

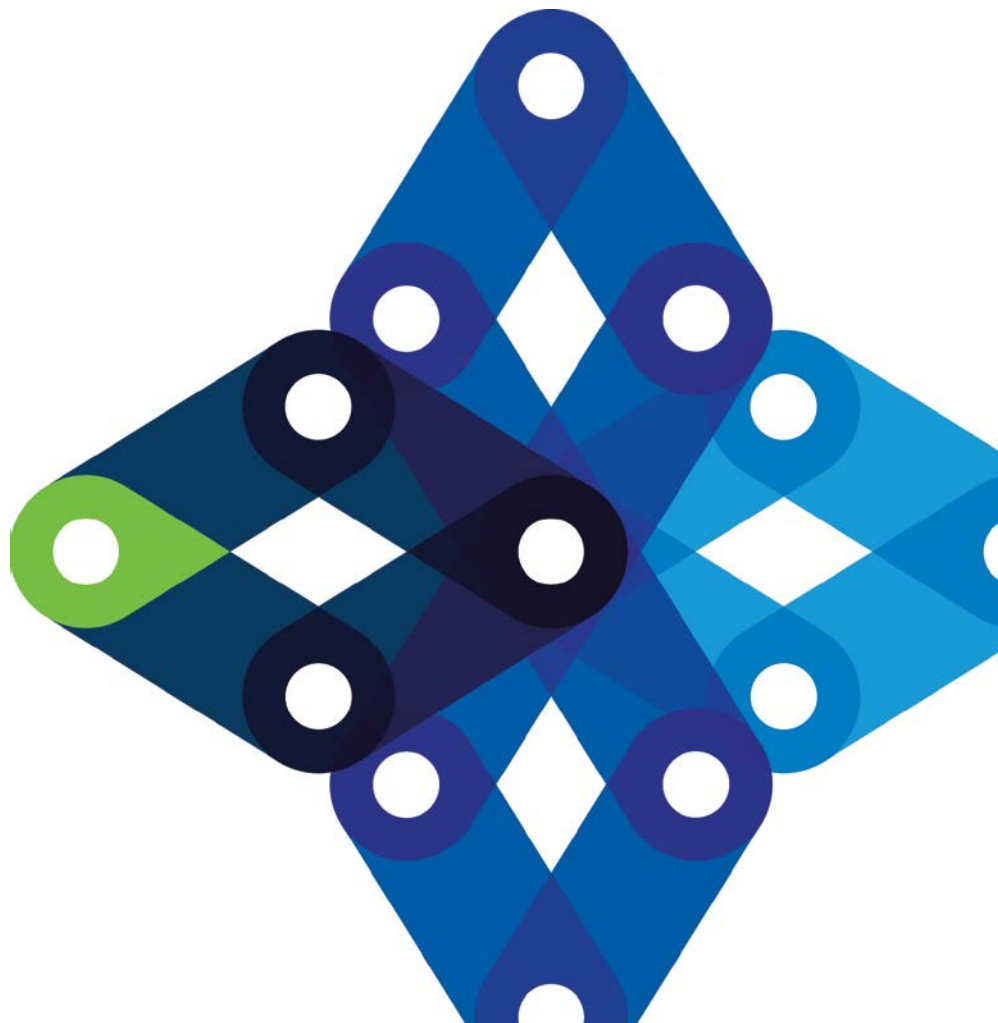


Government of **Western Australia**
Department of **Treasury**

Program Evaluation: Sunset Clauses

Agency Guide

Updated December 2014



Program Evaluation: Sunset Clauses Agency Guide
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Contents

Introduction.....	1
What is a Program?	2
The Need for Sunset Clauses	3
Evaluation Plan.....	4
1. Program Intent	5
2. Program Results	5
3. Program Results Evidence.....	5
4. Program Structure.....	6
5. Cessation Date	6
Program Implementation.....	7
Program Evaluation and Extension	9
Communication	9
Program Evaluation.....	9
Timing.....	9
Government Decision Making	10
Program Cessation or Extension.....	10
Further Guidance	10
Appendix A: Additional Information on Components of an Evaluation Plan	11
Appendix B: Evaluation Plan Examples	15

