

EVALUATION STRATEGY

The role of evaluation in
evidence-based decision-
making

AUGUST 2010

FOREWORD

I am pleased to introduce the Department for Business, Innovation and Skills's (BIS) evaluation strategy.

BIS's mission is to build a dynamic and competitive UK economy by creating the conditions for business success, promoting innovation, enterprise and science, and giving everyone the skills and opportunities to succeed.

Achieving these aims in the current economic environment requires us to make difficult decisions.

Significant savings need to be found in support of the new Government's commitment to reduce the public debt burden. But if we are to minimise the effects of this on the economy, it is essential to know what activities will drive growth and economic recovery.

Maintaining a strong evidence base is therefore vital to ensure we make the right decisions. Evaluations are an important part of this evidence base, supporting decision-making, and improving the effectiveness of our policies.

This strategy reflects our strong commitment to evaluations, and is intended to further drive up the quality and use of evaluations in policy-making. By publishing it, I hope to generate interest from external parties and encourage closer collaboration within BIS.

I thank everyone across the Department who has contributed to the creation of this strategy and look forward to seeing the results of our efforts.

A handwritten signature in black ink, appearing to read 'Simon Fraser', with a horizontal line underneath it.

**Simon Fraser,
Permanent Secretary,
Business, Innovation & Skills**

INTRODUCTION

The Department currently spends around £21bn a year on a range of policy areas including skills and higher education, innovation and science, business and trade. Because these areas are crucial for the UK's economic prospects, BIS has a pivotal role to play in rebalancing the UK economy and driving economic growth.

Spending decisions often involve trade-offs. Ensuring that these are made on the basis of robust evidence, including evaluation, is key to BIS's approach. In particular, evaluations are an important input into future Spending Reviews, by pinpointing areas where Government spending has the most impact on the economy, and identifying budget savings that minimise any negative effect on economic growth.

Looking forward, implementation of the Coalition Government's priorities will be supported by evidence evaluating the effectiveness and impact of policies. For instance, existing evidence will shape the development of policies to drive economic growth and innovation, rebalance the economy and cut red tape.

The objective of this strategy is to enhance the evaluations of BIS's policies and ensure results and lessons learnt are integrated into policy making (see Box 1). It will be followed later this year by BIS guidance on conducting evaluations.

This strategy is intended for: (i) BIS colleagues, partner organisations and external stakeholders; (ii) other Government Departments seeking to improve evaluation work; and, (iii) the wider evaluation community, including the Office for National Statistics (ONS) and National Audit Office (NAO) to ensure better transparency and collaboration on evaluations of BIS's policies.

Three key areas are covered in the evaluation strategy:

- Ensuring a robust governance framework for evaluations
- Embedding an evaluation culture
- Evaluation of key policies

