of the Exchequer what are the administrative costs in percentage terms of collecting value added tax on business of an annual turnover of (a) £25,000 and (b) £27,500.

**Mr. Hayhoe:** I refer my hon. Friend to my answer to his previous question on 24 May at column 561.

## ENERGY

### Acid Deposition

**Mr. Ron Davies** asked the Secretary of State for Energy what plans his Department has to consult non-governmental organisations with expertise in nature conservation and environmental protection about the effects of acid deposition and the environmental responsibilities of the Central Electricity Generating Board.

**Mr. Goodlad:** Policy responsibility for nature conservation and environmental protection rests with my right hon. Friend the Secretary of State for the Environment.

### Kleinwort, Benson (Sale of British Gas)

**Mr. Gould** asked the Secretary of State for Energy if Kleinwort Benson, in its rôle as merchant bankers advising the Government on the sale of British Gas, will be permitted to allow its employees to deal in the shares.

**Mr. Buchanan-Smith:** N M Rothschilds & Sons Limited, which has been appointed as the Government's merchant bank adviser on the sale of British Gas, has already decided not to allow its employees to apply for British Gas shares.



DRAFT PQ FOR WRITTEN ANSWER

**Question:** To ask the Chief Secretary what progress has been made in applying the financial management initiative to policy work.

**Answer :** Since my predecessor's announcement of 10 June 1985 (OR Col 294) Departments have made considerable improvements, particularly in evaluation. The Treasury has today published "Policy Evaluation: A Guide to Managers" which builds on individual studies and which sets out the approach which has been found most useful. I am arranging for copies of this Guide, and of the accompanying press release which describes the background, to be sent to the hon. member and to be placed in the Library of the House.

**DRAFT PRESS RELEASE**

The Chief Secretary has today announced the publication of Policy Evaluation: A Guide to Managers. This marks an important step in applying the financial management initiative to policy work in the Civil Service.

**Notes for Editors**

2. The financial management initiative was launched by the Prime Minister in 1982 - to improve allocation, use and control of resources in government, through better management practices in the Civil Service. The initiative on evaluation was announced by the Chief Secretary on 19 June 1985. (OR column 294.)

3. Although all departments have normally given a good deal of attention to policy appraisal - the analysis undertaken before decisions are reached - fewer have well-established structured and comprehensive systems for evaluation afterwards of what has been achieved. The potential benefits are obvious. By examining the extent to which policies and programmes have proved effective and efficient in practice, Departments may be able to make improvements. Furthermore the discipline of making an evaluation plan at the time when a policy is launched can help to clarify the objectives of a policy and bring the underlying assumptions into the open.

4. As with other management changes, the main responsibility lies with departments. The initiative has been co-ordinated by the Treasury/Cabinet Office Joint Management Unit, now part of the Financial Management Group in the Treasury. In devising a strategy, it was decided to concentrate initially on three objectives:

- a) policy evaluation to be understood and accepted

by key managers;

b) good methods to be found and better ones developed;

c) evaluation to be built into the actual work.

5. Without the co-operation of managers, no management reform is likely to be successful. Sessions on policy evaluation were therefore built into the Top Management Programme and the Senior Finance Course. Since it would have taken several years before these changes worked fully through the Service, the Joint Management Unit arranged a series of seminars for managers from departments at which the potentialities and problems were explored. This has been followed by seminars arranged by departments tailored to their current state of progress. On the whole, in most departments, the awareness objective is believed to have been already achieved although continuing further efforts will be needed and a few still have a considerable way to go.

6. Evaluation methods are more developed in some areas than in others. There are no ready-made solutions available either from the private sector or from governments overseas although there are useful lessons to be learned from both. The approach which is now recommended is described in the Guide. Besides listening to comments made at the seminars, the authors were able to draw on an extensive series of case studies. The purpose of these case studies was to elucidate the management lessons rather than test the success or otherwise of the policies or programmes, although, in fact, most do show a satisfactory picture. Since they are working documents they are not being formally published, but copies of some of them can be made available while stocks last.

7. Improved evaluation has several potential uses, including accountability to Parliament. From the Government's point of view its main use is to help managers achieve their objectives. It must therefore be built firmly into the actual

work and not become an academic or historical exercise of interest only to future researchers. All proposals for new policies (and proposals stemming from reviews of policy) must now state what is to be achieved, by when, at what cost, and how the achievement is to be measured, ie evaluated. Many existing policies and programmes are also being studied against these questions. Evaluation information, along with output and performance measures, is playing an increasing part in the Public Expenditure Survey and is quoted in the annual Public Expenditure White Paper. At the same time departments are reviewing their internal arrangements in preparation for the time, which for some has already arrived, when evaluation will have become both normal and expected.

8. The Government believes that a good start has been made, and that the Guide will help to maintain the momentum. Although there are already many instances of policies and programmes being improved as a result of evaluation, it will take some time for the management changes connected with this initiative to come through and for the full benefits to be achieved. The Government intends to press ahead with the initiative.

9. Although intended primarily for senior civil servants the Guide will be of value to others who are concerned with evaluation whether in business, local government, management consultancy, teaching, or training. It is therefore being published.

Copies of the Guide may be obtained from the Treasury Press Office to whom enquiries should be addressed. A limited number of the case study documents referred to above can also be made available by the Treasury Press Office to those with a special interest while supplies last. Enquiries relating to these studies should be addressed to the departments concerned.

HM TREASURY

P O L I C Y   E V A L U A T I O N  
A GUIDE FOR MANAGERS

PUBLISHED BY HMSO  
1988

[REVERSE]

This Guide was prepared by W L St Clair Head of Financial Management Division 2 (formerly Joint Management Unit) in co-operation with colleagues in the Treasury and in Departments.

**POLICY EVALUATION: A GUIDE FOR MANAGERS**

**Contents**

Page

What is Policy Evaluation?

When to Plan Evaluation

Choosing the Scope of an Evaluation

Defining the Purpose of the Evaluation

Making a Plan

Defining the Objectives

The Need for a Base Case

Defining the Assumptions

Choosing the Questions

Measures and Indicators

Collecting the Information

Arm's Length

Evaluation of Science and Technology Programmes

Costs

Analysis

Publication of Findings

Outcome

Annex A An Evaluation Framework

B Questions to Help in Defining Objectives  
and Assumptions: Suggestions for Consideration

C Questions to be Addressed by an  
Evaluation Report: Suggestions  
for Consideration

D Data Collection: Suggestions  
for Consideration

E Consideration of Alternatives:  
Some Suggestions

Glossary of Terms

## What is Policy Evaluation?

Policy evaluation is the process of examining a policy while it is in operation or after it has come to an end. It follows naturally from the policy appraisal which is the term normally used for an analysis done before a policy is launched. The techniques are similar. Appraisal helps to improve decision-making by considering whether a proposed policy is likely to be worthwhile and by comparing in advance the different options for effecting it. Evaluation enables the decisions taken as a result of the appraisal to be reviewed afterwards with the same rigour in the light of what has actually happened and with the knowledge of any changes in the external environment which may have occurred in the meantime.

2. Evaluation helps policy managers to achieve their objectives. It can be seen as part of a policy-making cycle which begins with appraisal; leads on through identification of options to decisions; and is then followed by implementation, monitoring and evaluation, back to reappraisal. To the extent that evaluation considers what might have happened if other policies had been adopted, it is merging into reappraisal.

3. Evaluation is to be distinguished from monitoring, that is routine checking of progress against plan, although monitoring will often contribute much useful information and is itself an essential part of the process. Evaluation



requires a critical and detached look both at the objectives and at how they are being met.

4. Although in this Guide we use the term policy evaluation, the advice also applies to the evaluation of programmes and projects. A Glossary of some of the main terms is included at the end. Some have precise technical meanings accepted by practitioners in Government and elsewhere. However the main purpose of the Glossary is not to prescribe but to explain the concepts and describe how the words are used in practice. In some places it deliberately repeats points made in the main text.

5. Evaluation is not new, but it is being given greater emphasis and more systematic attention as part of the Financial Management Initiative and the drive to improve Civil Service management and accountability generally. It fits in with other management changes introduced in recent years. It is being introduced or reinforced in many other countries in Europe, North America, and elsewhere.

6. There are differences in practice among Departments on who is responsible for commissioning and doing evaluations - the line manager, a central unit, or some combination of the two, with or without help from outside experts such as consultants. The remarks which follow are addressed primarily to managers with line responsibility for policies and programmes, rather than to specialist advisers. Their purpose is to help such managers to understand the main

concepts and to plan and mount evaluations in the areas for which they have a responsibility.

### When to Plan Evaluation

7. The best time to plan evaluation is at the time when the policy is introduced. Some of the reasons for this are obvious:

a. there may have been a thorough appraisal at which the important questions were explored;

b. everything is fresh in the mind of the policy manager and he or she is then in a good position to think of what is likely to be important later on;

c. that is the time to decide how much evaluation is needed and to budget for the resources required - more on this in the section on Costs;

d. the arrangements for getting the required information can be set up from the start. This is usually the cheapest way. It may be possible to set up a 'before and after' study of the policy;

e. a good procedure can be planned. At its simplest, for a policy of any substance, this will include special files and regular planned meetings.

8. In the case of new policies, it is to be expected that the objectives will already have been refined as far as circumstances permit. However the discipline of making an evaluation plan at the start can sometimes bring to light ambiguities or inconsistencies in the policy proposal which can be ironed out before it is launched. This is a benefit which evaluation can bring additional to the more obvious benefit of learning from past experience.

9. Drawing up the plan at the outset need not prevent its being changed later. Indeed it is to be expected that the external environment will change and that the objectives themselves may be modified. The existence of a plan enables such changes to be noted explicitly and allows the evaluation to take account of them. It is very difficult to evaluate a policy whose objectives have shifted if they have not been redefined.

10. Ministers have instructed that policy evaluation should be built into all new policy initiatives and all proposals arising from policy reviews. All policy proposals with value for money implications should state what is to be achieved, by when, at what cost and how it is to be measured - ie evaluated. Some departments already have similar rules for policy proposals which are decided within departments.

#### Choosing the Scope of an Evaluation

11. What to one manager may be 'a policy' may to another

be a fairly minor question relating to the administration of a policy instrument. Some departments confine the word to describing their aims in the broadest sense, eg membership of NATO. There are similar differences in the use of 'programme'. Aside from vocabulary, however, there are genuine questions on how to choose an appropriate slice of government policy as suitable for evaluation.

12. As case study work has shown, the pragmatic approach adopted by managers so far has for the most part proved satisfactory. A few words of advice may be helpful:

a. Choose topics for which the evaluation will bear on actual decisions. Some policies and programmes have run their course and are unlikely ever to be revived. Other areas may be circumscribed for the time being by specific Government commitments of one kind or another. Since resources for evaluation work are always likely to be in short supply and priorities will have to be set, try to choose the topics which are most relevant to the development of future policy.

b. Do not be too narrow. There is little point in evaluating, say, a grants scheme if you only look at how far the money was paid out in accordance with the letter of the scheme. That is checking administrative performance. To be an evaluation the analysis must link the work with the broad aims of the department. Thus evaluation of grants to tourism will look at net

job creation, evaluation of funding of voluntary bodies will look at their contribution to the Government's social objectives, evaluation of changes in the provision of education will look at the effects on the attainment of pupils.

c. If there are a number of closely-related policies or programmes aimed at the same objective which interact with one another, try to evaluate them together.

### Defining the Purpose of the Evaluation

13. You need to consider at the outset what kind of conclusions you are hoping to draw. This means being clear about the purpose of the evaluation, as well as of the policy being evaluated, so that you can decide on the boundaries of the evaluation. For example, if you are evaluating the social impact of a policy initiative aimed at limiting drug abuse, you may decide to leave aside questions relating to the financial effects on pharmaceutical firms or on manufacturers of syringes. You should also consider how far the evaluation needs to cover the work of other Departments, including the territorial departments. Questions about the nature and quality of information to be collected, the depth of analysis and the precision required in presenting results can only be settled once you have decided the broad purpose.

### Making a Plan

14. The essence of good evaluation lies in clear thinking about the policy objectives, sound judgement in the selection

and use of methods of analysis, and imagination and flair in the general approach.

15. You should see it as your responsibility that an evaluation plan is written down, discussed with your colleagues and subordinates and if necessary with advisers, and settled. Among the best administrative disciplines are regular planned meetings and written reports. Some Departments find it useful to have a Steering Committee which may include people not directly concerned with the policy. A chart setting out the steps in the evaluation process is often useful at this stage. It will often not be possible or desirable to evaluate everything. The plan should identify the most important questions to be addressed.

16. Most good evaluation plans will do the following:

a. divide the expected evaluation work into different stages. When is it expected that certain things should have been achieved? At what stages would it be sensible to review progress? On the whole the earlier stages are more likely to be concerned with inputs and the later stages with efficiency and effectiveness. Effectiveness can sometimes not be judged until a policy has been running for some years;

b. describe the questions which should be tackled at each stage and how answers might be looked for;

c. in cases where the final effects of a policy are not likely to be felt for some time, consider evaluating progress against chosen intermediate objectives as the policy develops. Sometimes it will be obvious that the policy cannot meet its ultimate objectives if it is failing to meet its intermediate objectives;

d. consider - and if necessary budget for - the resources likely to be required, including such things as the need for written reports. Resourcing does not necessarily mean extra resources but building the need for evaluation into the general forward plan, and giving enough priority to evaluation within the overall budget for the policy.

### Defining the Objectives

17. If a policy has been carefully appraised, there may already be a clear definition and ranking of the objectives. However one of the most striking lessons to emerge from case studies is the difficulty which managers sometimes face in finding a single statement where the objectives are set out with sufficient clarity to enable an evaluation plan to be made. It is not that the objectives were not written down nor that they were in conflict with one another, but rather that they were set out in so many different places answering different questions for different purposes that it proved difficult to pick out a single authoritative view which ranked them in a rational structure. Furthermore,

it is sometimes necessary to mount an evaluation of a policy for which no suitable appraisal documents are available, particularly if it is one that has been running for a long time.

18. If objectives have to be reconstructed, the question to try to refine in all cases is "what is the policy intended to achieve?" It will usually be useful to look at:

a. public statements in, for example, White Papers, statements in Parliament, and public consultative documents;

b. the departmental submission documents when the policy was approved;

c. any cost/benefit analysis or policy appraisal that was done earlier;

d. any departmental appraisal documents sent to the Treasury.

19. The ultimate objectives of a policy are usually expressed as broad benefits sought by Government. They include, for example:

a. economic benefits;

b. international security;



c. health, safety, and welfare objectives.

20. The next task is to analyse the ultimate objectives into a number of intermediate objectives. These are objectives which, if accomplished, either consecutively or simultaneously are believed to lead to or contribute to the ultimate objectives and which can be more easily evaluated. This is one of the trickiest areas and there are no universal solutions, but the concepts are straightforward. Thus the ultimate objectives of the Health and Safety Executive's Electricity Regulations relate to safety at work and to certain economic benefits. Those ultimate objectives are promoted by issuing appropriate regulations and by securing compliance with them, both achievements against intermediate objectives. The ultimate objective of the Magpie Campaign was to reduce theft. Intermediate objectives were to make the public aware of the risk and to persuade them to improve the physical security of their homes and cars. The ultimate objective of the policy of equal opportunities in the Civil Service is to give women the same career opportunities as men. (Notice incidentally that no attempt was made to link that to the even wider social objective of equality for women in the nation generally.) Intermediate objectives were to make it easier for women to go to work if they have young children, not to be disadvantaged when they take leave of absence for maternity, and so on.

21. Do not be afraid of choosing administrative or management objectives as intermediate objectives - eg to set up a directorate, to issue regulations, to make an agreement, even to spend a certain amount of money, all by certain dates in accordance with certain criteria. These can be vital steps in delivering the ultimate objectives. But, as cautioned above, you should not assume that if you achieve these administrative objectives, the rest will necessarily follow. More on this below under Defining the Assumptions (para 28).

22. Objectives often pull in different directions. Thus the HSE's safety objective may be in tension with a wish not to overload the costs to industry of complying with regulations. The Treasury's need for strict annual financial control of public expenditure has to be reconciled with the objective of obtaining best value for money in capital projects. Competing objectives should be recognised as such and wherever possible an effort made to quantify the desired balance between them rather than just saying "the objective is to achieve a balance". Thus the HSE adopted a safety objective in the Electricity Regulations of a 5% reduction from current levels in the number of accidents. If they had chosen a different figure, the compliance costs and economic effects would have been different. The Treasury's policy on End Year Flexibility includes a specific numerical limit for the carrying-forward of unspent capital expenditure, implying a quantified level of risk to the planned total of public borrowing in the year.

23. Quantifying the objectives in this way is desirable if it can be done. At the least, put in the timescale by which the benefits are to be achieved. But there are potential pitfalls. Thus, for example, the Alvey directorate considered adopting as an objective the production in the United Kingdom of a 1 micron geometry silicon chip by 1990. That looked at first sight like a well - quantified objective but as stated it says nothing about other characteristics vital to the programme's ultimate success, such as reliability and durability, and it was therefore not used in this form. If it turns out to be impossible to define the objectives in quantifiable terms, at least state them in terms which will permit testing or verification later. The question to ask yourself is 'how will I be able to tell whether this policy has been a success?'

24. Managers are usually on their guard against the bias which management targets can sometimes introduce to the operation of a policy. Targets are an essential feature of good management but those concerned may go all out to achieve them and may do so at the expense of other desirable objectives which may not have been precisely quantified. An example is 'clearing cases' which may simply mean that a problem is being transferred from one part of an organisation to another. You should be on the look-out for the same phenomenon when you are evaluating.

25. Sometimes Ministers decide to define their objectives

in general terms without stating specific targets at the outset. If so, the evaluation plan should take account of the fact. Evaluation is not a scientific exercise aimed at producing definitive answers to all questions, and judgement lies at the heart of it. Sometimes however the lack of precision may not derive from a political decision to keep objectives open but rather from insufficient clarity on the part of the managers advising on the policy. There are other cases where the immediate spur for some policy action may have been the need to respond quickly to public concern, but where it is possible later to adapt or refine the policy so that achievement against more considered objectives can be evaluated in the usual way.

#### The Need for a Base Case

26. Evaluation is a comparison as well as a test of achievement. It is an attempt to judge what has happened as a result of the policy as compared with what would have happened otherwise - if there had been no policy at all or if the policy had taken a different form. It is vital therefore to have a clear statement of the base case against which the comparison is to be made. It is rarely enough just to describe the starting position since this will probably have changed anyway. One of the commonest and simplest base cases is the continuation of existing policy. But it may be necessary to quantify even this case with the help of experts by statistical analysis or projection. This is normally done, for example, in assessing the effects

of tax changes.

27. An excellent method which can be used for some policies is to establish a control group - ie make a direct comparison between a situation where the new policy is applied and a situation where it is not. For example the Department of Health and Social Security, in considering whether to move to a capitation system of payment to dentists for looking after children's teeth in place of the present item of service system, is comparing four pairs of areas of the country, (carefully selected for their similar characteristics) in one of which the effects of the existing system are measured and in the other the effects of the proposed new one. The great advantage of this method is that it helps to eliminate from the evaluation external changes which have nothing to do with the policy.

### Defining the Assumptions

28. In any appraisal or evaluation a great deal has to be taken for granted. It would be impracticable and impossibly expensive to look at every single link in the chain and test whether it is secure. However a good evaluation plan will consider what the underlying assumptions are, and decide which ones need to be regularly looked at. They can be thought of as falling into two types.