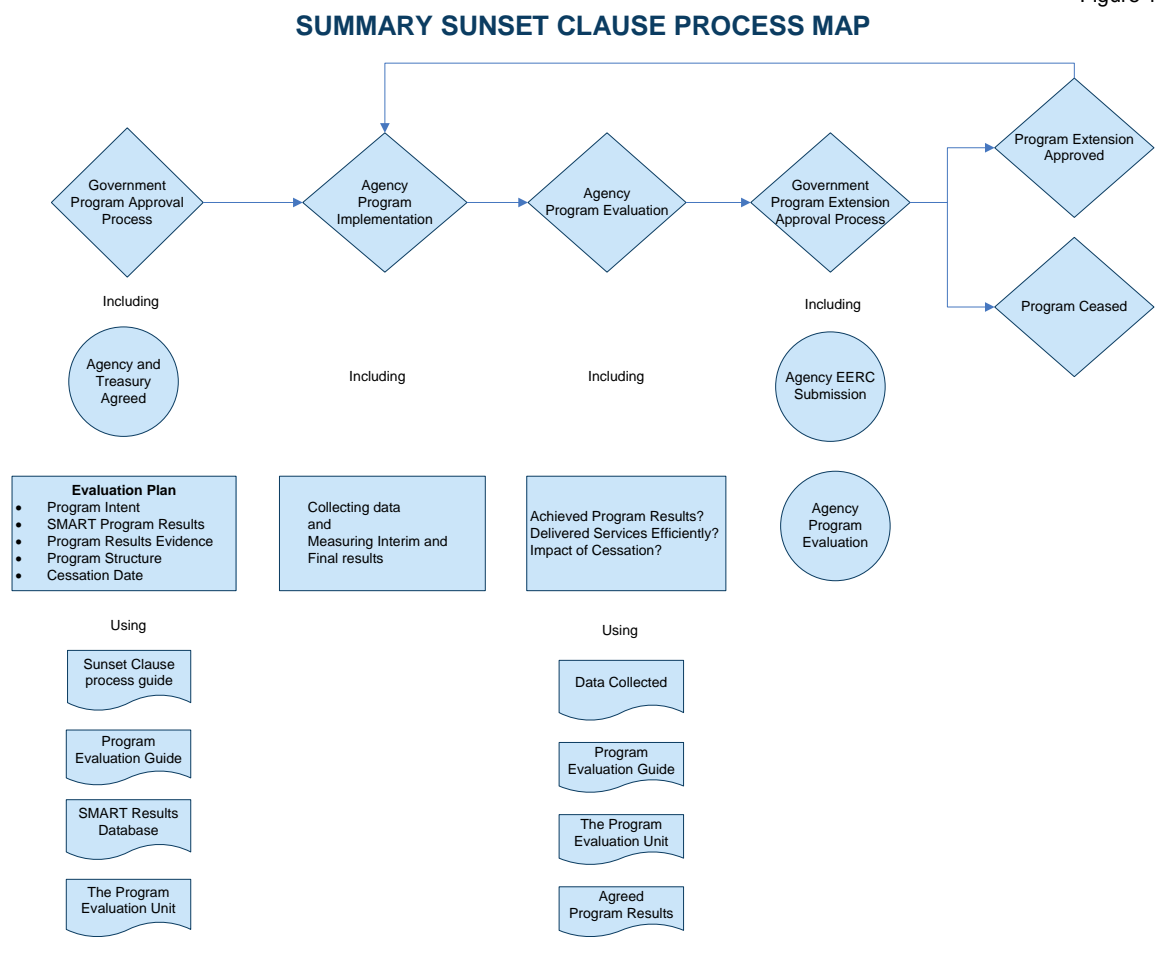
Introduction

- Consistent with Cabinet’s decision to implement a systematic approach to program evaluation across the public sector, from 1 January 2014, all new programs (or the extension of existing programs) that impact the State’s net operating balance by \$5 million or more in any one year:
 - will require the inclusion of a Department of Treasury (Treasury) assessed evaluation plan, which specifies (among other things) the intended program results, defined in SMART criteria¹;
 - will be subject to a **Sunset Clause**, whereby resources are allocated to the program for a finite period of time (the default period is three years)²; and
 - continuation of the program (and the associated resource allocations) beyond this period of time is subject to consideration by the Economic and Expenditure Reform Committee (EERC) and Cabinet, informed by a program evaluation.
- The new Sunset Clause program evaluation framework impacts agencies as follows:
 - when drafting an EERC submission that seeks to commence a material program, or material extension of a pre-existing program (net operating balance impact of \$5 million or more in any one year), you will now need to include an evaluation plan and consult Treasury on the content of this plan;
 - following Cabinet endorsement of the program:
 - your budget and financial reporting must reflect the finite nature of the program; and
 - your program implementation is consistent with, and data is collected on performance against, the Cabinet endorsed SMART program results; and