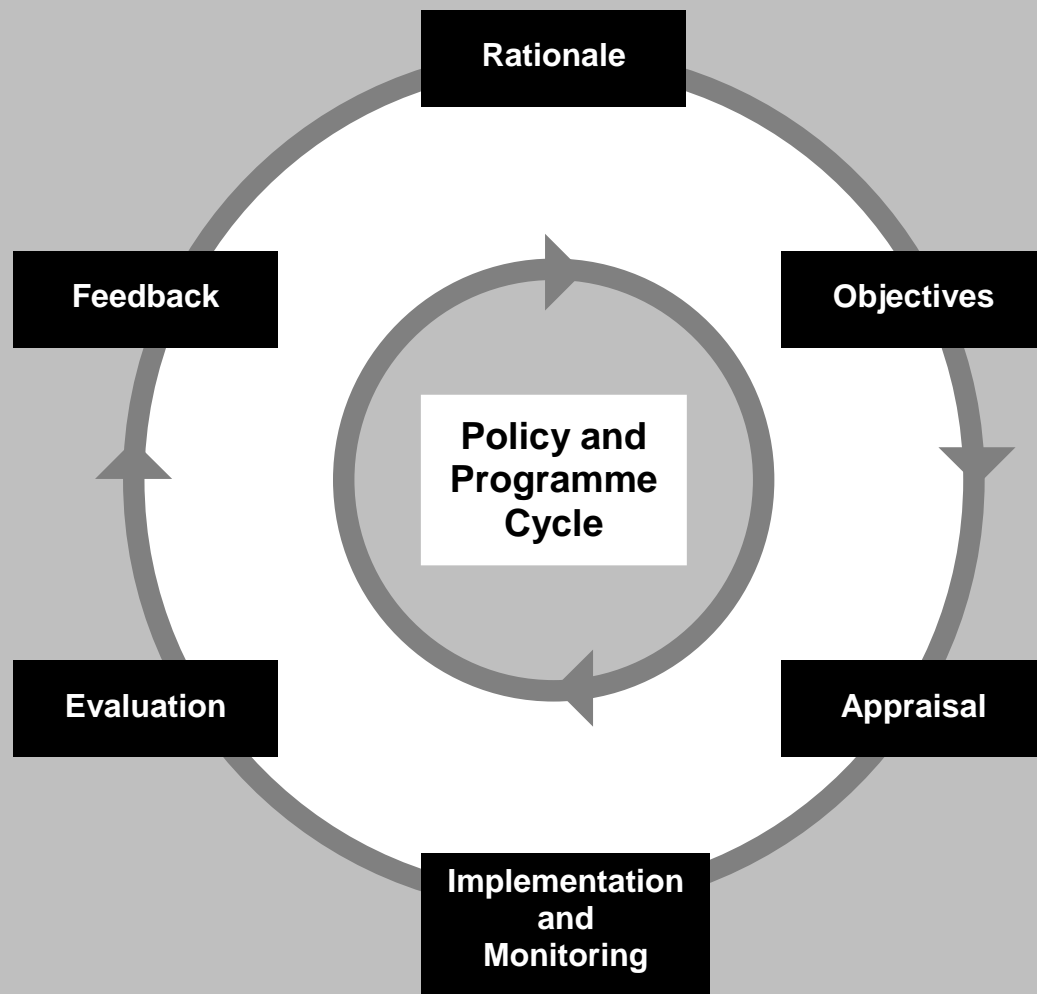
Box 1: The Policy and Programme Cycle (ROAMEF)

Evaluation plays a critical role in the ROAMEF policy and programme cycle, which consists of Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback:

Appraisal is the process of estimating the benefits and costs of a policy before it is implemented. It informs policy design and whether the policy should be implemented.

Monitoring provides information on a policy that has been implemented. These can be compared with targets to provide an indication of performance.

Evaluation examines the actual outturn of a policy against its projected outturn. It also estimates the outturn if no policy had been implemented. Evaluation findings provide valuable **feedback** for future policy design, and are a distinctive learning contribution to the policy cycle.



1. ENSURING A ROBUST GOVERNANCE FRAMEWORK FOR EVALUATIONS

1.1 Key departmental responsibilities

BIS's governance framework for evaluations supports good-quality policy making by strengthening and enhancing the evaluation process and ensuring it feeds into policy. In particular, the framework will support BIS's commitment to evaluate major policies every 5 years.¹ The framework consists of the Evaluation Strategy Group (ESG) and the Policy and Programme Board (PPB), which the ESG reports to.

The ESG is responsible for evaluations in BIS. It has three key aims: to hold directors to account for whether and how key policies are evaluated; establish whether evaluations identified lessons to be learnt; and ensure evidence appropriately feeds into policy. The work of the ESG is supported by evaluation experts who routinely peer-review and advise on evaluations.

The PPB consists of the Permanent Secretary and the management team, and is responsible for managing the delivery of BIS's major programmes. The PPB ensures best practice is adopted by examining, approving and monitoring the performance of key programmes and policies.

1.2 Partner organisations

BIS's governance framework for evaluations also supports partner organisations, which work with BIS to achieve our strategic aims. These organisations play a vital role in providing services, information and advice to BIS and a wide range of people and organisations. In addition, a number are responsible for evaluating policy areas which they deliver. The Department will strengthen evaluation links with its partner organisations by:

- Collaborating more closely with partners on evaluations
- Providing support to partners undertaking evaluations
- Promoting standards for evaluation that BIS and partners are expected to meet

The Department will also ensure that evaluations are considered as part of the broader performance management framework that operates between the Department and its partner organisations. As part of this, partner organisations will be required to produce a 3-5 year evaluation strategy setting out their major policies and explaining how they will be monitored and evaluated. Moreover, they will be expected to produce monitoring and evaluation frameworks for major policies, and undertake evaluations of these every 5 years (where appropriate).

¹ This commitment consists of ensuring major programmes are evaluated every 5 years, and regulations (where proportionate) are evaluated every 3-5 years.