29. The links between the ultimate objectives and the intermediate objectives rest on an assumption that there

is a causal relationship between the two. Some of these cause and effect assumptions can and should be made explicit. For example a research and development programme may be achieving its interim objectives of technical success, but can only achieve the ultimate economic benefits if other things were to happen such as companies being willing to exploit them, obtaining finance for development, successful marketing and so on. With economic incentives there may be assumptions about the changes in behaviour of companies or individuals who agree to participate. The validity of such assumed links may be difficult to establish but they are often vital to the success of the policy.

30. The second main category of assumption relates to the external environment. Action by the Government is seldom the only factor which determines whether the policy objectives are achieved or not. External factors are changing all the time. For example the economic background when a support scheme was first decided upon may have changed during its period of operation. What was once a innovative technology may now be a mature industry. Policies appropriate to a time of credit scarcity may persist into a time when borrowing is easy. But do not think of the environment only in economic terms. Social priorities may have shifted. The demographic pattern may be different. Emerging new technology may be opening up possibilities that were previously closed. The main point is not to assume without thinking that the future will be a continuation of the present or of present trends.

31. Those affected by a policy may change their behaviour. Sometimes a policy which is effective at first gradually weakens as external elements change in response. Thus drug dealers find new ways of importing drugs or begin to manufacture in this country. Overseas competitors may switch their plans and strategies. Companies in receipt of grants may use their other resources in a different way so that the extra money does not, in the end, lead to more spending in the area for which it was intended.

32. Some policies need to take account of international factors, notably membership of the European Community and other treaty obligations. Evaluation of such policies has to distinguish between situations in which the international factors are themselves part of the evaluation and others in which they are accepted as constraints. For example the Ministry of Agriculture, Fisheries and Food has evaluated the milk outgoers scheme within the context of milk quotas. It would be a quite different type of exercise to try to evaluate the quotas as a means of reducing over-production of milk products in the Community.

33. It is often helpful when trying to define the relationship between the ultimate objectives, the intermediate objectives, and the assumptions to draw a chart. This is sometimes referred to as a policy model or an evaluation framework. It is best kept simple to maintain the focus of the evaluation on the main elements of the policies. An example which has been found helpful with many of the

case studies is at Annex A.

34. A list of questions worth asking at this stage is attached at Annex B. It is largely a summary of the advice given above in simplified checklist form.

### Choosing the Questions

35. A good way to select is to look ahead at the sort of questions which any evaluation report would be expected to address. Some suggestions are listed in Annex C. They are not intended to be comprehensive nor to apply to all policies, but they may help policy managers arrive at their own selection. Some of the questions will be about assumptions. Others about effects. Obviously there are a great many questions which could be tackled, but there has to be selectivity. Some questions may be easy to answer, but are not very important. Others may be vital but very difficult to quantify or even to form a judgement about. A good evaluation plan will be concerned always with the potential usefulness of the exercise.

### Measures and Indicators

36. It is unlikely that all the questions can be answered in precisely measurable form. For some there may be no substitute for a qualitative judgement. However, whenever possible, an evaluation should look for exact measures and, if they are not obtainable, for indicators which throw light



on those aspects which are not easily measurable. Some of these measures and indicators may already be collected for monitoring and other purposes and others can be devised. They are an essential feature of good evaluation although by no means the only feature.

37. It is helpful to consider the questions and the measures and indicators in three groups:

- a. effectiveness measures and indicators;
- b. input measures and indicators;
- c. efficiency measures and indicators.

The lines between the categories are not absolute: much depends upon the questions being asked.

38. In deciding on effectiveness measures or indicators you should consider the following:

- a. Achievement. What measures would help me to know whether the objective of the policy is being met, or to what extent the objective of the policy is being met?
- b. Relevance of the policy. If the objective is being met, is this due to the effectiveness of the policy or to other factors? This is where tests of the cause-

and-effect and environmental assumptions are most important.

39. Quality of service is important for many Government programmes. Typical measures include speed of delivery, error rates, and comparisons with the performance of other providers of the service. You should pay special attention to the views of customers and other users. In some cases the concept of market share can be useful even if there is not a true market or direct competition between the Government and other providers of a service.

40. In considering effectiveness and quality of service you should keep a special look out for side effects, ie benefits or costs which are incidental to the main objectives of the policy and which may not have been foreseen. They may occur outside the policy areas for which the policy manager is responsible. They often come to light through comments in the Press, complaints, remarks in Parliament, or action by pressure groups.

41. Input measures or indicators are usually reasonably straightforward. They include all the costs of the policy, and it will be necessary to distinguish costs to the economy as a whole, costs to the Government, and costs to the Department. But inputs also cover non-monetary measures such as man hours. They can be analysed in many different ways, for example by size, type, or geographical distribution. The input to one objective is often the output of an earlier

intermediate activity.

42. Input indicators may also cover inputs whose output was not in the event productive. For example a proportion of the visits by Inspectors will produce no direct results. Part of the effort of a publicity campaign will fall on deaf ears. There may be no way of avoiding these effects if the total desired effect is to be achieved. But it may be possible to judge the proportion of unproductive inputs - sometimes known as deadweight - which actually occurred against the forecast or target in the plan.

43. When a policy is intended to induce individuals or companies to spend more on certain activities, for example by grants or tax incentives, two concepts of key importance are gearing and additionality. How far has the spending of the Government money mobilised private sector funds? If £100 of public expenditure is matched by £300 of private sector money for a project costing £400, this is regarded as a gearing ratio of 1:3.

44. Additionality is the extent to which Government funds have induced spending or activity that would not otherwise have occurred. For example when the price of energy rose sharply in 1973 many factory owners decided to make their premises less costly to run by installing insulation, fitting heaters which used fuel more efficiently, and by other energy-saving measures. Grants were available to help them but not all the energy-saving measures undertaken

with the help of grant can be attributed to the policy, only that proportion which would not have been undertaken if there had been no scheme. Additionality is a difficult question to get at. In many cases the best approach may be to make it a condition of receiving the grant that the recipient answer a questionnaire, designed to elicit to what extent the grant has changed the action. The results of such questionnaires can then be analysed and a judgement made. There may also be indirect ways of throwing light on the same question. For some types of scheme it might be worth checking whether new employees have been taken on? Would an analysis of trends in some key accounting ratios be likely to offer insights?

45. Efficiency measures or indicators are generally ratios of outputs to inputs. An efficient programme achieves the highest possible level of output for a given quantity of inputs; or alternatively uses the lowest possible quantity of inputs to achieve a given level of output. Ideally efficiency measures or indicators express the ratio of costs to benefits of each objective, and they enable managers to compare this with the achieved ratio in earlier years, with the planned ratio, and perhaps with the ratio which might be achievable by alternative policies. Efficiency measures can relate both to ultimate and to intermediate objectives. There are numerous examples relating to many different types of policy in Volume II of the Public Expenditure White Paper.

46. A common measure of efficiency is the unit cost of delivering some aspect of the policy, for example the cost of creating a new job, paying a pension, or building a mile of road, although strictly speaking unit cost is an inverse ratio of efficiency - ie cost divided by output rather than the other way round. A good evaluation of efficiency will go on to compare the unit costs actually incurred in delivering a policy against estimates of the unit costs of delivering it in some other way.

### Collecting the Information

47. Logically you ought to decide what information you need and then ensure that it is provided. In reality of course you have to judge what it is sensible and practicable to ask for. But avoid letting the availability of information dictate the questions rather than the other way round. It may be useful to think of the data under two headings:

- a. desk top collection. This means using information which is already available or needed for other purposes;
- b. information compiled specially for the evaluation. This is an area where choices have to be made. Information does not always best come in the form of written reports or statistics. The manager will also need to consider the costs or other burdens which calling for extra information may create. Some ideas are suggested at Annex D.

## Arm's Length

48. Many Government policies are not under the direct management of Government departments but are delivered by other bodies including non-departmental public bodies and local authorities.

49. In the case of grants-in-aid to NDPBs Departments should make arrangements for evaluation as part of their normal responsibility for the Government's relationship with such bodies. Where NDPBs have significant responsibilities for making grants and some discretion to develop policies of their own in doing so, sponsoring Departments will want to be sure that the NDPB in turn has appropriate evaluation arrangements in place. It will be important to be clear about the relative responsibilities of the sponsoring Department and the NDPB and some elements of the approach to local authorities described below may also be relevant.

50. The powers and duties of local authorities derive from statute, and they are responsible to their own local electorates and ratepayers. Occasionally they act as direct agents for the delivery of central government policies, following tightly specified rules and procedures. More commonly, there is a substantial element of local discretion as to the level of the services they deliver, and evaluation of expenditure on these services is a matter for the authorities themselves.

51. Where central government has established public policy objectives concerned with services provided by local authorities, it will be for central government to put in place appropriate procedures to evaluate the delivery of these objectives. But evaluation must be framed in the knowledge that authorities will in different degrees share, be indifferent to, or oppose the Government's objectives. This guide offers general suggestions on how central Government officials can approach evaluation for those services delivered through local government, having regard to the fact that central and local government are legitimately interested in the cost-effective delivery of services.

a. taking the objectives of central government as the starting point, consider what level of detailed information central government needs; and what procedures [for example through a central inspectorate] will be necessary to obtain that information;

b. for agency services agree evaluation procedures with the local authority associations including the local authorities' own input to the evaluation process;

c. in cases where the Government has a strong interest and where there is substantial local discretion, make efforts to establish an evaluation procedure and methodology in consultation with the appropriate local authority associations. You should make clear which

indicators etc the Government will focus on in assessing the effectiveness and efficiency of locally-delivered services; establish who is to be responsible for gathering the information which is needed for monitoring, control, and evaluation; and settle the timetable for supplying it. You can sometimes make the provision of information a statutory requirement or a condition for participating in a scheme;

d. where central government does not have a strong interest, it may be enough to check that evaluation is being undertaken by the local authorities, or that systems are in place to ensure such evaluation;

e. the Audit Commission, (and in Scotland the Commission for Local Authority Accounts), has a key role in promoting value for money in local authorities independently of central government. Its reports on particular issues can make an important contribution to policy evaluation for services delivered through local government;

f. where there is a central inspectorate for a service delivered through local government, it often has the potential to make a major contribution to the evaluation of policy in its field;

g. quite often there is a body of academic research and consultants' reports that can be drawn on, some



of it commissioned by central government. It will often be useful to consider, in good time, whether this could usefully be added to by promoting or commissioning studies especially relevant to policy evaluation.

### Evaluation of Science and Technology Programmes

52. Responsibility for developing guidance for Departments on the assessment and evaluation of their science and technology programmes rests with the Science and Technology Assessment Office in the Cabinet Office, who have established a working party with Departments. The underlying principles for S&T evaluation are broadly the same as those for other policy evaluation. When the guidelines emerge they will however take account of certain important differences, in particular the fact that there are often two line management functions for S&T where the work is carried out intramurally - the customer and the contractor. This has implications for the process of assessment and especially the role of independent evaluation.

### Costs

53. Evaluation costs money. Even if it is done as part of the normal work there is an opportunity cost of other work which might have been done instead. The manager needs to decide early on how much effort ought to be devoted to evaluating a particular policy or programme; to ask that

resources are made available from within the programmes's budget; and that time has been allocated in the forward work programme. For new policy proposals or policies arising from policy reviews, this can now be regarded as obligatory.

54. As the case studies show, the amount of resources needed to do an evaluation can range widely from a few man days of divisional time at one end to major research costing a million pounds or more at the other. It is not easy to offer criteria against which to make the judgement. Clearly if the expected cost is trivial in relation to the importance of the policy or the size of the programme, evaluation should be done. The prime consideration in all cases must be the likely usefulness of the exercise. Questions worth asking are:

- a. What is at risk if the policy proves to be ineffective?
- b. Is it likely that, if resources are to be made available, evaluation will be able to increase effectiveness or efficiency by more than enough to cover its costs?
- c. Is it likely that there will be follow-on or related policies which are likely to be improved if this particular policy is evaluated?
- d. Can the Department give a satisfactory account

of the effectiveness etc of its individual programmes without evaluation?

e. Can the main benefits be obtained by small-scale or partial studies?

55. In considering costs, remember that these do not all fall on the Government. If, for example, it is proposed to involve firms in collecting large amounts of detailed information, there may be tension with the Government's objectives on reducing burdens on companies.

### Analysis

56. The next step is of course the analysis or the evaluation itself. Sometimes the word evaluation is applied to a special exercise, often undertaken by outsiders, which considers all aspects of a policy after it has been running for a few years. But the evaluation process can be regarded as covering all aspects of an evaluation and monitoring plan which implies looking at different types of questions throughout the policy's life. In the early stages it may not be possible to discover much about effectiveness since there is often a time lag before results come through. But even if it is only possible to look at inputs and at administrative efficiency, this is worth doing. It may also be useful to check on how well the indicators which will later illustrate effectiveness are being compiled.

57. Although evaluation is primarily a way of looking back at the past, it leads naturally on to a look forward to the future especially when it considers alternatives that were not adopted for the policy but might be if the policy is modified. Here it merges into reappraisal and appraisal of new proposals. For example an evaluation of a grant scheme would not be expected to offer a detailed comparison with what might have happened if the scheme had been tax-based instead. But it could include observations about what is already known about tax-based schemes and suggest further analysis. Some suggestions for identifying alternatives are at Annex E.

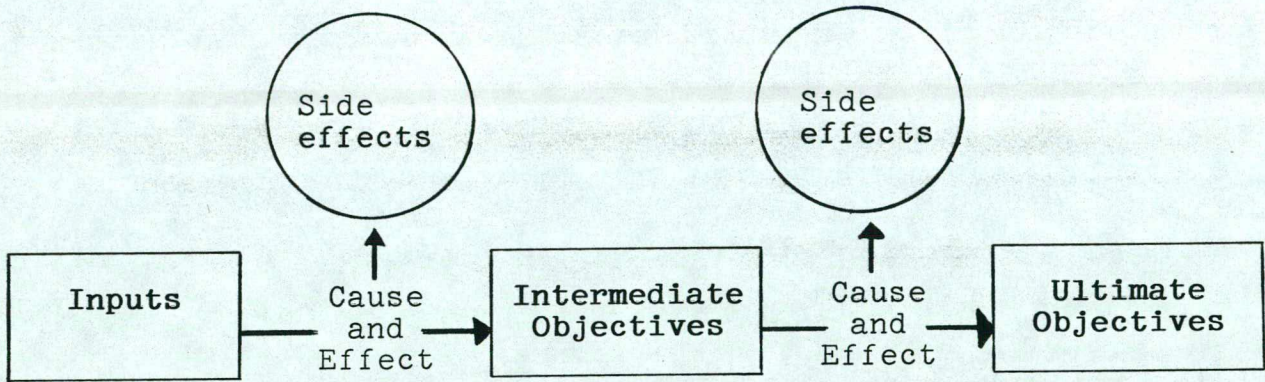
#### Publication of Findings

58. Sometimes plans for evaluations are announced in advance and their results published as a matter of course. Decisions on how far to publish are matters for the Minister in charge of the Department. Evaluations will not always show favourable results, but Departments can still gain credit from publication in such circumstances if they can show that they are learning from experience and are ready to propose prompt remedial action in the light of the evaluation findings. In other cases publishing the results of evaluation may help to influence the attitudes of the public and of interest groups, to raise the level of debate, and make it easier to help achieve the Government's objectives.

## Outcome

59. Although there may be differences in practice on who is responsible for commissioning and doing the evaluation, it will normally be for the line manager to decide what follow-up action to recommend. Obviously he will want to concentrate on the implications for the policy or for the way it has been operated. His main objective will be to improve the effectiveness and efficiency of the policy. But the lessons of evaluation may go wider, pointing, for example, to a need to improve the Department's appraisal procedures or management systems. Even if the decision is to continue the policy as before, evaluation may suggest ways in which the information flows may be improved or lead to setting of new or revised management targets. Thus in all cases the cycle between evaluation and appraisal is completed.

AN EVALUATION FRAMEWORK



Changing environments \_\_\_\_\_>

Base case for comparison \_\_\_\_\_>

QUESTIONS TO HELP IN DEFINING OBJECTIVES AND ASSUMPTIONS:  
SUGGESTIONS FOR CONSIDERATION

1. Why is the policy being undertaken and what it is intended to achieve?
2. How do these objectives fit in with the overall objectives of the department?
3. If there is more than one objective, do they all pull in the same direction? If not can they be given some kind of priority ranking?
4. Can the ultimate objectives be broken down into a series of intermediate objectives which either have a causal relationship or follow one another chronologically?
5. How far can the objectives both ultimate and intermediate be set out in quantitative terms?
6. Have the other inputs to each objective been identified?

QUESTIONS TO HELP IN DEFINING ASSUMPTIONS

1. How far is the achievement of the policy objective dependent upon Government action?
2. How far is the achievement dependent upon other people altering their behaviour?
3. Are we tending to assume that those affected by the policy will react in the way we hope? What other reactions could there be?

4. Is there a risk of simply extrapolating past trends without checking whether they are still likely to be valid?
5. How has the external environment changed since the policy was first established? Economic change? Social change? Technological change?



QUESTIONS TO BE ADDRESSED BY AN EVALUATION REPORT: SUGGESTIONS FOR CONSIDERATION

Effectiveness

1. Have the objectives been achieved in terms of quality, quantity, time?
2. To what extent was the achievement the effect of Government action?
3. Is the achievement measured against a valid baseline of the position at the start of the policy and of what would have happened otherwise?
4. Has Government action induced activity that would otherwise not have occurred?
5. Can the Government action be traced from the combined inputs of Government and private sector on additional projects through clear causal links to the achievement?
6. To what extent was the achievement the effect of external factors?
7. Was the environment for the policy implementation the same as or different from that expected? Did a change in the environment effect the achievement of the objectives?
8. Can the main causes of the achievement be deduced from analysis of the achievement?
9. Were there significant unexpected side effects? Will it be possible or worthwhile to evaluate the side effects?
10. If the objectives have been over-achieved, is this a good thing, or a waste of resource?
11. Will the achievements be measured at the right levels? Eg international, national, industry sector, programme participants, collaboration projects, group of companies, company, division of company, individual project?
12. If achievement is difficult to measure directly, are there suitable surrogate measures?

## Inputs

1. Have the inputs been made according to planned amounts, timing, quality?
2. Have all the inputs of both Government and the private sector been included?
3. To what extent were the private sector inputs additional?
4. What price had to be paid? (In terms of gearing, if appropriate.)
5. How much of the input was wasted? (Irrelevant or unsuccessful projects - abuse or avoidance - deadweight cost?)
6. Have all the possible analyses of inputs, with trends over time been examined?
7. How do the inputs compare with the inputs of related policies?

## Efficiency

1. What is the cost of a unit of output? Distinguish programme cost and administration cost.
2. Is the cost/benefit ratio better or worse than originally calculated?
3. Is it reasonable in comparison to plan, other policies, other departments, other countries etc?
4. How efficient was the administration? Were there any complaints? How long to process a case? Error rates?
5. Have all the alternatives been considered?
6. Is the present policy and administration the most cost-effective option?
7. If not, what are the constraints on using a more cost-effective method?
8. Can they be overcome?

## Analysis and Action

1. Are the objectives of the policy still relevant? Are they still high priority?
2. Is the existing policy well-suited to meeting those objectives?
3. What steps should be taken to improve or alter the policy?