 - prior to the program’s scheduled cessation date, agencies will assist Treasury in conducting a program evaluation (should your Minister seek to extend the program beyond its scheduled cessation date).

¹ SMART criteria define the policy results in Specific, Measurable, Attainable, Relevant, and Time-bound terms.

² It may not be practical for all material initiatives to be subject to a Sunset Clause (for example, substantial revenue growth as a result of increases in fees and charges). However, it is at the Treasurer’s discretion as the Chair of the EERC as to whether a material program is subject to a Sunset Clause. You should discuss applications with your Treasury agency analyst.

Figure 1



What is a Program?

- A program, activity, project, policy, intervention, initiative or strategy undertaken by or for Government that intends to have a specific impact (i.e. Government is choosing to do something to achieve some result).
- A program can also include related Government spending on a single intended outcome.
- Programs can vary in size and structure, with the largest generally comprised of many sub-programs delivered by multiple agencies and/or in partnership with non-government organisations.
- The funding source does not impact on the definition of the program, be that State funded, Commonwealth funded or other.
- Education, health, policing services, etc. are not programs, they are deemed functions. Programs will deliver Government functions.
- A program can be as broad as all Government expenditure to reduce cost of living pressures in the State or as specific as a single social concession.
- In other words it can be a program of related expenditure or a single initiative.