2. EMBEDDING AN EVALUATION CULTURE

In order to ensure that evaluations contribute to evidence-based decision-making, it is crucial to embed an organisational culture where we learn from past experiences, and can rely on robust evaluations of new policies. BIS will make sure that the quality of evaluation remains high, and that lessons are learnt where necessary.

2.1 Ensuring the quality of evaluation

BIS will further drive up the quality of evaluations and promote best practice by applying six key principles:

- **Applying a strategic approach**

A strategic approach needs to be adopted in allocating resources for evaluations. Sufficient resources need to be set aside to ensure evaluations are done to an acceptable standard. On the other hand, evaluations should represent value for money. Therefore, an evaluation of a policy should not take place if it is not economically feasible to undertake it.

To remedy this and improve the quality of evaluations the Department will use a proportionate approach (see Annex 1). More resources will be committed to evaluations where the policy is expensive, complex, large-scale, high risk or a flagship programme.² On the other hand, less resources will be allocated for an evaluation of a policy that is low spend, low impact and/ or low profile.

Under this approach, projects will be required to set aside a proportion of their programme budget for an evaluation, while policies will need to allocate resources for the evaluation that is a proportion of the policies' estimated impact.

- **Evaluation approach developed during project design**

How and when a policy will be evaluated should be considered at the start of the implementation process. The production of an evaluation plan at an early stage will ensure the evaluation timetable is aligned with key policy decisions.

² BIS's criteria to assess the need and determine the scale of evaluation include:

- The size of the annual budget
- The relationship with BIS'S departmental objectives
- The expected impact of the policy in terms of the expected costs and benefits
- Whether it is high or low profile

- **Provision of support and training**

BIS will provide support and training to staff and partner organisations to improve evaluation work in the Department. As part of this, BIS will update its evaluation guidance to improve the consistency and quality of evaluations in BIS. The revised guidance will draw on accepted best practice.³ It will set out the benefits, describe the evaluation process, and outline possible evaluation methods.

- **Internal quality control mechanisms**

The ESG will continue to provide strong leadership, promote best practice, and maintain evaluation standards in BIS. It will monitor and review evaluations to maintain the consistency and standards of evaluations. In addition, analysts will review evaluations, promote best practice, and ensure consistency and proportionality so that evaluations are conducted to the highest possible standard.

- **Cross-governmental best practice**

BIS will continue to draw on best practice across Government. In particular, it will carry on playing an active role in the Cross-Government Evaluation Group (CGEG) to discuss evaluation issues. CGEG findings will be used to improve and influence internal evaluation processes. The best practice evaluation seminar series organised by the CGEG will enable new evaluation methods to be learnt and disseminated within the Department.

- **Improving access and transparency of data**

BIS will make data more widely available and accessible to the evaluation community and strengthen collaboration with them. This will increase the transparency and accountability of BIS's policies, and enable BIS to improve value for money, while ensuring quality. We will enable more evaluations to be independently undertaken by stakeholders or in collaboration with BIS.

³ This includes the Magenta Book, the Green Book (HM Treasury's guidance on appraisal and evaluation)³ and the Better Regulation Executive's (BRE) guidance and toolkit for the assessment and review of new regulations this can be found at: <http://www.bis.gov.uk/policies/better-regulation/>

- **2.2 Learning lessons for policy-making**

Incorporating the lessons learnt from evaluation into the development of new policies is fundamental if the Department is to improve the quality of decision-making and the effectiveness of its policies.⁴

BIS will work to develop a learning organisational culture where it is routine to evaluate and disseminate lessons learnt. We will do this by promoting good governance, building evaluation into policy design at an early stage, better targeting of evaluation findings to maximise their use in decision-making and increasing the use of real-time evaluation. We will also strengthen follow-up processes, adopt a proactive approach to feedback, and create appropriate fora for discussions on findings, which feed into policy and funding decisions.

More specifically, to increase the use of real-time evaluation BIS will co-ordinate policy makers' requirements for immediate results, with longer-term findings on impact stemming from evaluations. We will achieve this by committing to develop monitoring and evaluation frameworks for key policies, which will increase monitoring information and enable policy makers to make more informed policy choices.

It should be noted that evaluations represent one source of information and evidence for decision makers. It is therefore important to integrate them into wider lesson learning systems in BIS and among our partner organisations. Improving information and knowledge management is a key factor in ensuring that evidence gathered from evaluations and other sources feeds into policy making. In particular, we intend to widen dissemination of evaluation findings and maintain our up-to-date record of recent evaluations on the BIS's website.

⁴ This is in line with the Department's Confident Policy Making Framework.