4. Are there lessons for other areas of policy?

5. Are there lessons for the management of the Department?

## DATA COLLECTION - SUGGESTIONS FOR CONSIDERATION

### Desk Top

1. Previous evaluation reports, of this and previous policies
2. Research by support divisions - reports or statistics
3. Research by or for policy divisions - reports or statistics
4. Accounting information
5. Departmental plans, minutes
6. Press cuttings (and professional publications)
7. Published statistics (may be able to yield unpublished analysis)

### Other Methods

1. Commissioning in-house or external research in support of the evaluation
2. Studying case files - all or sample - application forms, grant offers, correspondence, completion, payment details
3. Face to face interviews
4. Telephone surveys
5. Questionnaires or open questions for each of the above
6. Longitudinal studies

### Determining the Population for Interviews and Questionnaires

1. Policy division
2. Inspectors, if there is an Inspectorate
3. Departmental support services (economists, statisticians, accountants, operational researchers)
4. Scheme participants
5. Those rejected from the scheme (to examine rejection criteria, opportunities missed)
6. Those eligible who did not apply
7. Subject specialists: academics, consultants, journalists, professions, trade associations, unions
8. Public opinion surveys

CONSIDERATION OF ALTERNATIVES: SOME SUGGESTIONS

1. Have we looked at the options identified at the appraisal stage?
2. What is implied by doing nothing or continuing as before?
3. Ought the operation to be scaled down or closed, releasing resources for other uses?
4. Are different sizes or quality of operation possible?
5. What is the effect of varying the design life of the scheme?
6. Might the project be accelerated, postponed, or phased differently?
7. What alternative locations are possible?
8. Are there choices of technique? More or better systems requiring less staff? Would better training of staff reduce numbers?
9. Are all elements of the operation equally justified? Would removing some of them increase the effectiveness or efficiency of the total?
10. Could the operation be combined with another to advantage?
11. Could all or part of the operation be contracted out or privatised?

**POLICY EVALUATION GLOSSARY**

**Acceleration** - Arises where Government action causes projects that would have occurred in any case to be started or completed sooner. The benefits which can be attributed to the policy are therefore the value of the change in timing, rather than the total benefits of the project.

**Additionality** - The amount of output from a policy as compared with what would have occurred without the Government intervention. The concept of additionality is particularly important in evaluating financial incentives, eg grants to industry, tax allowances, employment measures. If you are paying someone to do something which he would have done anyway, there is zero additionality and the incentive is ineffective. Sometimes additionality may relate to inputs - the amount of additional expenditure induced by incentives. Additionality may be important in relation to several different objectives within one policy, for example the

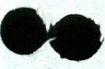
Inland Revenue's Business Expansion Scheme achieved additional equity funding for businesses, some of which was additional finance for the business (as opposed to substitution for loan finance) and some gave rise to additional economic activity. See also Deadweight, Displacement.

#### Aims

- The main purposes for which a Department exists. All individual policies should contribute to achieving some aspect of departmental aims, and identifying the link in part of the process of clarifying objectives. An aim is not necessarily quantifiable but it gives general direction to the Department's activities. Targets (qv) and Objectives (qv) and Aims can be regarded as a hierarchy.

#### Appraisal

- The process of defining objectives, examining options and weighing up the costs and benefits before a policy is decided upon. (See Investment Appraisal, Cost-Benefit Analysis and Cost-Effectiveness Analysis).



**Arms Length  
Policies**

- Government policies which are delivered or managed by outside bodies, particularly local authorities which are responsible to their own electorates and therefore have their own separate lines of accountability and their own audit. Policies managed by Non-Departmental Public Bodies give rise to some of the same problems.

**Assumptions**

- Three main types of assumptions need to be clarified;
  - a. assumptions about the 'base case' of what would happen if there were no policy or if policy took a different form.)
  - b. assumptions about the causal links between the inputs and outputs of a policy and between its intermediate and final objectives.
  - c. assumptions about factors in the external environment ie outside the Government's direct control which may affect the outcome of the policy. (See Environment).



**Base Case,  
Base Line,  
Counterfactual**

- Any evaluation of a policy's effects needs to be relative to a base case, ie to a statement of what would have happened without Government intervention or if Government intervention had taken a different form. Otherwise there is no way of disentangling the effects of the policy from other changes which have occurred as a result of other causes. In many cases the base case may be the continuation of previous policy. It is not usually enough just to describe the starting position or baseline since this would have changed with time anyway. It may be useful to establish the base case either by statistical analysis and projection or by setting up a Control Group, (qv).

**Benefits**

- The value or utility of the outputs of a policy. The benefits of a policy will generally also be the final objectives of a policy, but there could also be beneficial side effects. Benefits may be stated gross (as defined above) or net of costs and adverse side effects.

**Burdens**

- An evaluation plan should normally

take into account the potential extra work for those whose work is being evaluated and on outside firms and individuals who are affected by the evaluation. Burdens of the policy on outsiders are also relevant to assessing what is worthwhile to evaluate. Guidance on preparing Preliminary Compliance Cost Assessments (PCCA) and Full Compliance Cost Assessments (FCCA) is available from the Department of Employment.

**Counterfactual**

- See Base Case, the preferred term.

**Compliance Costs**

- The costs to private sector firms or individuals of complying with the policy. These can be high even if the Government costs are low. This is a separate point from assessing the extent of compliance which is a vital part of most evaluations of regulatory intervention.

**Constraints**

- Sometimes objectives need to be drawn up recognising that there are constraints, eg international agreements, which may limit the ability of a Department to deliver all that is

desirable. In such cases the constraints can be regarded as part of the environment within which the policy is operating.

**Control Group**

- A group to whom the policy does not apply, used as a baseline against which to assess the changes among the group to whom it does. Wherever possible, the relevant characteristics of the two groups should be as similar as possible. Very useful in setting up pilot studies and in preparing an evaluation plan for a policy which is to be applied selectively. Among the advantages of establishing a control group is that it provides a means of disentangling the separate effects of environmental factors from the direct effects of the policy intervention.

**Costs**

- An evaluation should cover all costs, whether falling on the Government or elsewhere (see Compliance Costs, Externalities). It may sometimes be appropriate to consider the opportunity cost of not pursuing some alternative policy in a related field.

**Cost-Benefit  
Analysis**

- A form of analysis which seeks to quantify in money terms as many of the costs and benefits of a proposal as possible, including those which are not marketed eg time saved to travellers on an improved road. Cost-benefit analysis need not be restricted to appraisal: it can be carried out after the event as well as before. The reader may find it useful to look at Annex A of the green booklet 'Investment Appraisal in the Public Sector: A Technical Guide for Government Departments', which distinguishes between cost-benefit analysis and other forms of appraisal.

**Cost-Effectiveness  
Analysis**

- A form of analysis which compares the costs of different options which have the same or similar outputs. Commonly used where the outputs cannot easily be given a monetary value, eg in health policy the cost per life-year saved.

**Deadweight**

- That part of a public expenditure programme which is taken up by recipients other than those to whom the expenditure would if possible be directed. Sometimes used in non-programme type policies,

for example inspection visits which find nothing amiss. Sometimes referred to as inability to focus inputs. Deadweight may be inescapable, but its extent should be evaluated.

**Displacement  
and Substitution**

- The extent to which the generation of a desirable programme output in one area leads to a loss of the same output in another area. A technical distinction is nowadays drawn between displacement and substitution. For example if as a result of an employment measure scheme subsidised workers take the place of unsubsidised workers within one firm, there is said to be substitution. Displacement occurs when workers in other firms lose their jobs as a result of the scheme as the firm with the subsidised workers wins business at their expense.

**Economy**

- As applied to management, the term economy means using fewer resources, either compared with plans, or by comparison with previous performance or the performance of other organisations. It normally refers to obtaining the inputs more cheaply,

or reducing the amount of wastage. (It is not the same as efficiency, which relates output to inputs.) An economical organisation acquires its resources in the right quantity and of a quality no higher than is needed for the job, at the appropriate time and at the lowest obtainable cost. But such an organisation is not necessarily either efficient or effective.

### Effectiveness

- The extent to which the objectives of a policy are achieved. The most effective policy is one which achieves all its objectives.

Effectiveness is to be differentiated from efficiency or cost-effectiveness. To give an example: suppose someone discovers a treatment for the common cold which provides a cure in 100 per cent of cases. This is effective, but if each course of treatment were to cost, say, £1 million, it would not be cost-effective or good value for money. Effectiveness is defined without reference to costs, and the concepts of effectiveness and efficiency

can both be applied to the same final objective. Sometimes the trading sector concept of market share can be applied as an effectiveness indicator for Government activities. What proportion of the target group were influenced? How many of those entitled took up their entitlement?

The effectiveness of administration is the extent to which administrative objectives have been met; administrative objectives will often be intermediate ones: the effectiveness of a policy is the extent to which the final objectives of a policy have been met.

**Efficiency**

- The ratio of the output of an activity to the resources used to produce that output. The Treasury and Civil Service Committee defined programme efficiency as: "given the objectives and the means chosen to pursue the objectives, the minimising of inputs to the programme in relation to the outputs from it." An efficient policy and an efficient administration organisation are not the same. For example, a department may be paying promptly the correct

amounts of grants to all eligible people but without having the intended effect on their behaviour. Administrative efficiency might, for example, be measured in cases cleared per month (but see also 'Quality'). Efficiency measures may be used in the examination of alternative policies to see whether the same effect could be achieved with fewer resources or if more could be achieved with the same resources.

## Environment

- In an evaluation assumptions are required about the environment in which the policy operates; some relate to the economic or social environment, others to technology or to international relationships. Some assumptions will relate to the base case - the need for the policy may disappear if the environment changes (eg policies formulated at times of credit shortage). An assumption that the future will be a continuation of present trends will need to be re-examined periodically. Other assumptions will be about factors which will affect the achievement of objectives (eg the level of activity in industries which employ electricians



will affect the number of accidents from electrical causes). (See Assumptions).

## Evaluation

- Strictly the whole process of checking afterwards how far policy objectives have been achieved and how efficiently and economically. Monitoring is usually routinely collecting and reviewing available information and is an important part of policy evaluation, but monitoring information will seldom indicate whether ultimate objectives are being achieved. Evaluation is sometimes used to mean a set piece of research undertaken at a specific time often requiring the gathering of information which is not routinely available within the organisation but often also drawing on monitoring information - 'an evaluation' resulting in a formal report. Policy evaluation should be an integral part of all policy work. It may be sensible to evaluate different aspects of a policy at different times. For example it may be years before the full effectiveness of a new policy can be assessed, but meantime it may be possible to check on the achievement

of intermediate objectives and on efficiency and economy questions. A good evaluation plan will identify the questions and the correct timing for addressing them.

One purpose of evaluation is to check whether the original objectives of a policy are still valid. This is as important as evaluating whether the original objectives were achieved.

#### Evaluation Plan

- A plan which describes the questions which the evaluation will address, distinguishing effectiveness and efficiency, along with the timescale and information flows. There are big advantages in preparing an evaluation plan at the time when a policy is devised or reviewed or as soon afterwards as possible.

#### Externalities

- Benefits or costs falling on third parties who cannot pay or cannot be compensated for them through the market mechanism. Externalities are said to occur if, say, Government assistance to encourage investment in research and development brings returns to the

national economy which are higher than the total of those accruing to the individual organisations receiving assistance. It is also important in regulatory activity, such as pollution control, where the cost of compliance falls on an industry but the benefits accrue elsewhere. Whenever externalities are advanced as a main justification for a policy, an evaluation should investigate who receives the benefit, and in some cases consider whether they should share the cost.

**Fungibility  
of Money**

- If money is advanced to an organisation or individual for one purpose, it releases other money to be spent on other purposes. This property of money needs to be borne in mind in evaluating grants and other financial incentives. For example an outside organisation in receipt of grant for a purpose which it would have undertaken anyway may be able to rearrange its budget so that part or all of the extra money finances the marginal expenditure of its own choice. Specific grant money in such circumstances may in reality be funding some quite different

expenditure.

**Gearing**

- The extent to which Government expenditure is enhanced by expenditure from elsewhere, eg from private sector funds. The total project expenditure is sometimes referred to as associated or eligible expenditure. For example, where a grant is given for 25% of the eligible expenditure, the direct gearing ratio might be 1:3 depending on deadweight and substitution. A balance sometimes has to be struck between achieving high gearing and high additionality. The smaller the proportion of associated expenditure financed by Government, the smaller the incentive for recipients to undertake additional activities. Distinguish this from the closely related multiplier effects.

**Impact**

- The effects of a policy, both good and bad, expected and unexpected.

**Incrementality**

- American for additionality.

**Indicator  
(of output or  
performance)**

- A proxy measure used when output or performance is not directly measurable.

For example, the number of complaints received is an indicator of quality of service, but does not represent the whole picture. Examples of indicators of programme effectiveness are: notification and hospital admission rates for infectious diseases (immunisation programme), numbers off the registered unemployment count (employment schemes), VAT under-declarations discovered.

### **Inputs**

- The resources required to formulate and execute the policy. Usually measurable in money terms, but may include other matters, eg the use of people with scarce skills. See Costs. An input to an activity may also be an output of an earlier activity. For example, hospital places are an output arising from the deployment of resources and management effort, but they are also one of the inputs contributing to the final output of health care.

### **Intermediate Output**

- See Output.

### **Investment Appraisal**

- A systematic approach to decision-making in which objectives are clearly

specified, the various ways of meeting them are considered, and the costs and benefits of each option estimated and - wherever possible - valued. Detailed guidance may be found in the green booklet 'Investment Appraisal in the Public Sector: A Technical Guide for Government Departments'. An evaluation should generally include a review of the investment appraisal. See also Cost Benefit Analysis, and Cost-Effectiveness Analysis.

**Longitudinal  
Studies**

- A method of research whereby the changes are followed over the life of the policy by reference to a sample group. For example a longitudinal study of changes in the initial training of teachers would try to follow the effects on teaching in the schools to which the sample teachers were appointed and on the performance of pupils whom they taught.

**Marginal Cost/  
Marginal Benefit**

- The extra costs and benefits of an additional unit of output will often be different from average costs and benefits. Important in looking at Unit Costs (qv).

**Marginal  
Efficiency**

- The ratio of a change in output to a marginal increase in inputs.

**Measure  
(of Output or  
Performance)**

- Quantified description of output (eg numbers of cases handled or miles of road repaired), or performance (eg cases handled per person, cost per mile of repairs).

**Milestones**

- Pre-set indicators of what objectives will be achieved by when. Milestones are usually targets. Sometimes needs careful specification of what will be achieved in terms of quality. An important project control tool.

**Monitoring**

- Regular checking of progress against plan. Monitoring information is usually cheaper to collect and more directly related to evaluation questions if systems are set up at the start of a policy. See Evaluation.

**Multiplier Effect**

- Usually refers to the second-round effects on the level of economic activity resulting from an initial injection of expenditure (eg when employees on a new project spend their earnings

and so increase consumer demand). Local and regional multipliers are commonly used to assess the employment effects of urban and regional policies. There are several other types of multipliers. The term is sometimes also used instead of Gearing, but this is not preferred usage.

### Objectives

- A statement of what is planned to be achieved by when. A policy without clear objectives cannot be evaluated. An objective should always be expressed in such a way that it will be possible later to tell whether the objective has been achieved. Departmental aims may be stated more in terms of principles, but these are insufficient by themselves, and need to be developed into more precise objectives if they are to be useful. A quantified objective with a time-scale is usually called a target but where environmental factors make the achievement outside the control of the Department, it is a forecast.

Final objectives of a policy (sometimes called ultimate objectives) should relate to the aims of the department



and the benefits of the policy; intermediate objectives should contribute to the final objectives, and the link between them generally represents a 'cause-and-effect' assumption. A chart of objectives often helps to clarify these assumptions and plan the evaluation. Objectives, or the priorities assigned to them, may change over time but beware of changes that abandon ultimate objectives for intermediate ones.

Objectives may pull in different directions. Where tensions exist the objectives should be stated in terms of what is considered the optimal balance. Beware of 'flexible' objectives (eg to be 'flexible and responsive'); it may mean the objectives are woolly. Objectives can however be expressed in a way which takes account of changes in the environment. Constraints may need to be recognised in formulating objectives.

Objectives should be realistic in relation to the resources available, but the achievement of them may depend

also on assumptions made about other factors in the environment. In such cases the objective should be set using the best forecast (official forecast if available) of the other factors. Some objectives may need to be kept confidential, for example, where they relate to negotiations or to political intentions which Ministers are not yet ready to make public, but in such cases it is still vital to be as clear as possible internally.

#### Options

- All appraisals should normally examine a number of different options for the policy and its execution. Policy evaluation should likewise consider the options which were rejected and if appropriate identify new ones. There is often an option to "do nothing" or "stop doing what we are doing". See Investment Appraisal.

#### Outcome

- What actually happened. For example the outcome of the Government's publicity campaign was a 5 per cent increase in public awareness.

#### Outputs

- The things or conditions produced by

an individual or organisation. A distinction is often made between intermediate and final outputs; if output B contributes to output A, B is then said to be an intermediate output. For each type of output there should be a corresponding objective. These are also referred to as final (or ultimate) objectives and intermediate objectives (or sometimes sub-objectives). Outputs should be stated in a way which renders them observable, and if possible quantified.

#### **Outturn**

The actual numerical value of an input, output or other planned figure at the end of the reporting period. For example, the outturn for 1986/87 was £9m, 10 per cent below budgeted expenditure.

#### **Performance Measurement**

- Comparative assessment of outputs or inputs of the policy. Ratios for economy, effectiveness, and efficiency, are all aspects of performance. Performance measures are most useful when used for comparisons: over time or between units performing similar work.

In Government, the term performance measurement is not used to include input or output measurement on its own, although in the private sector these would often be considered aspects of performance measurement.

In policy evaluation, performance measurement refers to the degree of success of the whole policy. Operational or administrative performance is generally one aspect of this.

**Policy**

- The Government's objectives and the preferred means for trying to achieve them. Common usage on what constitutes a policy varies widely and it is a matter of practical judgement what areas are worth including within the scope of a specific evaluation.

**Policy Instrument**

- The chosen mechanism for achieving an objective, for example a grants scheme or the making of a regulation. Evaluation of the effects of a policy instrument will often be a part of policy evaluation, but usually only a part.

### **Policy Manager**

- The policy manager is defined for the purposes of this guide as the official with lead responsibility to Ministers for operating the process from day to day in the policy division. Usually he or she will be about Grade 3 or Grade 5. It is he who advises on what the objectives of the policy are, whether or not he has the sole responsibility for policy appraisal and evaluation work (as opposed to using specialist support) and regardless of whether he also has responsibility for day to day administration of the means of delivering the policy.

### **Policy Model**

- A conceptual representation of a policy. At its simplest this may be just a chart which describes the links between inputs, activities, and the intermediate and ultimate objectives with statements of the assumptions which have been made. Quantification of these relationships gives a mathematical model which can be very complex.

### **Productivity**

- A specific efficiency measure, usually a physical output, and when only a

single input is considered. Most commonly used in this context of labour productivity eg tonnes of coal per man-day.

**Programmes**

- Activity and expenditure covering a group of related policy objectives (including policy areas with little or no public expenditure).

**Project**

- A discrete one-off form of expenditure, often of a capital nature, eg a road project. The principles of evaluation apply as much to projects as to policies.