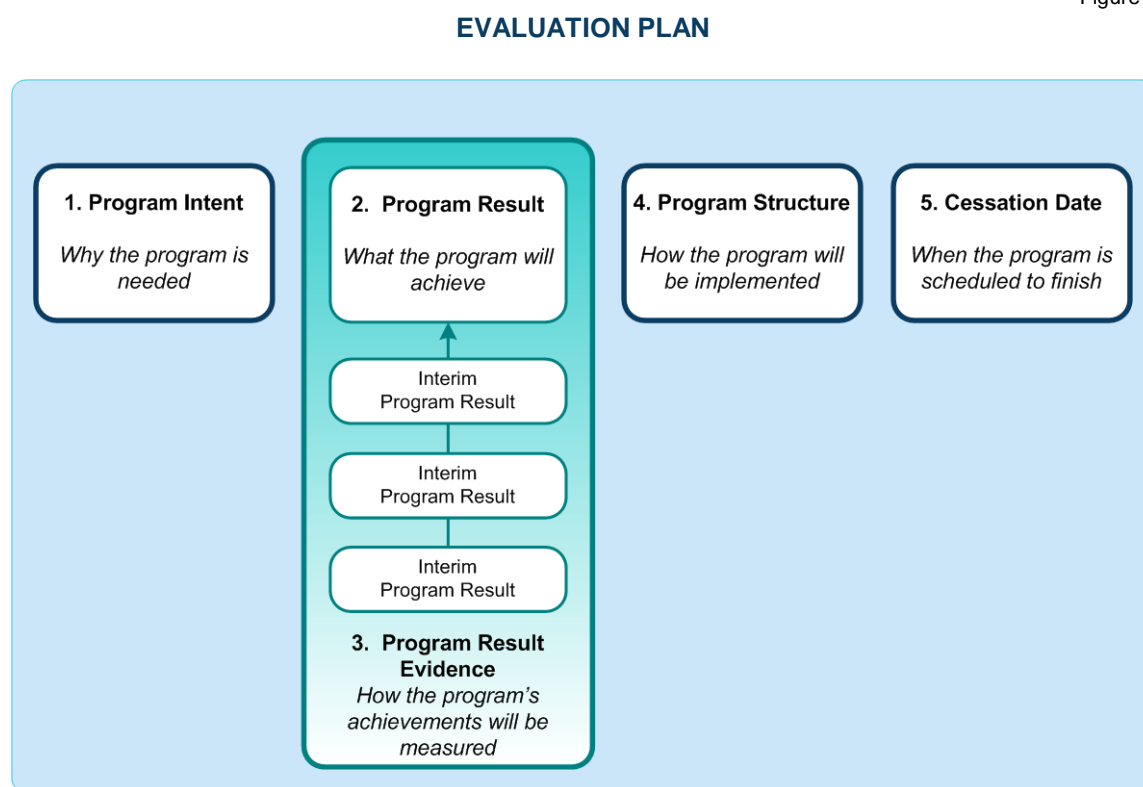
The Need for Sunset Clauses

- Currently, agencies' annual recurrent budgets represent an accumulation of all ongoing programs as endorsed by a variety of Governments over time. Once implemented (and rolled-up in base line budget allocations), there is limited capacity for the EERC and Cabinet to ascertain:
 - the effectiveness of the program;
 - the applicability of the program to the current policy context; or
 - whether the program's delivery model presents the best value for money option.

Evaluation Plan

- The EERC handbook and submission template have been updated to stipulate that EERC submissions subject to Sunset Clauses (i.e. submissions regarding programs with a net operating balance impact of more than \$5 million in any one year) must include an **evaluation plan**.

Figure 2



- It is mandatory for agencies to consult with Treasury on the formulation of the evaluation plan. Ideally, the evaluation plan presented to the EERC will reflect the agreed position between your agency, your Minister and Treasury.
- If consultation does not occur, or the evaluation plan is only partially completed, the submission will not be recommended to proceed for EERC consideration.
- The following section provides an overview of the components comprising the evaluation plan. See Appendices A and B for details and examples in the development of these components in the first instance.

1. Program Intent

- Easily understood high level statements, which describe why the program is needed and what the program intends to achieve, in terms of benefits to stakeholders and the wider community.

2. Program Results

- All Sunset Clause affected submissions must include both:
 - the final result(s) of the program; and
 - interim result(s), which indicate progress towards achieving the program's final result(s).
- Program results should be expressed in SMART criteria, and be:
 - specific (clear and unambiguous);
 - measurable;
 - attainable (neither out of reach or too easily attainable);
 - relevant; and
 - time-bound.
- The SMART program results effectively form a project plan to guide the implementation of the program and monitor its performance.
- There is no limit to the number of interim program results, but the milestones should allow for appropriate tracking of the program's progress towards achieving its final result. As a guide, for a standard three year program, two milestones at 12 month intervals from the commencement of the program could be sufficient to indicate progress towards achieving the final program result at the end of year three.

3. Program Results Evidence

- The submission must also detail how evidence of the achievement of program results will be collected, including:
 - what form that data will take (surveys, statistics, case studies, etc.);
 - how it will be collected;
 - how the collection of that data will align with reporting requirements (namely informing program evaluation before program cessation); and
 - what baseline (pre-implementation data) will be collected for future comparison to inform program evaluation.

4. Program Structure

- Flexibility in program delivery is a key feature of Government decision making: if the measured interim or final program results are not being achieved, Government must be confident that the program can be ceased without unintended consequences.
- All EERC submissions must therefore detail:
 - how the program will be implemented;
 - what alternative implementation methods were considered and the reasons for rejecting them; and
 - how the implementation structure suits program cessation and the steps taken to ensure cessation is achievable.

5. Cessation Date

- All submissions in respect of Sunset Clause affected programs must nominate a program cessation date.
- The default program cessation date will be three years from the planned commencement of the program.³ For example, if the program is proposed to start on 1 July 2014, the program (and its associated resource allocations) should be scheduled to cease on 30 June 2017.
- The program cessation date also drives deadlines for Government's consideration of program evaluation should program extension be sought by your Minister.