3. EVALUATION OF KEY POLICIES

BIS will undertake a consistent evaluation process for major departmental policies to improve the effectiveness of evaluations and efficiency of results. We will:

- Monitor and evaluate major policies of the new Coalition Government
- Prioritise reviews of major evaluations
- Address any gaps in evaluation

3.1 Monitor and evaluate major new policies

Emerging priorities for monitoring and evaluation at this time include:

- **Local Enterprise Partnerships (LEP)**

A policy of the new Government is to replace Regional Development Agencies (RDA) with Local Enterprise Partnerships (LEPs). The RDA evaluation will support LEPs to identify activities which have had the greatest impact on economic development. BIS will design an evaluation framework and plan for LEPs to support a high quality evaluation of their impact.

- **'One-In-One-Out' rule for new regulations**

Regulations introduced under the new Government must be accompanied by a reduction in other regulations of at least the same cost. Evaluation will play a key role in helping to manage this process by supporting the identification and removal of those regulations which impose large costs on business and did not fully achieve their intended outcomes.

- **Introduction of a grocery ombudsman**

The Government announced its intention to establish a Groceries Code Adjudicator to enforce the Grocery Supply Code of Practice (GSCOP). The GSCOP is intended to prevent retailers from abusing their buyer power to transfer excessive risks or unexpected costs to suppliers. It was introduced by the Competition Commission following its market investigation into the UK groceries market. An evaluation will establish whether the adjudicator has helped to enforce the GSCOP, and prevented retailers' abusing buyer power as well as being an effective arbitrator in relation to disputes. It can also inform decisions on whether the enforcement body is given powers to impose financial penalties on retailers found to be in breach of the GSCOP.

3.2 Prioritise reviews of major evaluations

The Department have selected five major forthcoming evaluations of pre-existing areas for review to ensure consistency, maintain standards and learn lessons for the future. These are:

- The Strategic Investment Fund
- Vehicle Scrappage Scheme
- Apprenticeships scheme
- BIS's venture capital schemes
- Business link

3.3 Address gaps in evaluation records

In order to maintain a comprehensive and up-to-date evidence base, BIS will continue to identify and address any gaps in evaluations. A recent review of 50 major budget programmes and 500 regulations revealed coverage of evaluations was reasonably comprehensive, but a few major programmes and regulations required evaluating. These evaluations should be undertaken in due course. They include:

Programmes

- Investigation Enforcement Services – this is provided by the Insolvency Service to support fair and open markets.
- Personal and Community Development Learning – the Skills Funding Agency provides learning for adults and the community.
- Collaborative Research and Development – the Technology Strategy Board provides grants for research and development.
- Repayable Launch Investment – the Government co-invests in the design and development of civil aerospace projects in the UK.

Regulations

- Work-Life Balance regulations – these are a number of regulations concerned with work-life balance.
- Further Education Teachers' Qualification regulations – are to ensure consistency and compliance with FE teachers' qualification reform.

CONCLUSION

This evaluation strategy sets out the principles by which BIS will evaluate its policies, based around ensuring a robust governance framework, embedding the evaluation culture, and evaluation of key policies. BIS will ensure that evaluations are designed early on in the development of new policy, and undertaken when appropriate and in a proportionate manner.

To take this forward, BIS will develop an evaluation programme, incorporating the principles of the evaluation strategy. The evaluation programme will outline specific policies which will be reviewed, and the time-scales for such evaluations. It is envisaged that the strategy and programme will be reviewed every 3-5 years.

ANNEX 1- Proportionate use of resources

A proportionate approach should be used in evaluating a policy. More resources should be committed to an evaluation where:

- The intervention is complex, large scale, high risk and/ or a flagship programme;
- The purpose of the evaluation is to assess the overall impact of an intervention in order to generate lessons that are transferable to other projects or agencies and/ or to promote widespread adoption of the services being evaluated;
- An independent external evaluation is required to provide objective evidence of achievements (usually applicable to innovative or contentious projects) and/ or to demonstrably satisfy ethical or legislative requirements;
- The policy was a pilot.

On the other hand, if it is a small scale, low risk, routine project the project manager should consider, whether:

- An evaluation is necessary at all and reliance could be placed on monitoring, review and existing evaluation evidence;
- The project can be regarded as part of a programme and evaluated at that level;
- Projects with a similar rationale, spatial focus or target population can be considered together in the evaluation;
- Survey questions can be rationalised.

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URN 10/1098