**Quality**

- A characteristic of physical output. Any objective so defined should therefore include a statement of quality. For example, in the Alvey programme the objective "to produce a one micron geometry silicon chip by 1990" needed to be supplemented by a definition of reliability parameters.

**Quality of Service**

- A common form of effectiveness measure. Were the clients satisfied with the service? What indications can be drawn from complaints? Length of time to perform a service? Incidence of error?

## Quantification

- Wherever practicable, objectives should be quantified. Such quantification will need to take account of the base case and the assumptions associated with the policy. For example, the Health and Safety Executive's objective for its electricity regulations was to reduce accidents at work from electrical causes by an average of 5 per cent, assuming that the level of economic activity in the industry remained constant. There may be occasions where it is not practicable to quantify objectives, but they should always be stated in a way in which the effects are observable in some way.

## Side Effects

- Effects, beneficial or otherwise, which do not contribute to the final objective of a policy. They are sometimes identified at the policy formulation stage but often emerge later - through letters from MPs, representations from interest groups, press comment, or complaints. One of the benefits of evaluation is that unforeseen side-effects can be given weight in any

modification or reappraisal of the policy.

**Spin Offs**

- Same as Side Effects.

**Substitution**

- See Displacement.

**Sunsetting**

- An American term for policies or programmes which are approved to run for a limited period, say three years. Their continuance after that is sometimes made dependent on a full evaluation.

**Targets**

- Quantified objectives with definite timescales sometimes associated with cost or efficiency levels. Meeting management targets may not be a sufficient condition for achieving policy objectives.

**Unit Cost**

- The cost of producing a particular output, divided by the number of units in that output. Can also refer to inputs. Examples: cost per mile of road, cost of administration per pension paid, unit cost of net jobs created, cost per unit of manpower. See also Marginal Cost/Marginal Benefit.



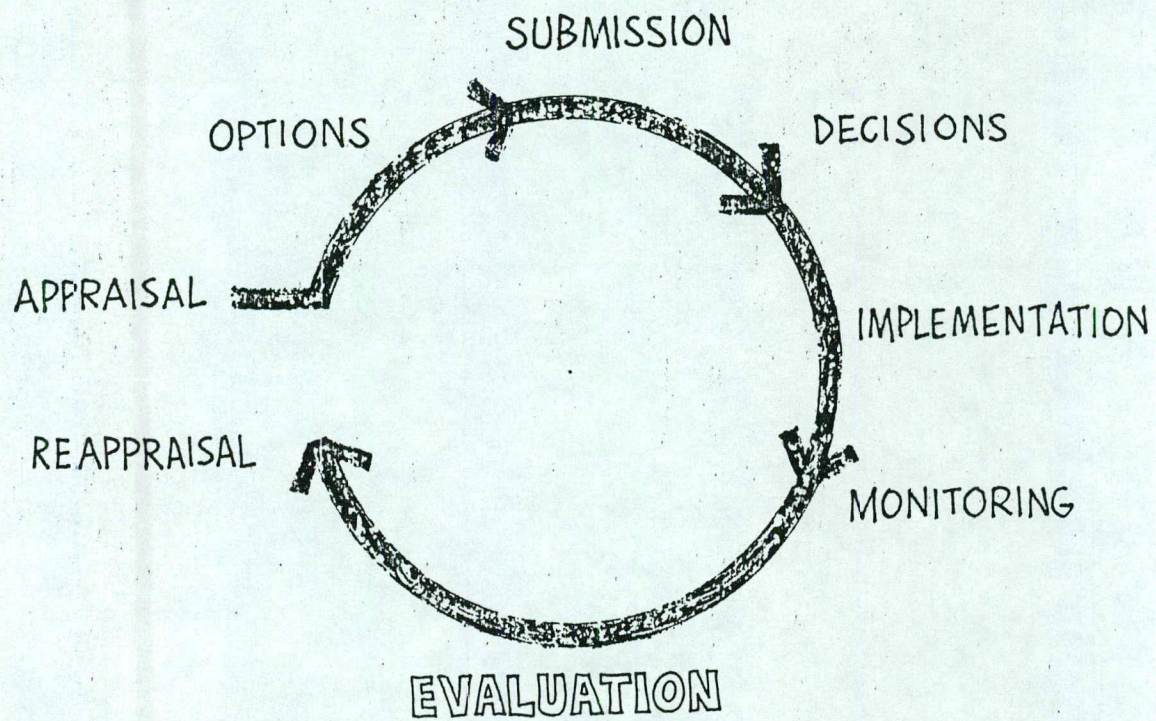
**Value for  
Money**

- Ultimately the final social and economic benefit of a policy in relation to the cost. Sometimes used as shorthand for the optimum combination of economy, effectiveness, and efficiency.

[Blurb for back cover]

Did the policy work? Was it effective? Was it efficiently delivered? This guide gives practical advice on how to set about answering such questions.

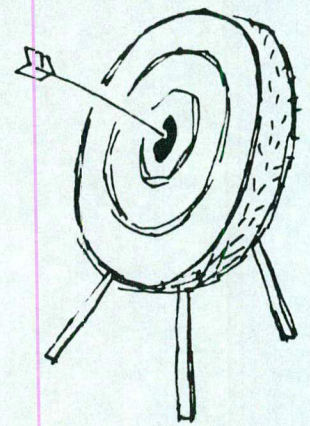
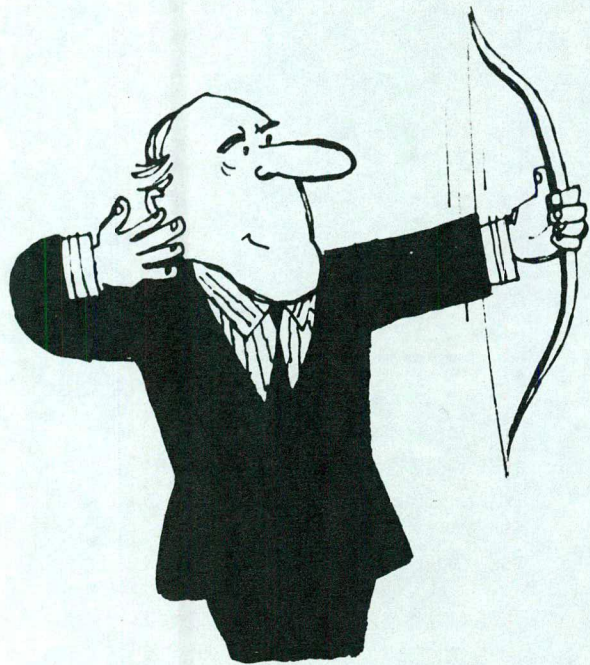
Although written primarily for senior civil servants, it will be useful to anyone concerned with developing and applying good management practice, whether in business, local government, management-consultancy, teaching, or training. Included are suggested lists of questions to be addressed and a helpful Glossary of evaluation terms.



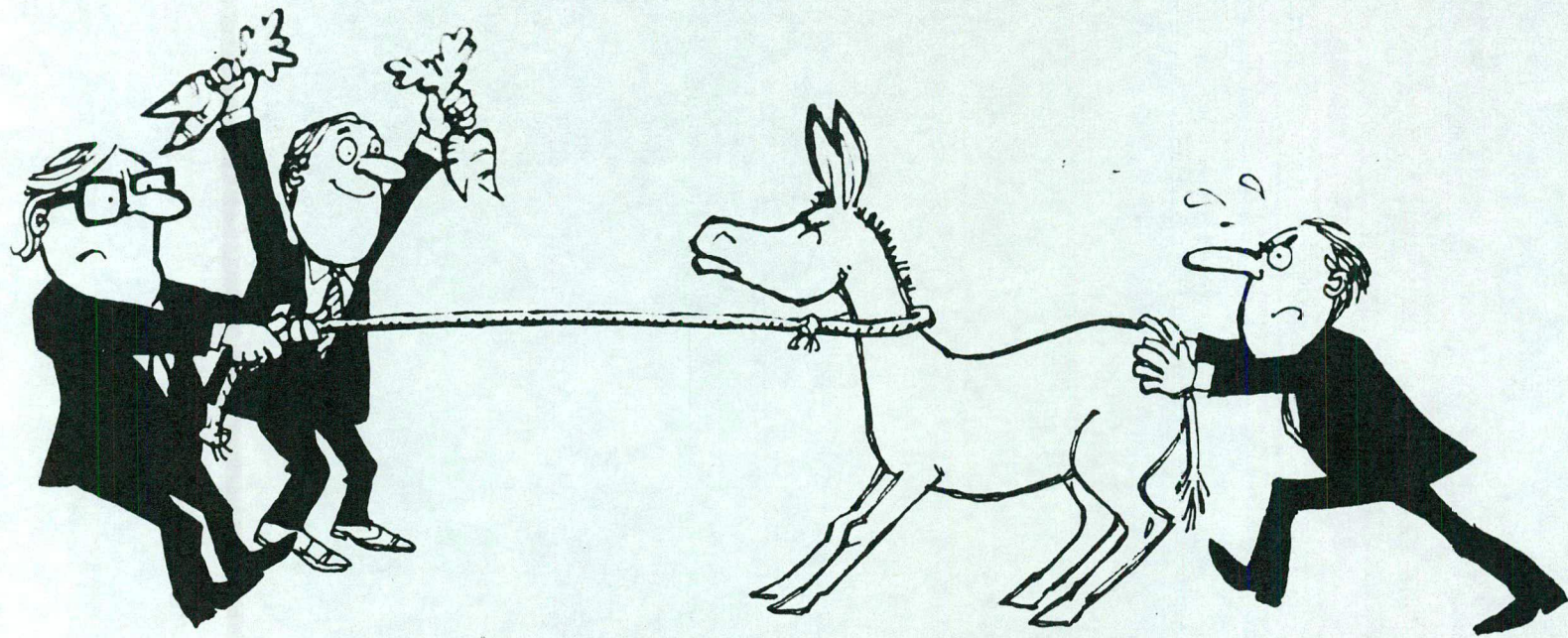
Policy making cycle — TO BE SET



A critical and detached look at the objectives and how they are being met --- TO BE SET.



EFFECTIVENESS — To Be Set.

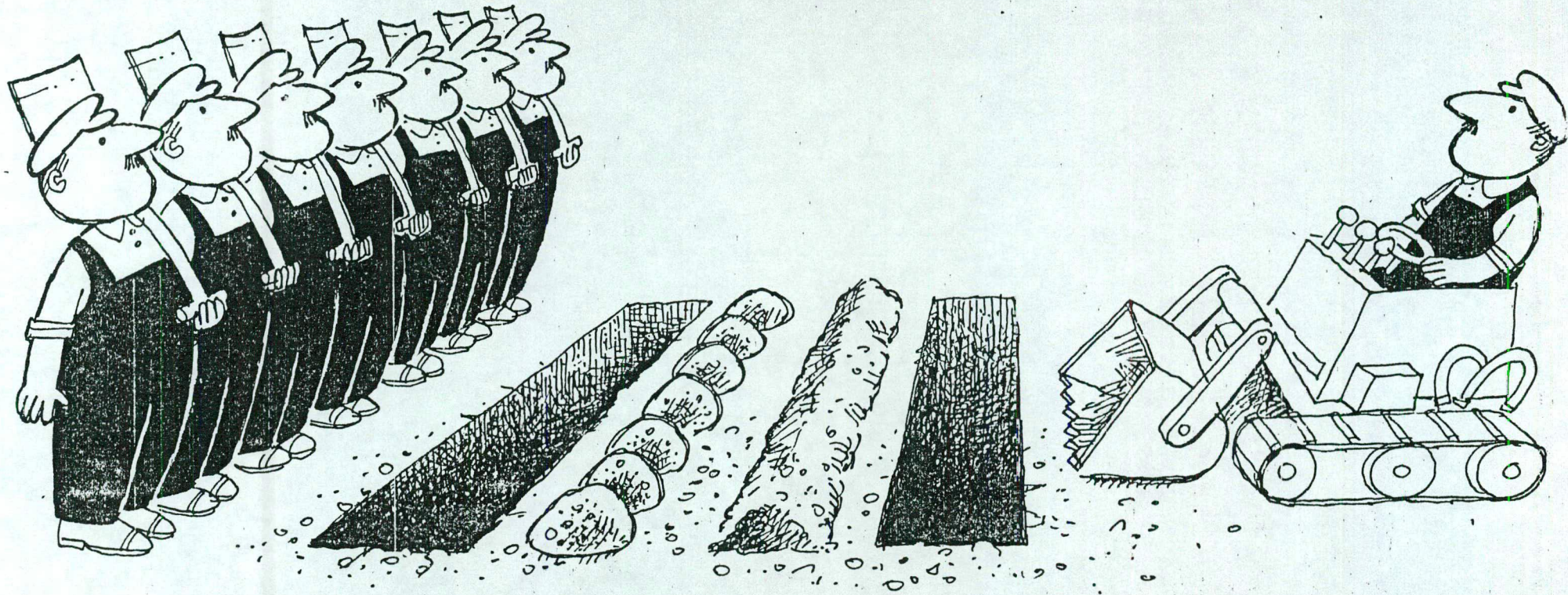


Untested cause and effect assumptions — to be set.

"ZE BEST CAVALRY  
IN ZE WORLD"

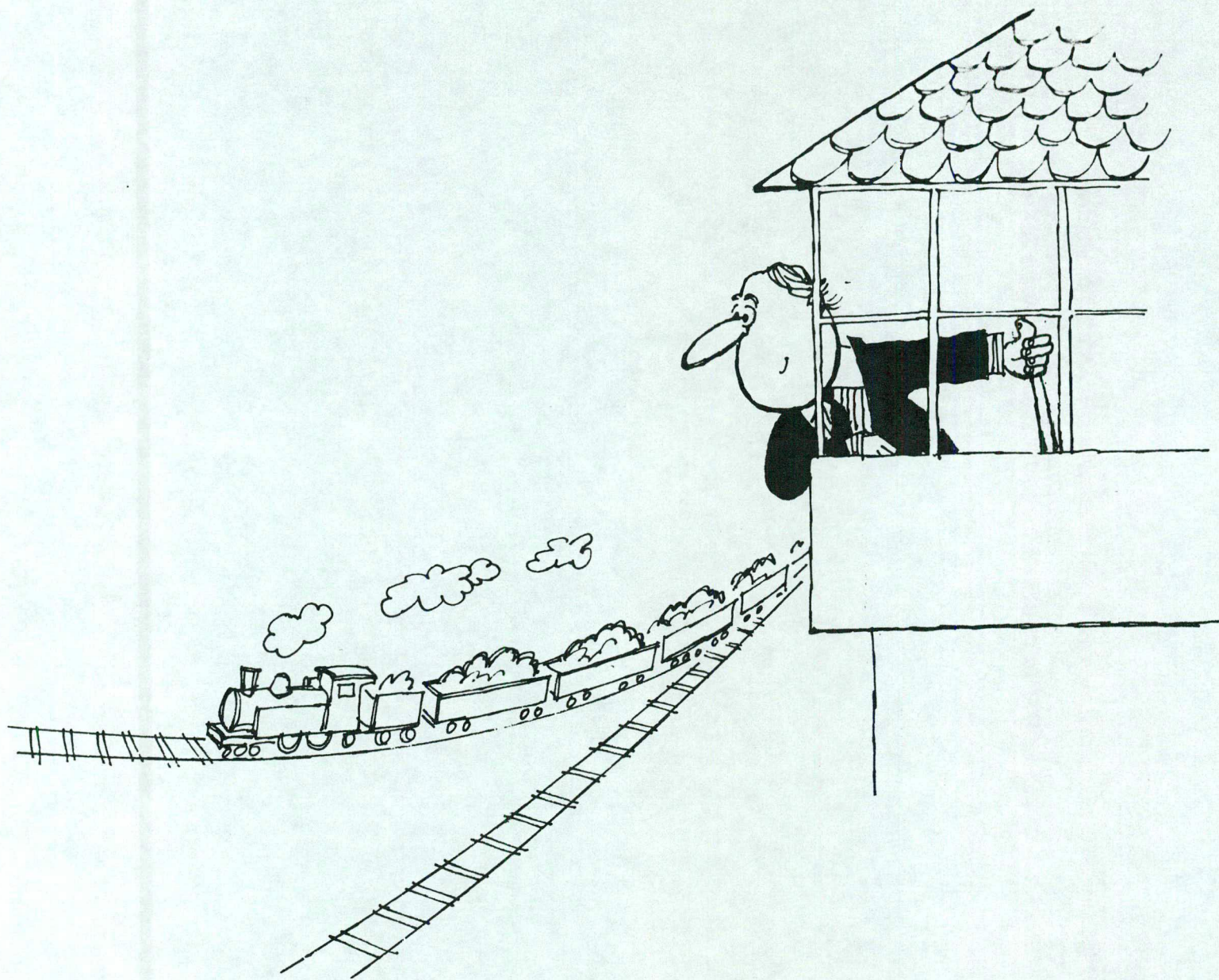


changes in the technological environment — To BESET

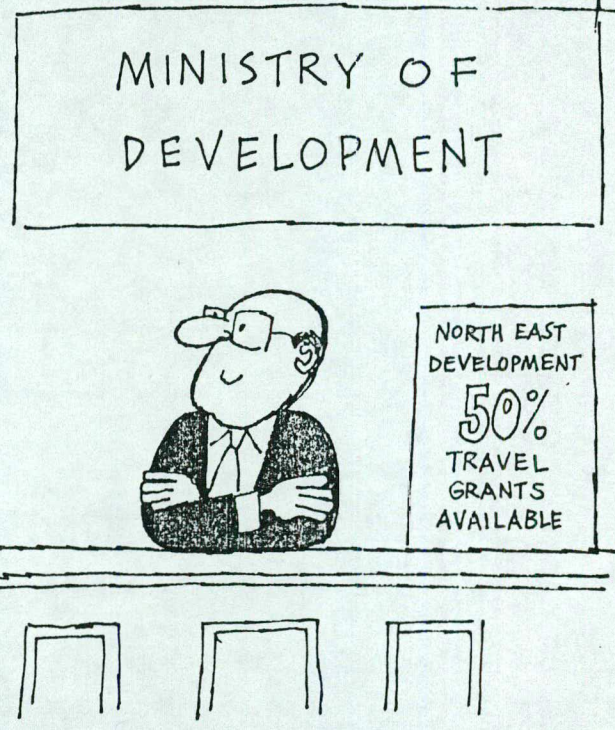


Efficiency ← To BE SET.