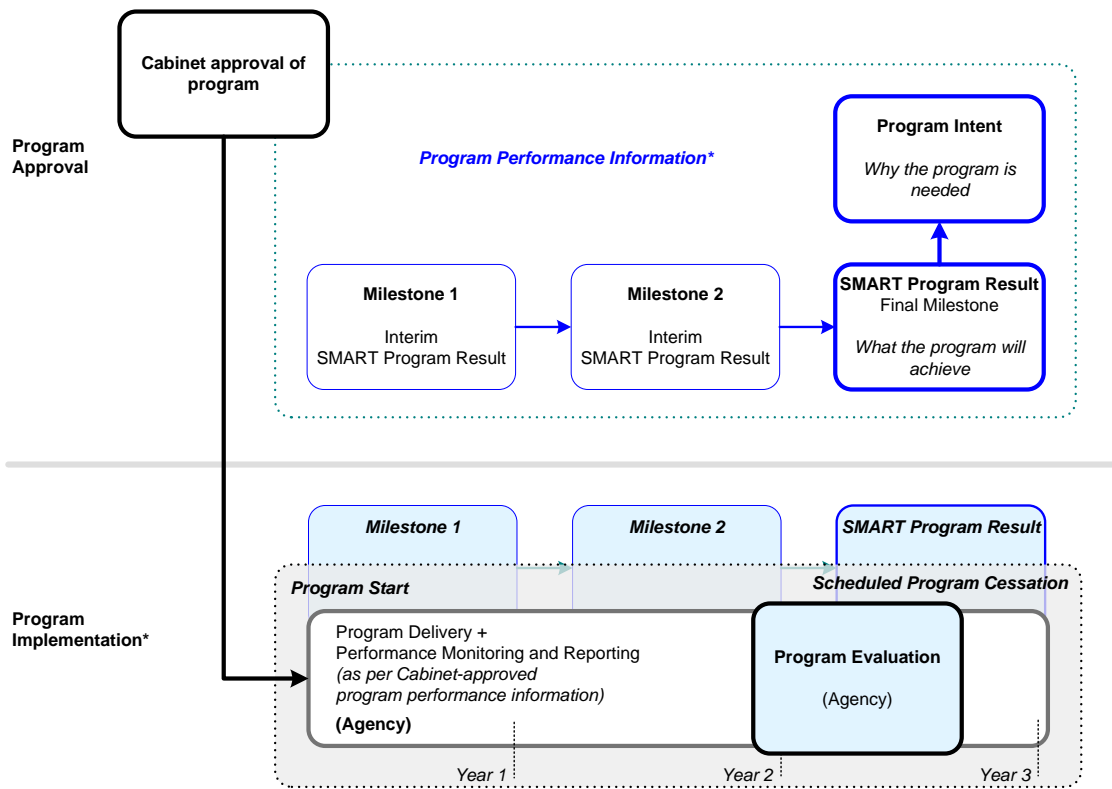
³ Although the default position is for programs to cease after three years, this needs to be balanced with the requirement to produce meaningful results information. In some instances, scheduling program cessation four or five years from commencement may be more appropriate. Where a program is intended to operate for longer than the standard three-years, a detailed explanation – preferably agreed with Treasury – must be included in the EERC submission.

Program Implementation

- Following Cabinet approval, all programs must be implemented and monitored on an ongoing basis in accordance with the Cabinet endorsed interim and final program results, as per Figure 3.
- All financial reporting and program delivery must reflect the scheduled cessation date of the program.
- The implementing agency must ensure ongoing performance monitoring occurs (and data is collected accordingly):
 - as at any point, Treasury (on behalf of Government) may seek information on the achievement, or movement towards the achievement, of the program's interim and/or final results; and
 - agencies are encouraged to discuss program results with their Treasury agency analyst prior to the completion of the program; and
 - should the Minister seek to extend the program beyond its cessation date, the program's performance information will form a key aspect of your program evaluation.
- The agency or its consultants will conduct an evaluation of its program. Prior to the program cessation date, the Treasury agency analyst will conduct an assessment of the outcomes of the evaluation.
- Where queries regarding program performance relative to program results cannot be adequately answered as part of the program evaluation, Treasury is unlikely to recommend the extension of the program.

