

## THE SCOTTISH PUBLIC FINANCE MANUAL

### MAJOR CAPITAL CONSTRUCTION WORKS - APPRAISAL, EVALUATION AND MAJOR INVESTMENT

#### Purpose

The need to improve performance in investment appraisal, in the management of major investment and of the procurement process to become a best practice client is a recurring theme in government efficiency reviews. The Appraisal and Evaluation, Major Investment and other sections of the [Scottish Public Finance Manual](#) (SPFM) set out the policy principles and procedures for Directorates General, Agencies, other directly funded bodies, office holders and relevant sponsored bodies which should be followed in investment appraisal and in the management of major investment procurement.

#### Application of SPFM guidance

Certain underlying principles apply across the board to all major investment projects. The **SPFM** sets out these key principles and identifies the functions of good management. Whilst **compliance with these principles is mandatory**, individual business areas may adapt procedures to suit their own local needs though, in doing so, they must ensure that roles and responsibilities are clear and relationships properly defined and established. Directorates General should ensure similar clarity in respect of capital projects managed by Scottish Government Agencies or outside bodies, including relevant sponsored bodies.

#### Links to the SPFM

The following links to specific sections of the [Scottish Public Finance Manual](#) are particularly relevant to major investment in construction projects. These sections should however be viewed in the context of the SPFM as a whole:

1. [Accountability](#) - guidance on accountability of directly funded and relevant sponsored bodies.
2. [Appraisal and Evaluation](#) - overview of the appraisal and evaluation process, providing a checklist and linking to the more detailed HM Treasury 'Green Book'.
3. [Best Value](#) - defines best value and details the duty which accountable officers have to secure it.
4. [Delegated Authority](#) - covers the type and control of delegated authorities to individual business areas and the role of accountable officers and Directorates General finance teams.
5. [Major Investment](#) - gives guidance on the procurement, management and monitoring of major investment projects and covers elements such as:
  - roles of **investment decision maker**, **project owner** and **project sponsor**;
  - joint funding;
  - **gateway reviews**; and
  - post occupancy and post project evaluation.

[Annex 1](#) details the Client's Chain of Command, explains how the various responsibilities of the management roles should be made explicit and also how the three key management functions should be discharged.

[Annex 2](#) details **Project Owner**, **Project Sponsor** and **Project Manager** responsibilities, including those **Project Sponsor** responsibilities that may be shared between the sponsor Directorate General and sponsored body.

6. [Privately Financed Public Private Partnerships](#) - this section gives guidance on the selection, management and accounting of projects which are to be privately financed by means of the non-

profiting distributing (NPD) public private partnership model, and makes reference to the [Infrastructure Investment](#) website and the [Scottish Futures Trust](#).

7. [Procurement](#) - this section gives a brief overview of procurement and includes a link to the Scottish Government Procurement website and most recent EC threshold levels.
8. [Risk Management](#) - this section covers the general process of risk management but does not focus on construction or public sector - specific risks (legal, political etc.).
9. [Roles and Involvement of Finance](#) - this section gives guidance on the roles and functions of Scottish Government Finance and the requirement to involve Finance teams.

In addition, Scottish Government [Finance Guidance Note 2004/03: Delivery of Acquisition-based Programmes and Projects](#) is also particularly relevant to construction projects. It describes the circumstances in which programmes and projects which have a significant procurement element should be regarded as mission critical or high risk, sets out the common causes of failure of such programmes/projects, and provides a checklist of related questions on which Accountable Officers need to seek assurances before proceeding further.

### Enquiries

Any enquiries on the content and application of the **SPFM** should be addressed in the first instance to Accountability Policy and Guidance team in Finance and Corporate Services Directorate General (FCS). Individual Finance Teams should be approached with regard to finance issues in relation to specific projects. Enquiries to FCS by sponsored bodies should be routed through their sponsor Directorate General.