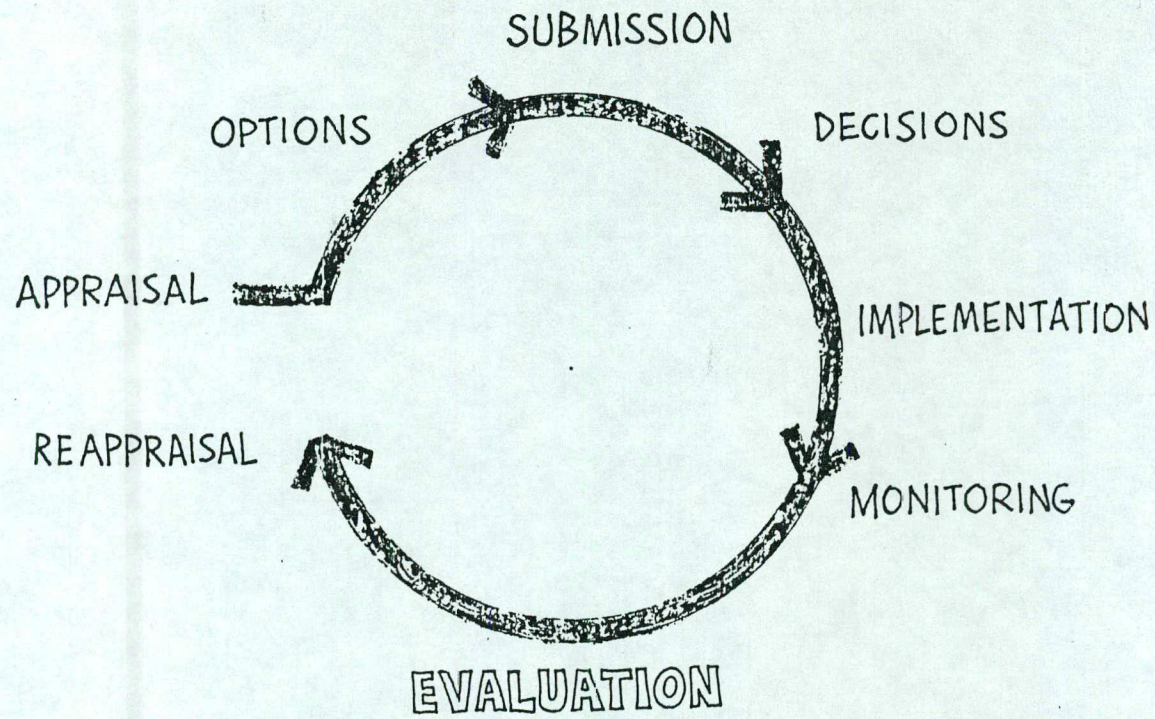




A clear view of what would have happened otherwise — To BE SET



Would it have happened anyway? — To BE SEI



Policy making cycle — TO BE SET



*pur*  
FROM: JILL RUTTER

DATE: 19 February 1988

MR ST CLAIR

CC:  
 PS/Chancellor - 2  
 PS/Financial Secretary  
 PS/Paymaster General  
 PS/Economic Secretary  
 Sir Peter Middleton  
 Mr Anson  
 Dame Anne Mueller  
 Sir A Wilson  
 Mr Kemp  
 Mr Scholar  
 Mr Byatt  
 HEG  
 Mr C D Butler  
 Mr R I G Allen  
 Mr Welsh  
 Mr Parsonage  
 Mr J B Jones  
 Mr Harris  
 Mrs Carrington  
 Parliamentary Clerk

**POLICY EVALUATION: A GUIDE TO MANAGERS - PUBLICATION ARRANGEMENTS**

The Chief Secretary has seen your minute of 8 February and attachments. He has discussed with Mr Anson.

2 The Chief Secretary is content with the arrangements for publication set out in paragraph 13 of your minute.

3 The Chief Secretary would however make one amendment to the press notice, that is to delete the last two sentences volunteering the availability of case studies from the Treasury Press Office.

*Jill Rutter*

~~JILL RUTTER~~

Private Secretary

FROM: ROBERT CULPIN  
DATE: 25 February 1988

CHANCELLOR

*Sinclair → CST*

**POLICY EVALUATION AND THE BUDGET**

This is a minor point.

2. Just before the Budget, on 10 March, the Treasury is publishing a "Guide to Policy Evaluation". It is worthy guff aimed at spending departments.

3. IDT is asked to seek publicity. You may be asked to give a plug at First Order Questions that day.

4. This invites an obvious tease: how will you evaluate the Budget (a) as a whole and (b) measure by measure? "What is to be achieved, by when, at what cost, and how is it to be measured?".

5. I don't think this matters much because I doubt if anyone will notice the Guide, still less read it. But I thought it just worth drawing to your attention, especially as others seem more concerned than I am about measuring behavioural effects, and all that.

6. If you would prefer to distance the Guide from the Budget, it would be the easiest thing in the world to postpone publication till (say) Easter.

*u*  
*What drag?*

*At*

*Yes. have spoken.*

*Rc*

ROBERT CULPIN

*BE 7/3*

FROM: A C S ALLAN  
DATE: 2 March 1988

*Pug*

PS/CHIEF SECRETARY

cc Sir P Middleton  
Mr Anson  
Mr H Phillips  
Mr Scholar  
Mr L Harris  
Mr R I G Allen  
Mr St Clair  
Mr Dyer

**POLICY EVALUATION: A GUIDE TO MANAGERS - PUBLICATION ARRANGEMENTS**

The Chancellor has been considering further Mr St Clair's minute of 8 February. On reflection, he feels it would be more sensible to put off publication of this until after the Budget: publishing it immediately before the Budget would risk raising needless questions about how we had applied these techniques to the Budget proposals.

*ACSA*

A C S ALLAN

CONFIDENTIAL

*papers pse**Page*FROM: J. ANSON  
7th March, 1988.

MR. ST. CLAIR

c.c. PPS  
PS/CST  
Sir P. Middleton  
Dame Anne Mueller  
Sir A. Wilson  
Mr. Phillips  
Mr. Scholar  
Mr. Byatt  
Mr. C. D. Butler  
Mr. Spackman  
Mr. Harris  
Mr. R. Allen  
Parliamentary Clerk

## POLICY EVALUATION: PUBLICATION OF GUIDE

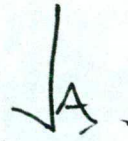
Thank you for sending me a copy of your minute of 2nd March to Mr. R. ALLEN. I have no objection to the new date, but when you re-submit the papers to the Chief Secretary this week, I should be grateful if you would look at the press notice again and modify it to take account of the Chancellor's and Chief Secretary's concerns.

2. The Chief Secretary's point was to avoid volunteering the availability of the case studies. For that purpose we need not only to delete the last two sentences, as Miss Rutter suggested, but also most of paragraph 6. In the PQ, the words "which build on individual studies" could be slightly revised to say "which builds on the work which has been done in Departments".

3. The Chancellor's point could be assisted by making the Press Notice more dead-pan and avoiding implicit criticism of department's past efforts. One way of doing this might be by deleting paragraph 3; deleting paragraph 6 except the 2nd and 3rd sentences which could be transferred as an introduction to the present paragraph 4; deleting the first sentence of paragraph 5 (and "therefore" in line

**CONFIDENTIAL**

3); and as already suggested, deleting the 2nd and 3rd sentences of the last paragraph.

A handwritten signature consisting of a vertical line that curves to the left at the bottom, with a capital letter 'A' written inside the curve.

**J. ANSON**



CONFIDENTIAL

*py*

FROM: W L ST CLAIR  
DATE: 9 March 1988

1. MR HARRIS
2. CHIEF SECRETARY

Copies attached for:

**Chancellor**  
Financial Secretary  
Paymaster General  
Economic Secretary

cc Sir P Middleton  
Mr Anson  
Dame Anne Mueller  
Sir A Wilson  
Mr Phillips  
Mr Scholar  
Mr Byatt  
Mr C D Butler  
Mr Spackman  
Mr R I G Allen  
Parliamentary Clerk

#### POLICY EVALUATION - PUBLICATION OF GUIDE

Following the minute of 2 March from the Chancellor's Private Secretary, I stood down the arrangements for publishing the Guide on 10 March. In this submission I suggest new arrangements for publishing the Guide after the Budget.

As far as a date is concerned, avoiding the debates on the Budget takes us towards the end of March and the Parliamentary Recess. I suggest therefore that we plan to publish shortly after Parliament reassembles which is likely to be on Monday 11 April. I understand that the Finance Bill is due to be published on Thursday 14 April on which day the Treasury is also first for questions. We therefore propose Tuesday 12 April.

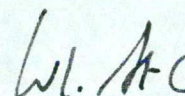
As far as publicity is concerned, there remains the option of asking HMSO to publish the document without fuss as a routine step without any Treasury announcement. However I believe that

Ministers will still prefer to give evaluation a boost by making an announcement by arranged PQ and by issuing a Press Notice.

Following suggestions from Mr Anson, the draft Press Notice has been re-cast to remove all explicit references to the case studies. A number of other changes have been made to make the notice more dead-pan and avoid repeating the implicit criticisms of Departments' past efforts. Revised versions of the PQ and Press Notice are attached.

As far as the case studies are concerned, since they are not explicitly mentioned, I propose that no sets should be sent out to journalists unless someone specifically asks for them. I doubt if anyone will. But since a number were sent out earlier to management consultants, academics, and contacts in other governments on the grounds that they had a professional interest and might be able to help us in our work, it would be difficult to deny similar treatment to journalists.

Copies of the printed version are attached for all recipients of this minute. I will send advance copies to Departments when we have your decision. I understand that HMSO are expecting quite a lively public demand. The bookshop at Holborn has ordered 1,500 copies in advance, and the price has been reduced to £2.50. A couple of very minor errors have been spotted, the fault of HMSO. They will be put right in the next reprint.



W L ST CLAIR

DRAFT PQ FOR WRITTEN ANSWER

**Question:** To ask the Chief Secretary what progress has been made in applying the financial management initiative to policy work.

**Answer :** Since my predecessor's announcement of 10 June 1985 (OR Col 294) Departments have made considerable improvements, particularly in evaluation. The Treasury has today published "Policy Evaluation: A Guide to Managers" which builds on the work which has been done in Departments and which sets out the approach which has been found most useful. I am arranging for copies of this Guide, and of the accompanying press release which describes the background, to be sent to the hon. member and to be placed in the Library of the House.

**DRAFT PRESS RELEASE**

The Chief Secretary has today announced the publication of Policy Evaluation: A Guide to Managers. This marks an important step in applying the financial management initiative to policy work in the Civil Service.

**Notes for Editors**

2. The financial management initiative was launched by the Prime Minister in 1982 to improve allocation, use and control of resources in government, through better management practices in the Civil Service. The initiative on evaluation was announced by the then Chief Secretary on 19 June 1985. (OR column 294.)

3. The main responsibility for evaluation lies with departments. The initiative was originally co-ordinated by the Treasury/Cabinet Office Joint Management Unit, whose functions are now part of the Financial Management Group in the Treasury. There are no ready-made solutions available either from the private sector or from governments overseas although there are useful lessons to be learned from both.

4. In devising a strategy, it was decided to concentrate initially on three objectives:

- a) policy evaluation to be understood and accepted by key managers;
- b) good methods to be found and better ones developed;
- c) evaluation to be built into the actual work.

5. Sessions on policy evaluation were built into the Top

Management Programme and the Senior Finance Course. Since it would have taken several years before these changes worked fully through the Service, the Joint Management Unit arranged a series of seminars for managers from departments at which the potentialities and problems were explored. This has been followed by seminars arranged by departments tailored to their current state of progress. On the whole, in most departments, the awareness objective is believed to have been already achieved although continuing further efforts will be needed. As far as methods are concerned, the Guide, which builds on the work which has been done in departments, sets out the approach which has been found most useful.

6. Improved evaluation has several potential uses, including accountability to Parliament. From the Government's point of view its main use is to help managers achieve their objectives. It must therefore be built firmly into the actual work and not become an academic or historical exercise of interest only to future researchers. All proposals for new policies (and proposals stemming from reviews of policy) must now state what is to be achieved, by when, at what cost, and how the achievement is to be measured, ie evaluated. Many existing policies and programmes are also being studied against these questions. Evaluation information, along with output and performance measures, is playing an increasing part in the Public Expenditure Survey and is quoted in the annual Public Expenditure White Paper. At the same time departments are reviewing their internal arrangements in preparation for the time, which for some has already arrived, when evaluation will have become both normal and expected.

7. The Government believes that a good start has been made, and that the Guide will help to maintain the momentum. Although there are already many instances of policies and programmes being improved as a result of evaluation, it will take some time for the management changes connected with this initiative to come through and for the full benefits to be achieved. The Government intends to press ahead with the initiative.

8. Although intended primarily for senior civil servants the Guide will be of value to others who are concerned with evaluation whether in business, local government, management consultancy, teaching, or training. It is therefore being published.

Copies of the Guide may be obtained from the Treasury Press Office to whom enquiries should be addressed.

HM TREASURY  
12 April 1988

HM TREASURY

# *Policy Evaluation:*

*A GUIDE FOR MANAGERS*



*"A critical and detached look at the objectives  
and how they are being met"*



HMSO publications are available from:

**HMSO Publications Centre**

(Mail and telephone orders only)  
PO Box 276, London, SW8 5DT  
Telephone orders 01-622 3316  
General enquiries 01-211 5656  
(queuing system in operation for both numbers)

**HMSO Bookshops**

49 High Holborn, London, WC1V 6HB 01-211 5656 (Counter service only)  
258 Broad Street, Birmingham, B1 2HE 021-643 3740  
Southey House, 33 Wine Street, Bristol, BS1 2BQ (0272) 264306  
9-21 Princess Street, Manchester, M60 8AS 061-834 7201  
80 Chichester Street, Belfast, BT1 4JY (0232) 238451  
71 Lothian Road, Edinburgh, EH3 9AZ 031-228 4181

**HMSO's Accredited Agents**

(See Yellow Pages)

*and through good booksellers*





HM TREASURY

# *Policy Evaluation:*

*A GUIDE FOR MANAGERS*

Published by HMSO 1988

---

© *Crown copyright 1988*  
*First Published 1988*

ISBN 0 11 560015 9

# Preface

This Guide is intended to help Civil Service managers to evaluate the policies and programmes for which they have a responsibility. It was prepared by W L St Clair, Head of Financial Management Division 2 (formerly Joint Management Unit), in cooperation with colleagues in the Treasury and in Departments, as part of the Financial Management Initiative.

HM TREASURY  
MARCH 1988

# Policy Evaluation: A Guide for Managers

## Contents

	Page
What is Policy Evaluation?	1
When to Plan Evaluation	2
Choosing the Scope of an Evaluation	3
Defining the Purpose of the Evaluation	4
Making a Plan	4
Defining the Objectives	5
The Need for a Base Case	8
Defining the Assumptions	9
Choosing the Questions	11
Measures and Indicators	11
Collecting the Information	15
Arms Length	15
Evaluation of Science and Technology Programmes	17
Costs	17
Analysis	18
Publication of Findings	19
Outcome	19
Annex A An Evaluation Framework	20
B Questions to Help in Defining Objectives and Assumptions: Suggestions for Consideration	21
C Questions to be Addressed by an Evaluation Report: Suggestions for Consideration	22
D Data Collection: Suggestions for Consideration	24
E Consideration of Alternatives: Some Suggestions	25
Glossary of Terms	26

# What is Policy Evaluation?

Policy evaluation is the process of examining a policy while it is in operation or after it has come to an end. It follows naturally from the policy appraisal which is the term normally used for an analysis done before a policy is launched. The techniques are similar. Appraisal helps to improve decision-making by considering whether a proposed policy is likely to be worthwhile and by comparing in advance the different options for effecting it. Evaluation enables the decisions taken as a result of the appraisal to be reviewed afterwards with the same rigour in the light of what has actually happened and with the knowledge of any changes in the external environment which may have occurred in the meantime.

2 Evaluation helps policy managers to achieve their objectives. It can be seen as part of a policy-making cycle which begins with appraisal; leads on through identification of options to decisions; and is then followed by implementation, monitoring and evaluation, back to reappraisal. To the extent that evaluation considers what might have happened if other policies had been adopted, it is merging into reappraisal.

3 Evaluation is to be distinguished from monitoring, that is routine checking of progress against plan, although monitoring will often contribute much useful information and is itself an essential part of the process. Evaluation requires a critical and detached look both at the objectives and at how they are being met.



*A critical and detached look at the objectives and how they are being met*

4 Although in this Guide we use the term policy evaluation, the ad also applies to the evaluation of programmes and projects. A Glossary of some of the main terms is included at the end. Some have precise technical meanings accepted by practitioners in government and elsewhere. However the main purpose of the Glossary is not to prescribe but to explain the concepts and describe how the words are used in practice. In some places it deliberately repeats points made in the main text.

5 Evaluation is not new, but it is being given greater emphasis and more systematic attention as part of the Financial Management Initiative and the drive to improve Civil Service management and accountability generally. It fits in with other management changes introduced in recent years. It is being introduced or reinforced in many other countries in Europe, North America, and elsewhere.

6 There are differences in practice among Departments on who is responsible for commissioning and doing evaluations—the line manager, a central unit, or some combination of the two, with or without help from outside experts such as consultants. The remarks which follow are addressed primarily to managers with line responsibility for policies and programmes, rather than to specialist advisers. Their purpose is to help such managers to understand the main concepts and to plan and mount evaluations in the areas for which they have a responsibility.

## When to Plan Evaluation

7 The best time to plan evaluation is at the time when the policy is introduced. Some of the reasons for this are obvious:

- a. there may have been a thorough appraisal at which the important questions were explored;
- b. everything is fresh in the mind of the policy manager and he or she is then in a good position to think of what is likely to be important later on;
- c. that is the time to decide how much evaluation is needed and to budget for the resources required—more on this in the section on Costs;
- d. the arrangements for getting the required information can be set up from the start. This is usually the cheapest way. It may be possible to set up a 'before and after' study of the policy;
- e. a good procedure can be planned. At its simplest, for a policy of any substance, this will include special files and regular planned meetings.

8 In the case of new policies, it is to be expected that the objectives will already have been refined as far as circumstances permit. However the discipline of making an evaluation plan at the start can sometimes bring to light ambiguities or inconsistencies in the policy proposal which can be corrected before it is launched. This is a benefit which evaluation can bring additional to the more obvious benefit of learning from past experience.

9 Drawing up the plan at the outset need not prevent its being changed later. Indeed it is to be expected that the external environment will change and that the objectives themselves may be modified. The existence of a plan enables such changes to be noted explicitly and allows the evaluation to take account of them. It is very difficult to evaluate a policy whose objectives have shifted if they have not been redefined.

10 Ministers have instructed that policy evaluation should be built into all new policy initiatives and all proposals arising from policy reviews. All policy proposals with value for money implications should state what is to be achieved, by when, at what cost and how it is to be measured—ie evaluated. Some departments already have similar rules for policy proposals which are decided within departments.

## Choosing the Scope of an Evaluation

11 What to one manager may be 'a policy' may to another be a fairly minor question relating to the administration of a policy instrument. Some departments confine the word to describing their aims in the broadest sense, eg membership of NATO. There are similar differences in the use of 'programme'. Aside from vocabulary however there are genuine questions on how to choose an appropriate slice of government policy as suitable for evaluation.

12 As case study work has shown, the pragmatic approach adopted by managers so far has for the most part proved satisfactory. A few words of advice may be helpful:

- a. Choose topics for which the evaluation will bear on actual decisions. Some policies and programmes have run their course and are unlikely ever to be revived. Other areas may be circumscribed for the time being by specific government commitments of one kind or another. Since resources for evaluation work are always likely to be in short supply and priorities will have to be

set, try to choose the topics which are most relevant to the development of future policy.

- b. Do not be too narrow. There is little point in evaluating, say, a grants scheme if you only look at how far the money was paid out in accordance with the letter of the scheme. That is checking administrative performance. To be an evaluation the analysis must link the work with the broad aims of the department. Thus evaluation of grants to tourism will look at net job creation, evaluation of funding of voluntary bodies will look at their contribution to the Government's social objectives, evaluation of changes in the provision of education will look at the effects on the attainment of pupils.
- c. If there are a number of closely-related policies or programmes aimed at the same objective which interact with one another, try to evaluate them together.