Figure 3

PROGRAM PERFORMANCE INFORMATION AND SUNSET CLAUSES



* Please note that the number of interim program results (2), and the 12-month timeframes of these milestones are for illustrative purposes only.

Program Evaluation and Extension

Communication

- More than 12 months before a program's scheduled cessation date, Treasury will seek advice from your Minister if an extension to the program – and the associated resource allocations – beyond the cessation date will be sought.
- If program extension is sought, your Minister will be requested to submit a new funding request to EERC in respect of program extension.

Program Evaluation

- The agency or its consultants will conduct an evaluation of its program should program extension be sought by your Minister. Treasury will assess the outcomes of the evaluation.
- It will be your responsibility to provide Treasury access to the program results data, respond to requests for information and provide access to key stakeholders to support Treasury in its assessment of the outcomes of the evaluation.
- The program evaluation essentially seeks to address four questions:
 1. has the program demonstrated the achievement, or acceptable movement towards achievement, of the Cabinet endorsed interim and final program results;
 2. should Government continue to deliver the program (i.e. is there a demonstrated market failure?);
 3. is the program structure delivering results efficiently, or could alternative service delivery models be adopted; and
 4. what will be the impact of program cessation on stakeholders and/or the wider community?
- More information on how to conduct a program evaluation is available on the [Program Evaluation website](#).

Timing

- It is expected that in most cases a program evaluation will begin 12 months prior to program cessation. The completion of a program evaluation will allow enough time to facilitate Government consideration of funding extension prior to funding ceasing.

Government Decision Making

- Following the program evaluation, Government will decide to extend the program for another finite period of time, or confirm program cessation, based on your Minister's EERC submission and the program evaluation.

Program Cessation or Extension

- If the Minister advises Treasury that extension of the program will not be sought, or Government does not approve program extension, program cessation is confirmed.
 - Where the Minister does not seek to extend the program, the implementing agency must provide details of program performance (relative to the Cabinet endorsed program results) to Treasury upon program cessation date.
- The implementing agency must take relevant steps to cease the program – this will be facilitated through the flexible program structure initially implemented.
- Where the program is extended, the program (if within financial thresholds) is again subject to Sunset Clause requirements (i.e. cessation date, interim and final program results, etc.).

Further Guidance

For further information please refer to the:

- EERC handbook available on the Department of the Premier and Cabinet website;
- Treasury's Program Evaluation web portal; or
- Treasury's Program Evaluation Guide.

Your Treasury agency analyst can also be contacted for further information on the Sunset Clauses process or in the application of Sunset Clauses.

Appendix A: Additional Information on Components of an Evaluation Plan

How to Develop SMART Results

Background

From 1 January 2014, all submissions to the Economic and Expenditure Reform Committee that seek approval to implement a new recurrent program (or expand an existing program) that impacts the Government's net operating balance by \$5 million or more in any given year will need to include an evaluation plan. The development of SMART interim and final program results is a requirement of the evaluation plan.

What is a Result?

A result is a commonly understood and agreed goal, or outcome of a program. A result allows you to measure to what extent the intent of the program has been achieved.

Why set Results?

The achievement (or otherwise) of results allows Government to assess a program's performance. Results must be agreed as a part of the initial funding decision by Cabinet, to ensure:

- a common understanding is established of how program efficacy will be measured;
- agencies collect relevant data throughout program implementation; and
- targets are not amended to suit program implementation or unintended outcomes.

What is a SMART Program Result?

A SMART program result is a result defined in SMART criteria, being:

- Specific;
- Measurable;
- Attainable;
- Relevant; and
- Time-bound.

Specific

- The program result is well-defined, not ambiguous, and easily understood by non-experts.
- The program result answers the basic questions: *what, why, who, where*.

Measurable

- The program result contains concrete criteria to measure progress toward the attainment of the program intent.
- Where there are adjectives, the amount of the 'reduction' etc. must be defined.
- The program result allows for comparisons over time and across similar programs.
- How will the results be measured?
- Analysis of who will measure (i.e. who will measure customer satisfaction, who will perform counts, etc.) and measurability (i.e. cost of conducting surveys, quality of available data, etc.) should also be detailed as required.

Achievable

- Achieving the program result is not too easy, or too difficult.
- Attributed – there is evidence that the result measured is attributable to the program and not other factors.
- There is evidence that without intervention the result would not be achieved.

Relevant

- The program result addresses an existing problem.
- The program result concerns a priority of Government, and relates to the agency's core business or addresses an agreed cross-agency issue.

Time-bound

- The program result should be achieved by a specific date.
- Data should be collected with the frequency that aligns with the required reporting timelines including agreed milestones.

The following provides an example of a (fictional) SMART program result:

Reduce the Western Australian homelessness rate⁴ to 40 per 10,000 of the population by 2016-17.

Interim and Final Program Results

Interim and final program results must be identified for Sunset Clause affected programs in their EERC submission. As program evaluation will occur prior to the program cessation date (and on an ad-hoc basis by Government), the final program result (e.g. a reduction to 40 homeless persons per 10,000 of the population by 2016-17) may not have yet been achieved when program evaluation occurs. Therefore, interim program results and milestones that prove adequate movement towards a final result must also be established (for example: a reduction to 42 homeless persons per 10,000 of the population by 2014-15).

Analysis of Program Structure

Flexibility in program delivery is a key feature of EERC decision-making: if the measured interim or final program results are not being adequately achieved, Government must be confident that the program can be ceased without unintended consequences. In determining the optimum program delivery structure, agencies should provide the following information as a minimum:

1. How will the program be implemented?
 - Will you seek to employ additional FTE – how many, what will their role be, etc.
 - Are there other government programs similarly implemented and what structure has been used in those examples and at what cost (either in Western Australia or other jurisdictions)?
 - Will the agency contract out the service to an external third party – how long will contracts be established for, what will the contracts establish, what will the third party do?
2. What alternative program delivery methods were considered and the reasons for not pursuing these further.
 - Could the program be delivered in a different way and at what cost?
 - Are there alternative services providers that provide similar services (either in Western Australia or other jurisdictions)?

⁴ As per the Australian Bureau of Statistics (ABS) methodology for estimating homelessness, please refer also to *Information Paper – Methodology for Estimating Homelessness from the Census of Population and Housing* (cat. no. 2049.0.55.001) and *Information Paper – A Statistical Definition of Homelessness* (cat. no. 4922.0).

3. How is the program implementation structure suited to program cessation and what steps have been taken to ensure cessation is achievable?
 - How long will contracts with the private sector/non-Government sector be established for?
 - How will surplus FTE be managed – does the agency have similar roles for surplus FTE, how will the agency budget for severance offers, etc.?
 - What stakeholders will be affected and how will their expectations be managed?

Appendix B: Evaluation Plan Examples

Example 1: Increased Electricity Concession – SMART Results Analysis

The program proposes to increase a current electricity concession for low income households from 1 July 2014 to 1 July 2017, at a total additional cost (i.e. in excess of total cost of current concession) of \$50 million per annum.

Evaluation Plan (i.e. what is included in the EERC Minute)	Analysis (i.e. the summary justification underpinning your recommendations)
<p>Program Intent</p> <p>Reduce the impact of recent electricity tariff increases on low income households.</p>	<p>The proposed increased concession seeks to offset the effect of recent electricity price increases in excess of income growth for the lowest quintile income earners. Higher electricity prices compared to income growth for low income households means that electricity costs now accounts for a higher proportion of disposable income, resulting in a greater number of bill defaults.</p>
<p>Program Results</p> <p>Interim</p> <p>The annual number of bill defaults for concession recipients (low income household as defined as those eligible for the concession payment) falls by 20% compared to previous year baseline.</p> <p>Final</p> <p>The average number of bill defaults for concession recipients over the life of the program fall by 20% relative to 2013-14 actual defaults – adjusting for increased concession take up rates.</p>	<p>Specific: reduces bill defaults for people receiving the concession, specifically seeks to measure if program intent has been achieved by linking the affordability of electricity with the number of bill defaults.</p> <p>Measurable: measurable reduction target set.</p> <p>Achievable: the increase in the concession is equivalent to price increases in recent history, recent price increases have increased defaults by 20% – therefore the increased concession should offset the increased number of defaults. Concession growth in line with future electricity price increases should again offset any impact on default.</p>