## Defining the Purpose of the Evaluation

13 You need to consider at the outset what kind of conclusions you are hoping to draw. This means being clear about the purpose of the evaluation, as well as of the policy being evaluated, so that you can decide on the boundaries of the evaluation. For example, if you are evaluating the social impact of a policy initiative aimed at limiting drug abuse, you may decide to leave aside questions relating to the financial effects on pharmaceutical firms or on manufacturers of syringes. You should also consider how far the evaluation needs to cover the work of other departments, including the territorial departments. Questions about the nature and quality of information to be collected, the depth of analysis, and the precision required in presenting results can only be settled once you have decided the broad purpose.

## Making a Plan

14 The essence of good evaluation lies in clear thinking about the policy objectives, sound judgement in the selection and use of methods of analysis, and imagination and flair in the general approach.



15 You should see it as your responsibility that an evaluation plan is written down, discussed with your colleagues and subordinates and if necessary with advisers, and settled. Among the best administrative disciplines are **regular planned meetings** and **written reports**. Some departments find it useful to have a **steering committee** which may include people not directly concerned with the policy. A **chart** setting out the steps in the evaluation process is often useful at this stage. It will often not be possible or desirable to evaluate everything. The plan should identify the most important questions to be addressed.

16 Most good evaluation plans will do the following:

- a. divide the expected evaluation work into different stages. When is it expected that certain things should have been achieved? At what stages would it be sensible to review progress? On the whole the earlier stages are more likely to be concerned with inputs and the later stages with efficiency and effectiveness. Effectiveness can sometimes not be judged until a policy has been running for some years;
- b. describe the questions which should be tackled at each stage and how answers might be looked for;
- c. in cases where the final effects of a policy are not likely to be felt for some time, consider evaluating progress against chosen intermediate objectives as the policy develops. Sometimes it will be obvious that the policy cannot meet its ultimate objectives if it is failing to meet its intermediate objectives;
- d. consider—and if necessary budget for—the resources likely to be required, including such things as the need for written reports. Resourcing does not necessarily mean extra resources but building the need for evaluation into the general forward plan, and giving enough priority to evaluation within the overall budget for the policy.

## Defining the Objectives

17 If a policy has been carefully appraised, there may already be a clear definition and ranking of the objectives. However one of the most striking lessons to emerge from case studies is the difficulty which managers sometimes face in finding a single statement where the objectives are set out with sufficient clarity to enable an evaluation plan to be made. It is not that the objectives were not written down nor that they were in conflict with one another, but rather that they were set out in so many different places answering different questions for different

purposes that it proved difficult to pick out a single authoritative view which ranked them in a rational structure. Furthermore, it is sometimes necessary to mount an evaluation of a policy for which no suitable appraisal documents are available, particularly if it is one that has been running for a long time.

18 If objectives have to be reconstructed, the question to try to refine in all cases is 'what is the policy intended to achieve?' It will usually be useful to look at:

- a. public statements in, for example, white papers, statements in Parliament, and public consultative documents;
- b. the departmental submission documents when the policy was approved;
- c. any cost/benefit analysis or policy appraisal that was done earlier;
- d. any departmental appraisal documents sent to the Treasury.

19 The **ultimate objectives** of a policy are usually expressed as broad benefits sought by Government. They include, for example:

- a. economic benefits;
- b. international security;
- c. health, safety, and welfare objectives.

20 The next task is to analyse the ultimate objectives into a number of **intermediate objectives**. These are objectives which, if accomplished, either consecutively or simultaneously are believed to lead to or contribute to the ultimate objectives and which can be more easily evaluated. This is one of the trickiest areas and there are no universal solutions, but the concepts are straightforward. Thus the ultimate objectives of the Health and Safety Executive's electricity regulations relate to safety at work and to certain economic benefits. Those ultimate objectives are promoted by issuing appropriate regulations and by securing compliance with them, both achievements against intermediate objectives. The ultimate objective of the Magpie Campaign was to reduce theft. Intermediate objectives were to make the public aware of the risk and to persuade them to improve the physical security of their homes and cars. The ultimate objective of the policy of equal opportunities in the Civil Service is to give women the same career opportunities as men. (Notice incidentally that no attempt was made to link that to the even wider social objective of equality for women in the nation generally.) Intermediate objectives were to make it easier for women to go to work if they have young children, not to be disadvantaged when they take leave of absence for maternity, and so on.

21 Do not be afraid of choosing administrative or management objectives as intermediate objectives—eg to set up a directorate, to issue regulations, to make an agreement, even to spend a certain amount of money, all by certain dates in accordance with certain criteria. These can be vital steps in delivering the ultimate objectives. But, as cautioned

above, you should not assume that if you achieve these administrative objectives, the rest will necessarily follow. More on this below under Defining the Assumptions (para 28).

22 Objectives often pull in different directions. Thus the HSE's safety objective may be in tension with a wish not to overload the costs to industry of complying with regulations. The Treasury's need for strict annual financial control of public expenditure has to be reconciled with the objective of obtaining best value for money in capital projects. Competing objectives should be recognised as such and wherever possible an effort made to quantify the desired balance between them rather than just saying 'the objective is to achieve a balance'. Thus the HSE adopted a safety objective in the electricity regulations of a 5% reduction from current levels in the number of accidents. If they had chosen a different figure, the compliance costs and economic effects would have been different. The Treasury's policy on end year flexibility includes a specific numerical limit for the carrying-forward of unspent capital expenditure, implying a quantified level of risk to the planned total of public borrowing in the year.

23 Quantifying the objectives in this way is desirable if it can be done. At the least, put in the timescale by which the benefits are to be achieved. But there are potential pitfalls. Thus, for example, the Alvey directorate considered adopting as an objective the production in the United Kingdom of a 1 micron geometry silicon chip by 1990. That looked at first sight like a well-quantified objective but as stated it says nothing about other characteristics vital to the programme's ultimate success, such as reliability and durability, and it was therefore not used in this form. If it turns out to be impossible to define the objectives in quantifiable terms, at least state them in terms which will permit testing or verification later. The question to ask yourself is 'how will I be able to tell whether this policy has been a success?'

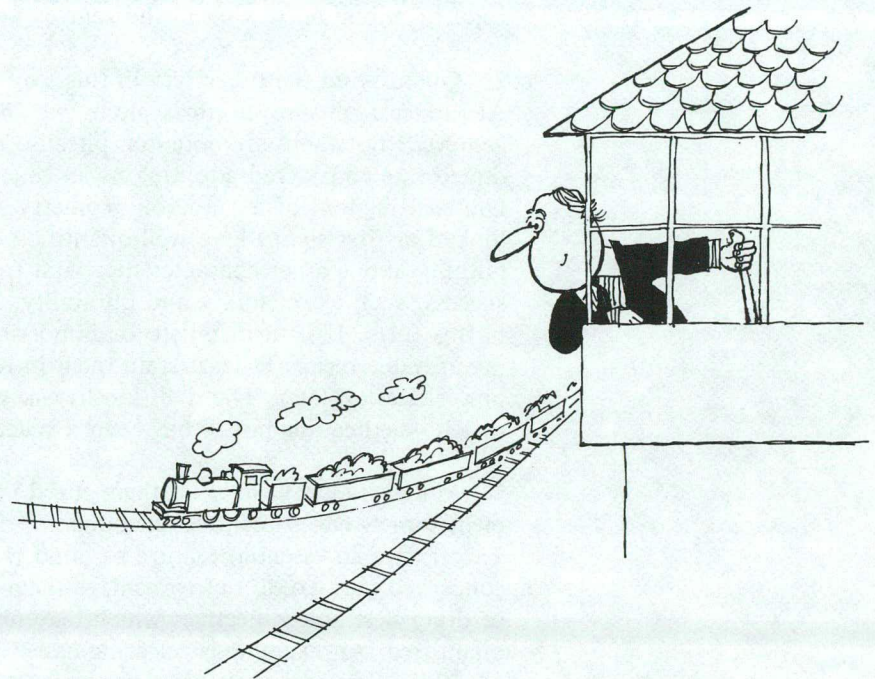
24 Managers are usually on their guard against the bias which **management targets** can sometimes introduce to the operation of a policy. Targets are an essential feature of good management but those concerned may go all out to achieve them and may do so at the expense of other desirable objectives which may not have been precisely quantified. An example is 'clearing cases' which may simply mean that a problem is being transferred from one part of an organisation to another. You should be on the look-out for the same phenomenon when you are evaluating.

25 Sometimes Ministers decide to define their objectives in general terms without stating specific targets at the outset. If so, the evaluation plan should take account of the fact. Evaluation is not a scientific exercise aimed at producing definitive answers to all questions, and judgement lies at the heart of it. Sometimes however the lack of precision may not derive from a political decision to keep objectives open but rather from insufficient clarity on the part of the managers advising on

the policy. There are other cases where the immediate spur for some policy action may have been the need to respond quickly to public concern, but where it is possible later to adapt or refine the policy so that achievement against more considered objectives can be evaluated in the usual way.

## The Need for a Base Case

26 Evaluation is a comparison as well as a test of achievement. It is an attempt to judge what has happened as a result of the policy as compared with what would have happened otherwise—if there had been no policy at all or if the policy had taken a different form.



*A clear view of what would have happened otherwise*

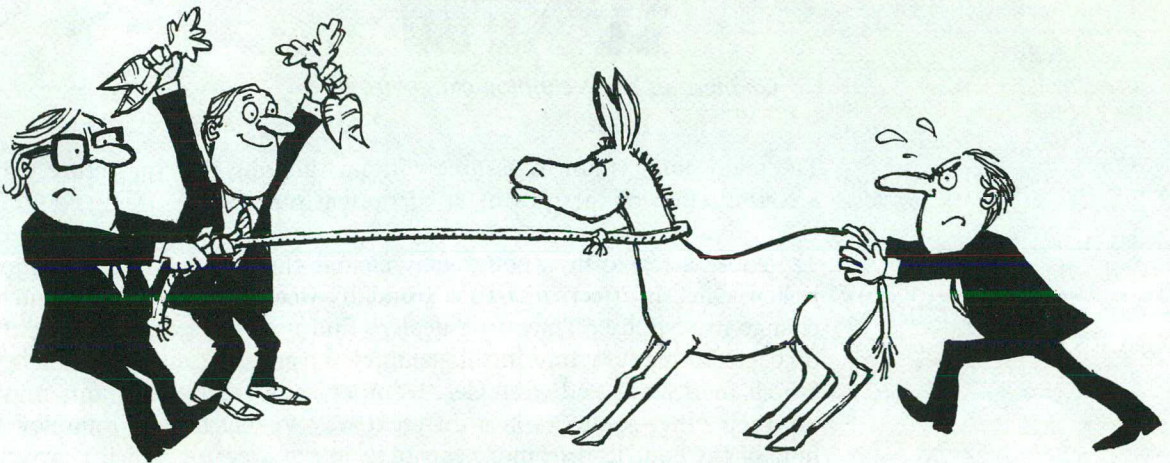
It is vital therefore to have a clear statement of the base case against which the comparison is to be made. It is rarely enough just to describe the starting position since this will probably have changed anyway. One of the commonest and simplest base cases is the continuation of existing policy. But it may be necessary to quantify even this case with the help of experts by statistical analysis or projection. This is normally done, for example, in assessing the effects of tax changes.

27 An excellent method which can be used for some policies is to establish a **control group**—ie make a direct comparison between a situation where the new policy is applied and a situation where it is not. For example the Department of Health and Social Security, in considering whether to move to a capitation system of payment to dentists for looking after children's teeth in place of the present item of service system, is comparing four pairs of areas of the country, (carefully selected for their similar characteristics) in one of which the effects of the existing system are measured and in the other the effects of the proposed new one. The great advantage of this method is that it helps to eliminate from the evaluation external changes which have nothing to do with the policy.

## Defining the Assumptions

28 In any appraisal or evaluation a great deal has to be taken for granted. It would be impracticable and impossibly expensive to look at every single link in the chain and test whether it is secure. However a good evaluation plan will consider what the underlying assumptions are, and decide which ones need to be regularly looked at. They can be thought of as falling into two types.

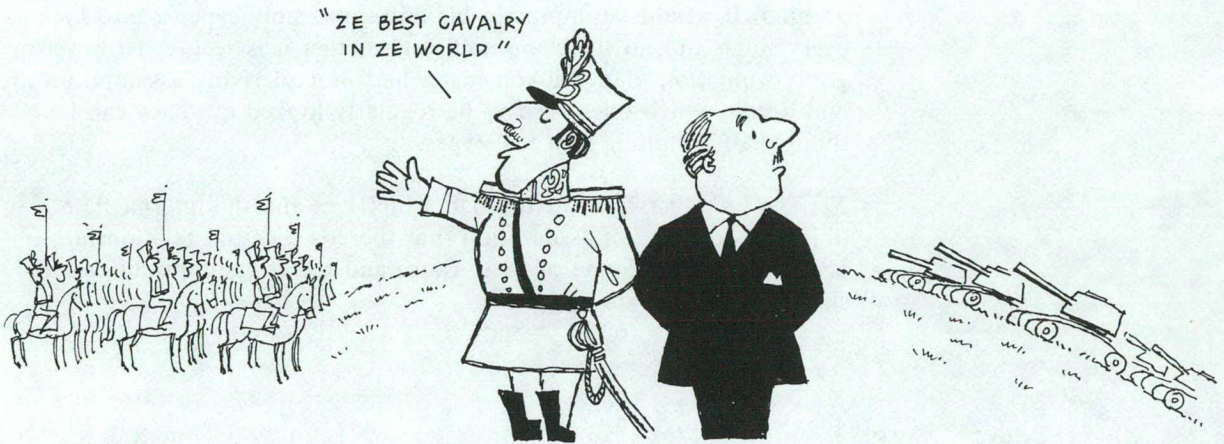
29 The links between the ultimate objectives and the intermediate objectives rest on an assumption that there is a causal relationship between the two. Some of these **cause and effect** assumptions can and should be made explicit.



*Untested cause and effect assumptions*

For example a research and development programme may be achieved its interim objectives of technical success, but can only achieve the ultimate economic benefits if other things were to happen such as companies being willing to exploit them, obtaining finance for development, successful marketing and so on. With economic incentives there may be assumptions about the changes in behaviour of companies or individuals who agree to participate. The validity of such assumed links may be difficult to establish but they are often vital to the success of the policy.

30 The second main category of assumption relates to the **external environment**. Action by the Government is seldom the only factor which determines whether the policy objectives are achieved or not. External factors are changing all the time. For example the economic background when a support scheme was first decided upon may have changed during its period of operation. What was once an innovative technology may now be a mature industry. Policies appropriate to a time of credit scarcity may persist into a time when borrowing is easy. But do not think of the environment only in economic terms. Social priorities may have shifted. The demographic pattern may be different. Emerging new technology may be opening up possibilities that were previously closed.



*Changes in the technological environment*

The main point is not to assume without thinking that the future will be a continuation of the present or of present trends.

31 Those affected by a policy may change their behaviour. Sometimes a policy which is effective at first gradually weakens as external elements change in response. Thus drug dealers find new ways of importing drugs or begin to manufacture in this country. Overseas competitors may switch their plans and strategies. Companies in receipt of grants may use their other resources in a different way so that the extra money does not, in the end, lead to more spending in the area for which it was intended.

32 Some policies need to take account of **international factors**, notably membership of the European Community and other treaty obligations. Evaluation of such policies has to distinguish between situations in which the international factors are themselves part of the evaluation and others in which they are accepted as constraints. For example the Ministry of Agriculture, Fisheries and Food has evaluated the milk outgoers scheme within the context of milk quotas. It would be a quite different type of exercise to try to evaluate the quotas as a means of reducing over-production of milk products in the Community.

33 It is often helpful when trying to define the relationship between the ultimate objectives, the intermediate objectives, and the assumptions to draw a chart. This is sometimes referred to as a policy model or an evaluations framework. It is best kept simple to maintain the focus of the evaluation on the main elements of the policies. An example which has been found helpful with many of the case studies is at Annex A.

34 A list of questions worth asking at this stage is attached at Annex B. It is largely a summary of the advice given in simplified checklist form.

## Choosing the Questions

35 A good way to select is to look ahead at the sort of questions which any evaluation report would be expected to address. Some suggestions are listed in Annex C. They are not intended to be comprehensive nor to apply to all policies, but they may help you arrive at your own selection. Some of the questions will be about assumptions. Others about effects. Obviously there are a great many questions which could be tackled, but there has to be selectivity. Some questions may be easy to answer, but are not very important. Others may be vital but very difficult to quantify or even to form a judgement about. A good evaluation plan will be concerned always with the potential usefulness of the exercise.

## Measures and Indicators

36 It is unlikely that all the questions can be answered in precisely measurable form. For some there may be no substitute for a qualitative

judgement. However, whenever possible, an evaluation should look for exact measures and, if they are not obtainable, for indicators which throw light on those aspects which are not easily measurable. Some of these measures and indicators may already be collected for monitoring and other purposes and others can be devised. They are an essential feature of good evaluation although by no means the only feature.

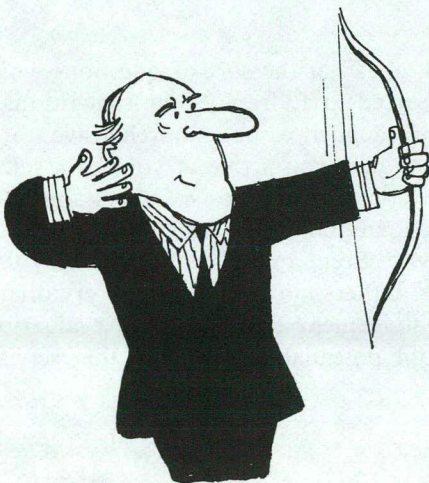
37 It is helpful to consider the questions and the measures and indicators in three groups:

- a. effectiveness measures and indicators;
- b. input measures and indicators;
- c. efficiency measures and indicators.

The lines between the categories are not absolute: much depends upon the questions being asked.

38 In deciding on **effectiveness measures or indicators** you should consider the following:

- a. Achievement. What measures would help me to know whether the objective of the policy is being met, or to what extent the objective of the policy is being met?
- b. Relevance of the policy. If the objective is being met, is this due to the effectiveness of the policy or to other factors? This is where tests of the cause-and-effect and environmental assumptions are most important.



*Effectiveness*

39 Quality of service is important for many government programmes. Typical measures include speed of delivery, error rates, and comparisons with the performance of other providers of the service. You should pay special attention to the views of customers and other users. In some cases the concept of market share can be useful even if there is not a true market or direct competition between the Government and other providers of a service.



40 In considering effectiveness and quality of service you should keep a special look out for **side effects**, ie benefits or costs which are incidental to the main objectives of the policy and which may not have been foreseen. They may occur outside the policy areas for which the policy manager is responsible. They often come to light through comments in the Press, complaints, remarks in Parliament, or action by pressure groups.

41 **Input measures or indicators** are usually reasonably straightforward. They include all the costs of the policy, and it will be necessary to distinguish costs to the economy as a whole, costs to the Government, and costs to the department. But inputs also cover non-monetary measures such as man hours. They can be analysed in many different ways, for example by size, type, or geographical distribution. The input to one objective is often the output of an earlier intermediate activity.

42 Input indicators may also cover inputs whose output was not in the event productive. For example a proportion of the visits by inspectors will produce no direct results. Part of the effort of a publicity campaign will fall on deaf ears. There may be no way of avoiding these effects if the total desired effect is to be achieved. But it may be possible to judge the proportion of unproductive inputs—sometimes known as **deadweight**—which actually occurred against the forecast or target in the plan.

43 When a policy is intended to induce individuals or companies to spend more on certain activities, for example by grants or tax incentives, two concepts of key importance are gearing and additionality. How far has the spending of the Government money mobilised private sector funds? If £100 of public expenditure is matched by £300 of private sector money for a project costing £400, this is regarded as a **gearing** ratio of 1:3.

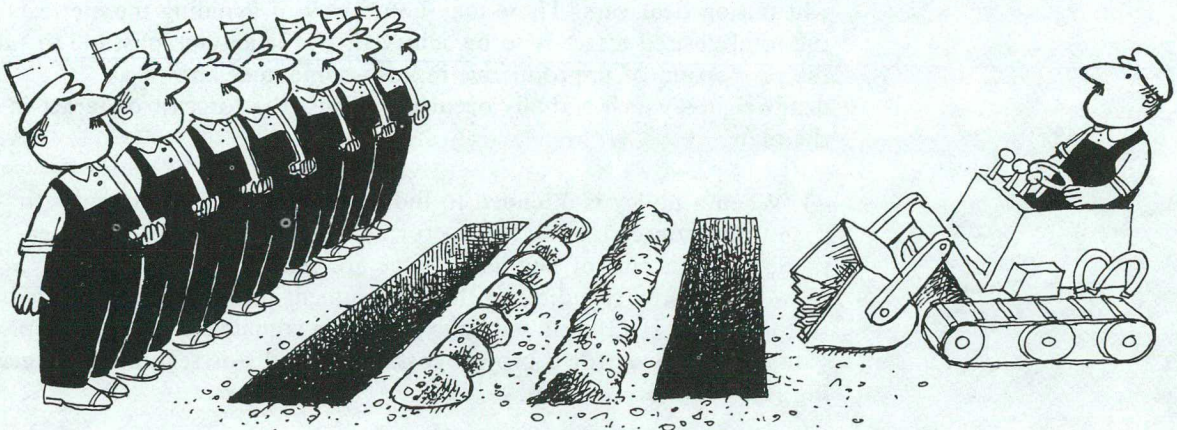
44 **Additionality** is the extent to which Government funds have induced spending or activity that would not otherwise have occurred.



*Would it have happened anyway?*

For example when the price of energy rose sharply in 1973 many factory owners decided to make their premises less costly to run by installing insulation, fitting heaters which used fuel more efficiently, and by other energy-saving measures. Grants were available to help them but not all the energy-saving measures undertaken with the help of grant can be attributed to the policy, only that proportion which would not have been undertaken if there had been no scheme. Additionality is a difficult question to get at. In many cases the best approach may be to make it a condition of receiving the grant that the recipient answer a questionnaire, designed to elicit to what extent the grant has changed the action. The results of such questionnaires can then be analysed and a judgement made. There may also be indirect ways of throwing light on the same question. For some types of scheme it might be worth checking whether new employees have been taken on? Would an analysis of trends in some key accounting ratios be likely to offer insights?

45 **Efficiency measures or indicators** are generally ratios of outputs to inputs.



*Efficiency*

An efficient programme achieves the highest possible level of output for a given quantity of inputs; or alternatively uses the lowest possible quantity of inputs to achieve a given level of output. Ideally efficiency measures or indicators express the ratio of costs to benefits of each objective, and they enable managers to compare this with the achieved ratio in earlier years, with the planned ratio, and perhaps with the ratio which might be achievable by alternative policies. Efficiency measures can relate both to ultimate and to intermediate objectives. There are numerous examples relating to many different types of policy in Volume II of the Public Expenditure White Paper.

46 A common measure of efficiency is the unit cost of delivering some aspect of the policy, for example the cost of creating a new job, paying a pension, or building a mile of road, although strictly speaking unit cost is an inverse ratio of efficiency—ie cost divided by output rather

than the other way round. A good evaluation of efficiency will go on to compare the unit costs actually incurred in delivering a policy against estimates of the unit costs of delivering it in some other way.

## Collecting the Information

47 Logically you ought to decide what information you need and then ensure that it is provided. In reality of course you have to judge what it is sensible and practicable to ask for. But avoid letting the availability of information dictate the questions rather than the other way round. It may be useful to think of the data under two headings:

- a. **desk top collection.** This means using information which is already available or needed for other purposes;
- b. **information compiled specially for the evaluation.** This is an area where choices have to be made. Information does not always best come in the form of written reports or statistics. The manager will also need to consider the costs or other burdens which calling for extra information may create. Some ideas are suggested at Annex D.

## Arms Length

48 Many government policies are not under the direct management of government departments but are delivered by other bodies including non-departmental public bodies and local authorities.

49 In the case of grants-in-aid to **NDPBs** departments should make arrangements for evaluation as part of their normal responsibility for the Government's relationship with such bodies. Where NDPBs have significant responsibilities for making grants and some discretion to develop policies of their own in doing so, sponsoring departments will want to be sure that the NDPB in turn has appropriate evaluation arrangements in place. It will be important to be clear about the relative responsibilities of the sponsoring department and the NDPB and some elements of the approach to local authorities described below may also be relevant.

50 The powers and duties of **local authorities** derive from statute, and they are responsible to their own local electorates and ratepayers. Occasionally they act as direct agents for the delivery of central government policies, following tightly specified rules and procedures. More commonly there is a substantial element of local discretion as to the level of the services they deliver, and evaluation of expenditure on these services is a matter for the authorities themselves.

51 Where central government has established public policy objectives concerned with services provided by local authorities, it will be for central government to put in place appropriate procedures to evaluate the delivery of these objectives. But evaluation must be framed in the knowledge that authorities will in different degrees share, be indifferent to, or oppose the government's objectives. This guide offers general suggestions on how central government officials can approach evaluation for those services delivered through local government, having regard to the fact that central and local government are legitimately interested in the cost-effective delivery of services.

- a. taking the objectives of central government as the starting point, consider what level of detailed information central government needs; and what procedures, for example through a central inspectorate, will be necessary to obtain that information;
- b. for agency services agree evaluation procedures with the local authority associations including the local authorities' own input to the evaluation process;
- c. in cases where the Government has a strong interest and where there is substantial local discretion, make efforts to establish an evaluation procedure and methodology in consultation with the appropriate local authority associations. You should make clear which indicators etc the Government will focus on in assessing the effectiveness and efficiency of locally-delivered services; establish who is to be responsible for gathering the information which is needed for monitoring, control, and evaluation; and settle the timetable for supplying it. You can sometimes make the provision of information a statutory requirement or a condition for participating in a scheme;
- d. where central government does not have a strong interest, it may be enough to check that evaluation is being undertaken by the local authorities, or that systems are in place to ensure such evaluation;
- e. the Audit Commission, (and in Scotland the Commission for Local Authority Accounts), has a key role in promoting value for money in local authorities independently of central government. Its reports on particular issues can make an important contribution to policy evaluation for services delivered through local government;
- f. where there is a central inspectorate for a service delivered through local government, it often has the potential to make a major contribution to the evaluation of policy in its field;
- g. quite often there is a body of academic research and consultants' reports that can be drawn on, some of it commissioned by central government. It will often be useful to consider, in good time, whether

this could usefully be added to by promoting or commissioning studies especially relevant to policy evaluation.

## Evaluation of Science and Technology Programmes

52 Responsibility for developing guidance for departments on the assessment and evaluation of their science and technology programmes rests with the Science and Technology Assessment Office in the Cabinet Office, who have established a working party with departments. The underlying principles for S&T evaluation are broadly the same as those for other policy evaluation. When the guidelines emerge they will however take account of certain important differences, in particular the fact that there are often two line management functions for S&T where the work is carried out intramurally—the customer and the contractor. This has implications for the process of assessment and especially the role of independent evaluation.

### Costs

53 Evaluation costs money. Even if it is done as part of the normal work there is an opportunity cost of other work which might have been done instead. The manager needs to decide early on how much effort ought to be devoted to evaluating a particular policy or programme; to ask that resources are made available from within the programme's budget; and ensure that time has been allocated in the forward work programme. For new policy proposals or policies arising from policy reviews, this can now be regarded as obligatory.

54 As the case studies show, the amount of resources needed to do an evaluation can range widely from a few man days of divisional time at one end to major research costing a million pounds or more at the other. It is not easy to offer criteria against which to make the judgement. Clearly if the expected cost is trivial in relation to the importance of the policy or the size of the programme, evaluation should be done. The prime consideration in all cases must be the likely usefulness of the exercise. Questions worth asking are:

- a. What is at risk if the policy proves to be ineffective?
- b. Is it likely that, if resources are to be made available, evaluation will be able to increase effectiveness or efficiency by more than enough to cover its costs?
- c. Is it likely that there will be follow-on or related policies which are likely to be improved if this particular policy is evaluated?
- d. Can the department give a satisfactory account of the effectiveness etc of its individual programmes without evaluation?
- e. Can the main benefits be obtained by small-scale or partial studies?

55 In considering costs, remember that these do not all fall on the Government. If, for example, it is proposed to involve firms in collecting large amounts of detailed information, there may be tension with the Government's objectives on reducing burdens on companies.

## Analysis

56 The next step is of course the analysis or the evaluation itself. Sometimes the word evaluation is applied to a special exercise, often undertaken by outsiders, which considers all aspects of a policy after it has been running for a few years. But the evaluation process can be regarded as covering all aspects of an evaluation and monitoring plan which implies looking at different types of questions throughout the policy's life. In the early stages it may not be possible to discover much about effectiveness since there is often a time lag before results come through. But even if it is only possible to look at inputs and at administrative efficiency, this is worth doing. It may also be useful to check on how well the indicators which will later illustrate effectiveness are being compiled.

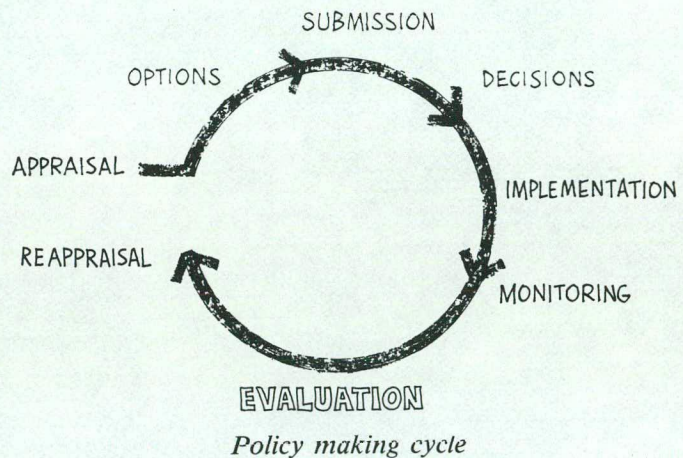
57 Although evaluation is primarily a way of looking back at the past, it leads naturally on to a look forward to the future, especially when it considers alternatives that were not adopted for the policy but might be if the policy is modified. Here it merges into reappraisal and appraisal of new proposals. For example an evaluation of a grant scheme would not be expected to offer a detailed comparison with what might have happened if the scheme had been tax-based instead. But it could include observations about what is already known about tax-based schemes and suggest further analysis. Some suggestions for identifying alternatives are at Annex E.

## Publication of Findings

58 Sometimes plans for evaluations are announced in advance and their results published as a matter of course. Decisions on how far to publish are matters for the Minister in charge of the department. Evaluations will not always show favourable results, but departments can still gain credit from publication in such circumstances if they can show that they are learning from experience and are ready to propose prompt remedial action in the light of the evaluation findings. In other cases publishing the results of evaluation may help to influence the attitudes of the public and of interest groups, to raise the level of debate, and make it easier to help achieve the Government's objectives.

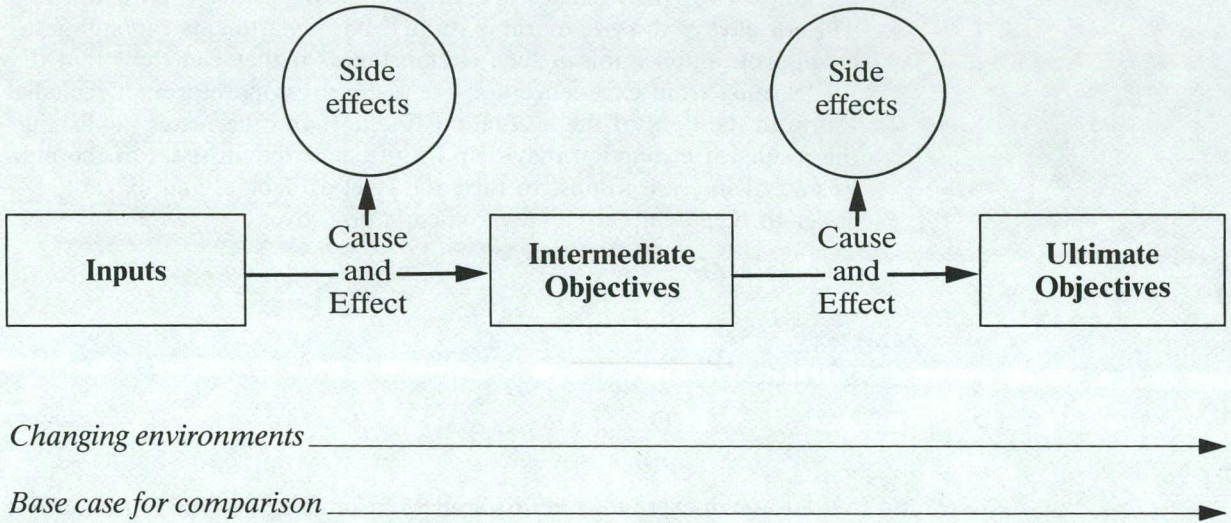
## Outcome

59 Although there may be differences in practice on who is responsible for commissioning and doing the evaluation, it will normally be for the line manager to decide what follow-up action to recommend.



Obviously he will want to concentrate on the implications for the policy or for the way it has been operated. His main objective will be to improve the effectiveness and efficiency of the policy. But the lessons of evaluation may go wider, pointing, for example, to a need to improve the department's appraisal procedures or management systems. Even if the decision is to continue the policy as before, evaluation may suggest ways in which the information flows may be improved or lead to setting of new or revised management targets. Thus in all cases the cycle between evaluation and appraisal is completed.

### An Evaluation Framework





## Annex B

### Questions to Help in Defining Objectives and Assumptions: Suggestions for Consideration

- 1 Why is the policy being undertaken and what is it intended to achieve?
- 2 How do these objectives fit in with the overall objectives of the department?
- 3 If there is more than one objective, do they all pull in the same direction? If not can they be given some kind of priority ranking?
- 4 Can the ultimate objectives be broken down into a series of intermediate objectives which either have a causal relationship or follow one another chronologically?
- 5 How far can the objectives both ultimate and intermediate be set out in quantitative terms?
- 6 Have the other inputs to each objective been identified?
- 7 How far is the achievement of the policy objective dependent upon Government action?
- 8 How far is the achievement dependent upon other people altering their behaviour?
- 9 Are we tending to assume that those affected by the policy will react in the way we hope? What other reactions could there be?
- 10 Is there a risk of simply extrapolating past trends without checking whether they are still likely to be valid?
- 11 How has the external environment changed since the policy was first established? Economic change? Social change? Technological change?

## Questions to be Addressed by an Evaluation Report: Suggestions for Consideration

### **Effectiveness**

- 1 Have the objectives been achieved in terms of quality, quantity, time?
- 2 To what extent was the achievement the effect of Government action?
- 3 Is the achievement measured against a valid baseline of the position at the start of the policy and of what would have happened otherwise?
- 4 Has Government action induced activity that would otherwise not have occurred?
- 5 Can the Government action be traced from the combined inputs of Government and private sector on additional projects through clear causal links to the achievement?
- 6 To what extent was the achievement the effect of external factors?
- 7 Was the environment for the policy implementation the same as or different from that expected? Did a change in the environment affect the achievement of the objectives?
- 8 Can the main causes of the achievement be deduced from analysis of the achievement?
- 9 Were there significant unexpected side effects? Will it be possible or worthwhile to evaluate the side effects?
- 10 If the objectives have been over-achieved, is this a good thing, or a waste of resource?
- 11 Will the achievements be measured at the right levels? Eg international, national, industry sector, programme participants, collaboration projects, group of companies, company, division of company, individual project?
- 12 If achievement is difficult to measure directly, are there suitable surrogate measures?

### **Inputs**

- 1 Have the inputs been made according to planned amounts, timing, quality?
- 2 Have all the inputs of both Government and the private sector been included?
- 3 To what extent were the private sector inputs additional?

- 4 What price had to be paid? (In terms of gearing, if appropriate.)
- 5 How much of the input was wasted? (Irrelevant or unsuccessful projects—abuse or avoidance—deadweight cost?)
- 6 Have all the possible analyses of inputs, with trends over time been examined?
7. How do the inputs compare with the inputs of related policies?

#### **Efficiency**

- 1 What is the cost of a unit of output? Distinguish programme cost and administration cost.
- 2 Is the cost/benefit ratio better or worse than originally calculated?
- 3 Is it reasonable in comparison to plan, other policies, other departments, other countries etc?
- 4 How efficient was the administration? Were there any complaints? How long to process a case? Error rates?
- 5 Have all the alternatives been considered?
- 6 Is the present policy and administration the most cost-effective option?
- 7 If not, what are the constraints on using a more cost-effective method?
- 8 Can they be overcome?

#### **Analysis and Action**

- 1 Are the objectives of the policy still relevant? Are they still of the same priority?
- 2 Is the existing policy well-suited to meeting those objectives?
- 3 What steps should be taken to improve or alter the policy?
- 4 Are there lessons for other areas of policy?
- 5 Are there lessons for the management of the department?

## Data Collection—Suggestions For Consideration

### Desk Top

- 1 Previous evaluation reports, of this and previous policies.
- 2 Research by support divisions—reports or statistics.
- 3 Research by or for policy divisions—reports or statistics.
- 4 Accounting information.
- 5 Departmental plans, minutes.
- 6 Press cuttings (and professional publications).
- 7 Published statistics (may be able to yield unpublished analysis).

### Other Methods

- 1 Commissioning in-house or external research in support of the evaluation.
- 2 Studying case files—all or sample—application forms, grant offers, correspondence, completion, payment details.
- 3 Face to face interviews.
- 4 Telephone surveys.
- 5 Questionnaires or open questions for each of the above.
- 6 Longitudinal studies.

### Determining the Population for Interviews and Questionnaires

- 1 Policy division.
- 2 Inspectors, if there is an Inspectorate.
- 3 Departmental support services (economists, statisticians, accountants, operational researchers).
- 4 Scheme participants.
- 5 Those rejected from the scheme (to examine rejection criteria, opportunities missed).
- 6 Those eligible who did not apply.
- 7 Subject specialists: academics, consultants, journalists, professions, trade associations, unions.
- 8 Public opinion surveys.

## Consideration of Alternatives: Some Suggestions

- 1 Have we looked at the options identified at the appraisal stage?
- 2 What is implied by doing nothing or continuing as before?
- 3 Ought the operation to be scaled down or closed, releasing resources for other uses?
- 4 Are different sizes or quality of operation possible?
- 5 What is the effect of varying the design life of the scheme?
- 6 Might the project be accelerated, postponed, or phased differently?
- 7 What alternative locations are possible?
- 8 Are there choices of technique? More or better systems requiring less staff? Would better training of staff reduce numbers?
- 9 Are all elements of the operation equally justified? Would removing some of them increase the effectiveness or efficiency of the total?
- 10 Could the operation be combined with another to advantage?
- 11 Could all or part of the operation be contracted out or privatised?

# Policy Evaluation Glossary

Acceleration	Arises where government action causes projects that would have occurred in any case to be started or completed sooner. The benefits which can be attributed to the policy are therefore the value of the change in timing, rather than the total benefits of the project.
Additionality	The amount of output from a policy as compared with what would have occurred without the government intervention. The concept of additionality is particularly important in evaluating financial incentives, eg grants to industry, tax allowances, employment measures. If you are paying someone to do something which he would have done anyway, there is zero additionality and the incentive is ineffective. Sometimes additionality may relate to inputs—the amount of additional expenditure induced by incentives. Additionality may be important in relation to several different objectives within one policy, for example the Inland Revenue's Business Expansion Scheme achieved additional equity funding for businesses, some of which was additional finance for the business (as opposed to substitution for loan finance) and some gave rise to additional economic activity. See also Deadweight, Displacement.
Aims	The main purposes for which a department exists. All individual policies should contribute to achieving some aspect of departmental aims, and identifying the link in part of the process of clarifying objectives. An aim is not necessarily quantifiable but it gives general direction to the department's activities. Targets (qv) and Objectives (qv) and Aims can be regarded as a hierarchy.
Appraisal	The process of defining objectives, examining options and weighing up the costs and benefits <i>before</i> a policy is decided upon. (See Investment Appraisal, Cost-Benefit Analysis and Cost-Effectiveness Analysis).
Arms Length Policies	Government policies which are delivered or managed by outside bodies, particularly local authorities which are responsible to their own electorates and therefore have their own separate lines of accountability and their own audit. Policies managed by Non-Departmental Public Bodies give rise to some of the same problems.
Assumptions	Three main types of assumptions need to be clarified; a. assumptions about the 'base case' of what would happen if there were no policy or if policy took a different form. b. assumptions about the causal links between the inputs and outputs of a policy and between its intermediate and final objectives. c. assumptions about factors in the external environment ie outside the Government's direct control which may affect the outcome of the policy. (See Environment).
Base Case, Base Line, Counterfactual	Any evaluation of a policy's effects needs to be relative to a base case, ie to a statement of what would have happened without government intervention or if government intervention had taken a different form. Otherwise there is no way of disentangling the effects of the policy from other changes which have

occurred as a result of other causes. In many cases the base case may be the continuation of previous policy. It is not usually enough just to describe the starting position or baseline since this would have changed with time anyway. It may be useful to establish the base case either by statistical analysis and projection or by setting up a Control Group, (qv).

Benefits	The value or utility of the outputs of a policy. The benefits of a policy will generally also be the final objectives of a policy, but there could also be beneficial side effects. Benefits may be stated gross (as defined above) or net of costs and adverse side effects.
Burdens	An evaluation plan should normally take into account the potential extra work for those whose work is being evaluated and on outside firms and individuals who are affected by the evaluation. Burdens of the policy on outsiders are also relevant to assessing what is worthwhile to evaluate. Guidance on preparing Preliminary Compliance Cost Assessments (PCCA) and Full Compliance Cost Assessments (FCCA) is available from the Department of Employment.
Counterfactual	See Base Case, the preferred term.
Compliance Costs	The costs to private sector firms or individuals of complying with the policy. These can be high even if the government costs are low. This is a separate point from assessing the extent of compliance which is a vital part of most evaluations of regulatory intervention.
Constraints	Sometimes objectives need to be drawn up recognising that there are constraints, eg international agreements, which may limit the ability of a department to deliver all that is desirable. In such cases the constraints can be regarded as part of the environment within which the policy is operating.
Control Group	A group to whom the policy does <i>not</i> apply, used as a baseline against which to assess the changes among the group to whom it does. Wherever possible, the relevant characteristics of the two groups should be as similar as possible. Very useful in setting up pilot studies and in preparing an evaluation plan for a policy which is to be applied selectively. Among the advantages of establishing a control group is that it provides a means of disentangling the separate effects of environmental factors from the direct effects of the policy intervention.
Costs	An evaluation should cover all costs, whether falling on the Government or elsewhere (see Compliance Costs, Externalities). It may sometimes be appropriate to consider the opportunity cost of not pursuing some alternative policy in a related field
Cost-Benefit Analysis	A form of analysis which seeks to quantify in money terms as many of the costs and benefits of a proposal as possible, including those which are not marketed eg time saved to travellers on an improved road. Cost-benefit analysis need not be restricted to appraisal: it can be carried out after the event as well as before. The reader may find it useful to look at Annex A of the green booklet 'Investment Appraisal in the Public Sector: A Technical Guide for Government Departments', which distinguishes between cost-benefit analysis and other forms of appraisal.

Cost-Effectiveness Analysis	A form of analysis which compares the costs of different options which have the same or similar outputs. Commonly used where the outputs cannot easily be given a monetary value, eg in health policy the cost per life-year saved.
Deadweight	That part of a public expenditure programme which is taken up by recipients other than those to whom the expenditure should, if possible, be directed. Sometimes used in non-programme type policies, for example inspection visits which find nothing amiss. Sometimes referred to as inability to focus inputs. Deadweight may be inescapable, but its extent should be evaluated.
Displacement and Substitution	The extent to which the generation of a desirable programme output in one area leads to a loss of the same output in another area. A technical distinction is nowadays drawn between displacement and substitution. For example if as a result of an employment measure scheme subsidised workers take the place of unsubsidised workers within one firm, there is said to be substitution. Displacement occurs when workers in other firms lose their jobs as a result of the scheme as the firm with the subsidised workers wins business at their expense.
Economy	As applied to management, the term economy means using fewer resources, either compared with plans, or by comparison with previous performance or the performance of other organisations. It normally refers to obtaining the inputs more cheaply, or reducing the amount of wastage. (It is not the same as efficiency, which relates output to inputs.) An economical organisation acquires its resources in the right quantity and of a quality no higher than is needed for the job, at the appropriate time, and at the lowest obtainable cost. But such an organisation is not necessarily either efficient or effective.
Effectiveness	<p>The extent to which the objectives of a policy are achieved. The most effective policy is one which achieves all its objectives.</p> <p>Effectiveness is to be differentiated from efficiency or cost-effectiveness. To give an example: suppose someone discovers a treatment for the common cold which provides a cure in 100 per cent of cases. This is effective, but if each course of treatment were to cost, say, £1 million, it would not be cost-effective or good value for money. Effectiveness is defined without reference to costs, and the concepts of effectiveness and efficiency can both be applied to the same final objective. Sometimes the trading sector concept of market share can be applied as an effectiveness indicator for government activities. What proportion of the target group were influenced? How many of those entitled took up their entitlement?</p> <p>The effectiveness of administration is the extent to which administrative objectives have been met; administrative objectives will often be intermediate ones: the effectiveness of a policy is the extent to which the final objectives of a policy have been met.</p>
Efficiency	The ratio of the output of an activity to the resources used to produce that output. The Treasury and Civil Service Committee defined programme efficiency as 'given the objectives and the means chosen to pursue the objectives, the minimising of inputs to the programme in relation to the outputs from it.' An efficient policy and an efficient administration organisation are not the same. For example, a department may be paying promptly the correct amounts of



grants to all eligible people but without having the intended effect on their behaviour. Administrative efficiency might, for example, be measured in cases cleared per month (but see also 'Quality'). Efficiency measures may be used in the examination of alternative policies to see whether the same effect could be achieved with fewer resources or if more could be achieved with the same resources.

#### Environment

In an evaluation assumptions are required about the environment in which the policy operates; some relate to the economic or social environment, others to technology or to international relationships. Some assumptions will relate to the base case—the need for the policy may disappear if the environment changes (eg policies formulated at times of credit shortage). An assumption that the future will be a continuation of present trends will need to be re-examined periodically. Other assumptions will be about factors which will affect the achievement of objectives (eg the level of activity in industries which employ electricians will affect the number of accidents from electrical causes). (See Assumptions).

#### Evaluation

Strictly the whole process of checking afterwards how far policy objectives have been achieved and how efficiently and economically. Monitoring is usually routinely collecting and reviewing available information and is an important part of policy evaluation, but monitoring information will seldom indicate whether ultimate objectives are being achieved. Evaluation is sometimes used to mean a set piece of research undertaken at a specific time often requiring the gathering of information which is not routinely available within the organisation but often also drawing on monitoring information—'an evaluation' resulting in a formal report. Policy evaluation should be an integral part of all policy work. It may be sensible to evaluate different aspects of a policy at different times. For example it may be years before the full effectiveness of a new policy can be assessed, but meantime it may be possible to check on the achievement of intermediate objectives and on efficiency and economy questions. A good evaluation plan will identify the questions and the correct timing for addressing them.

One purpose of evaluation is to check whether the original objectives of a policy are still valid. This is as important as evaluating whether the original objectives were achieved.

#### Evaluation Plan

A plan which describes the questions which the evaluation will address, distinguishing effectiveness and efficiency, along with the timescale and information flows. There are big advantages in preparing an evaluation plan at the time when a policy is devised or reviewed or as soon afterwards as possible.

#### Externalities

Benefits or costs falling on third parties who cannot pay or cannot be compensated for them through the market mechanism. Externalities are said to occur if, say, government assistance to encourage investment in research and development brings returns to the national economy which are higher than the total of those accruing to the individual organisations receiving assistance. It is also important in regulatory activity, such as pollution control, where the cost of compliance falls on an industry but the benefits accrue elsewhere. Whenever externalities are advanced as a main justification for a policy, an evaluation should investigate who receives the benefit, and in some cases consider whether they should share the cost.

Fungibility of Money	If money is advanced to an organisation or individual for one purpose, it releases other money to be spent on other purposes. This property of money needs to be borne in mind in evaluating grants and other financial incentives. For example an outside organisation in receipt of grant for a purpose which it would have undertaken anyway may be able to rearrange its budget so that part or all of the extra money finances the marginal expenditure of its own choice. Specific grant money in such circumstances may in reality be funding some quite different expenditures.
Gearing	The extent to which government expenditure is enhanced by expenditure from elsewhere, eg from private sector funds. The total project expenditure is sometimes referred to as associated or eligible expenditure. For example, where a grant is given for 25% of the eligible expenditure, the direct gearing ratio might be 1:3 depending on deadweight and substitution. A balance sometimes has to be struck between achieving high gearing and high additionality. The smaller the proportion of associated expenditure financed by Government, the smaller the incentive for recipients to undertake additional activities. Distinguish this from the closely related multiplier effects.
Impact	The effects of a policy, both good and bad, expected and unexpected.
Incrementality	American for additionality.
Indicator (of output or performance)	A proxy measure used when output or performance is not directly measurable. For example, the number of complaints received is an indicator of quality of service, but does not represent the whole picture. Examples of indicators of programme effectiveness are: notification and hospital admission rates for infectious diseases (immunisation programme), numbers off the registered unemployment count (employment schemes), VAT under-declarations discovered.
Inputs	The resources required to formulate and execute the policy. Usually measurable in money terms, but may include other matters, eg the use of people with scarce skills. See Costs. An input to an activity may also be an output of an earlier activity. For example, hospital places are an output arising from the deployment of resources and management effort, but they are also one of the inputs contributing to the final output of health care.
Intermediate Output	See Output.
Investment Appraisal	A systematic approach to decision-making in which objectives are clearly specified, the various ways of meeting them are considered, and the costs and benefits of each option estimated and—wherever possible—valued. Detailed guidance may be found in the green booklet 'Investment Appraisal in the Public Sector: A Technical Guide for Government Departments'. An evaluation should generally include a review of the investment appraisal. See also Cost Benefit Analysis, and Cost-Effectiveness Analysis.
Longitudinal Studies	A method of research whereby the changes are followed over the life of the policy by reference to a sample group. For example a longitudinal study of changes in the initial training of teachers would try to follow the effects on teaching in the schools to which the sample teachers were appointed and on the performance of pupils whom they taught.

Marginal Cost/ Marginal Benefit	The extra costs and benefits of an additional unit of output will often be different from average costs and benefits. Important in looking at Unit Costs (qv).
Marginal Efficiency	The ratio of a change in output to a marginal increase in inputs.
Measure (of Output or Performance)	Quantified description of output (eg numbers of cases handled or miles of road repaired), or performance (eg cases handled per person, cost per mile of repairs).
Milestones	Pre-set indicators of what objectives will be achieved by when. Milestones are usually targets. Sometimes needs careful specification of what will be achieved in terms of quality. An important project control tool.
Monitoring	Regular checking of progress against plan. Monitoring information is usually cheaper to collect and more directly related to evaluation questions if systems are set up at the start of a policy. See Evaluation.
Multiplier Effect	Usually refers to the second-round effects on the level of economic activity resulting from an initial injection of expenditure (eg when employees on a new project spend their earnings and so increase consumer demand). Local and regional multipliers are commonly used to assess the employment effects of urban and regional policies. There are several other types of multipliers. The term is sometimes also used instead of Gearing, but this is not preferred usage.
Objectives	<p>A statement of what is planned to be achieved by when. A policy without clear objectives cannot be evaluated. An objective should always be expressed in such a way that it will be possible later to tell whether the objective has been achieved. Departmental aims may be stated more in terms of principles, but these are insufficient by themselves, and need to be developed into more precise objectives if they are to be useful. A quantified objective with a time-scale is usually called a target but where environmental factors make the achievement outside the control of the department, it is a forecast.</p> <p>Final objectives of a policy (sometimes called ultimate objectives) should relate to the aims of the department and the benefits of the policy; intermediate objectives should contribute to the final objectives, and the link between them generally represents a 'cause-and-effect' assumption. A chart of objectives often helps to clarify these assumptions and plan the evaluation. Objectives, or the priorities assigned to them, may change over time but beware of changes that abandon ultimate objectives for intermediate ones.</p> <p>Objectives may pull in different directions. Where tensions exist the objectives should be stated in terms of what is considered the optimal balance. Beware of 'flexible' objectives (eg to be 'flexible and responsive'); it may mean the objectives are woolly. Objectives can however be expressed in a way which takes account of changes in the environment. Constraints may need to be recognised in formulating objectives.</p> <p>Objectives should be realistic in relation to the resources available, but the achievement of them may depend also on assumptions made about other factors in the environment. In such cases the objective should be set using the best forecast (official forecast if available) of the other factors. Some objectives may</p>

need to be kept confidential, for example, where they relate to negotiations to political intentions which Ministers are not yet ready to make public, but in such cases it is still vital to be as clear as possible internally.

Options	All appraisals should normally examine a number of different options for the policy and its execution. Policy evaluation should likewise consider the options which were rejected and if appropriate identify new ones. There is often an option to 'do nothing' or 'stop doing what we are doing'. See Investment Appraisal.
Outcome	What actually happened. For example the outcome of the Government's publicity campaign was a 5 per cent increase in public awareness.
Outputs	The things or conditions produced by an individual or organisation. A distinction is often made between intermediate and final outputs; if output B contributes to output A, B is then said to be an intermediate output. For each type of output there should be a corresponding objective. These are also referred to as final (or ultimate) objectives and intermediate objectives (or sometimes sub-objectives). Outputs should be stated in a way which renders them observable, and if possible quantified.
Outturn	The actual numerical value of an input, output or other planned figure at the end of the reporting period. For example, the outturn for 1986/87 was £9m, 10 per cent below budgeted expenditure.
Performance Measurement	<p>Comparative assessment of outputs or inputs of the policy. Ratios for economy, effectiveness, and efficiency, are all aspects of performance. Performance measures are most useful when used for comparisons over time or between units performing similar work.</p> <p>In government, the term performance measurement is not used to include input or output measurement on its own, although in the private sector these would often be considered aspects of performance measurement.</p> <p>In policy evaluation, performance measurement refers to the degree of success of the whole policy. Operational or administrative performance is generally one aspect of this.</p>
Policy	The Government's objectives and the preferred means for trying to achieve them. Common usage on what constitutes a policy varies widely and it is a matter of practical judgement what areas are worth including within the scope of a specific evaluation.
Policy Instrument	The chosen mechanism for achieving an objective, for example a grants scheme or the making of a regulation. Evaluation of the effects of a policy instrument will often be a part of policy evaluation, but usually only a part.
Policy Manager	The policy manager is defined for the purposes of this guide as the official with lead responsibility to Ministers for operating the process from day to day in the policy division. Usually he or she will be about Grade 3 or Grade 5. It is he who advises on what the objectives of the policy are, whether or not he has the sole responsibility for policy appraisal and evaluation work (as opposed to

using specialist support) and regardless of whether he also has responsibility for day to day administration of the means of delivering the policy.

Policy Model	A conceptual representation of a policy. At its simplest this may be just a chart which describes the links between inputs, activities, and the intermediate and ultimate objectives with statements of the assumptions which have been made. Quantification of these relationships gives a mathematical model which can be very complex.
Productivity	A specific efficiency measure, usually a physical output, and when only a single input is considered. Most commonly used in this context of labour productivity eg tonnes of coal per man-day.
Programmes	Activity and expenditure covering a group of related policy objectives (including policy areas with little or no public expenditure).
Project	A discrete one-off form of expenditure, often of a capital nature, eg a road project. The principles of evaluation apply as much to projects as to policies.
Quality	A characteristic of physical output. Any objective so defined should therefore include a statement of quality. For example, in the Alvey programme the objective 'to produce a one micron geometry silicon chip by 1990' needed to be supplemented by a definition of reliability parameters.
Quality of Service	A common form of effectiveness measure. Were the clients satisfied with the service? What indications can be drawn from complaints? Length of time to perform a service? Incidence of error?
Quantification	Wherever practicable, objectives should be quantified. Such quantification will need to take account of the base case and the assumptions associated with the policy. For example, the Health and Safety Executive's objective for its electricity regulations was to reduce accidents at work from electrical causes by an average of 5 per cent, assuming that the level of economic activity in the industry remained constant. There may be occasions where it is not practicable to quantify objectives, but they should always be stated in a way in which the effects are observable in some way.
Side Effects	Effects, beneficial or otherwise, which do not contribute to the final objective of a policy. They are sometimes identified at the policy formulation stage but often emerge later—through letters from MPs, representations from interest groups, press comment, or complaints. One of the benefits of evaluation is that unforeseen side-effects can be given weight in any modification or reappraisal of the policy.
Spin Offs	Same as Side Effects.
Substitution	See Displacement.
Sunsetting	An American term for policies or programmes which are approved to run for a limited period, say three years. Their continuance after that is sometimes made dependent on a full evaluation.

Targets	Quantified objectives with definite timescales sometimes associated with cost efficiency levels. Meeting management targets may not be a sufficient condition for achieving policy objectives.
Unit Cost	The cost of producing a particular output, divided by the number of units in that output. Can also refer to inputs. Examples: cost per mile of road, cost of administration per pension paid, unit cost of net jobs created, cost per unit of manpower. See also Marginal Cost/Marginal Benefit.
Value for Money	Ultimately the final social and economic benefit of a policy in relation to the cost. Sometimes used as shorthand for the optimum combination of economy, effectiveness, and efficiency.

---

Did the policy work? Was it effective? Was it efficiently delivered? This guide gives practical advice on how to set about answering such questions.

Although written primarily for senior civil servants, it will be useful to anyone concerned with developing and applying good management practice, whether in local government business, management-consultancy, teaching or training.

£2.50

---

ISBN 0 11 560015 9