Evaluation Plan (i.e. what is included in the EERC Minute)	Analysis (i.e. the summary justification underpinning your recommendations)
	<p>Economic conditions outside of the control of the Government will impact the number of defaults – ongoing reporting against results will provide this context.</p> <p>Relevant: seeking to resolve an identified problem.</p> <p>Time-bound: immediate impact, data collected monthly by energy corporations.</p> <p>Final and interim results: almost equivalent as the program is immediately rolled out and is expected to have an immediate impact.</p>
<p>Program Result Evidence</p> <p>The number of bill defaults relative to total customer numbers is already measured by energy corporations. Up-to-date data can be readily accessed at no additional cost to Government upon request and will be monitored periodically to gauge program performance.</p>	
<p>Program Structure</p> <p>Electricity corporations will be directed to deliver the program on behalf of Government – i.e. processing applications of the concession (current process) and make concession payments to customers via existing bill structure (current process) through existing call centre and billing functions.</p>	<p>The same service could be delivered by contracts with the private sector, but the duplication of services between energy corporations and the private sector would be costly (although not costed). No additional staff will be employed as energy corporations will link this concession with an existing concession.</p> <p>Upon cessation of the concession boost: no additional staff will have been employed, but existing call centre staff will remain gainfully employed should cessation occur; customers eligible for the concession will be impacted by cessation and gains towards the results would likely be reversed (dependent on economic conditions).</p>
<p>Cessation Date</p> <p>30 June 2017</p>	<p>Three-year program</p>

* Note this example is for illustrative purposes only. The structure of SMART analysis will be driven by the specific program.

Example 2: Re-Alignment of Juvenile Education Programs – Program Structure Analysis

This program will realign existing mandatory juvenile detention education programs, by:

1. aligning with school curriculum;
2. increasing engagement with education sector to determine juveniles' level of education;
3. teaching low risk juveniles in detention at school sites (as opposed to in detention facilities);
4. having high risk juveniles remain on-site with teachers being brought onsite; and
5. giving 'ex-students' the opportunity to return to detention-site school where requested to ensure continuity.

Proposal	Analysis
<p>Program Intent</p> <p>Reduce recidivism rates of juveniles in detention.</p>	<p>Current juvenile detention education programs have lead to poor educational outcomes for juveniles in detention, which are proven to be linked to higher recidivism rates.</p>
<p>Program Results</p> <p>Interim</p> <ul style="list-style-type: none"> • Recidivism rates for program participants are 50% lower than for non-program participants from program implementation. • A higher portion of program participants return to formal education than non-participants. • Number of program participants increases from 75% by 5% per annum. <p>Final</p> <p>Total recidivism rate for all juveniles in detention falls from current 75% to 50% at program completion (being three years from implementation).</p>	
<p>Program Results Evidence</p> <p>Recidivism Rates</p> <p>Recidivism rates are already tracked by a pre-existing unit within the Department of Corrective Services (DCS). Up-to-date data on recidivism rates is already provided on a monthly basis for internal scrutiny and can be provided to Government upon request and reporting requirements will be aligned with interim and final program results.</p> <p>Educational Engagement External</p> <p>There is currently no formal tracking of an ex-juvenile's movement within educational systems after incarceration. The Department of Education (DoE) has advised that information exists on all students and a cross-reference of details can be provided to DCS free-of-charge and without legislative changes (although only consolidated data by group can be provided as opposed to individual information, the information provided will be fit for purpose). Although, there will be a lag between information requests and response of between two to four weeks and not considered a risk for reporting requirements.</p>	

Proposal	Analysis
<p>The DCS will formalise the timing of information requests and process with the DoE prior to program implementation.</p> <p><i>Educational Engagement Internal</i></p> <p>Juveniles’ engagement in internal educational programs will be recorded by teachers and tracked by the pre-existing DCS unit.</p>	
<p>Program Structure</p> <p>\$5 million p.a. is sought to contract teaching services from the DoE (no alternatives have been considered viable).</p> <p>The DoE has advised that the supply of teaching services are already available and if the program ceases these services will be absorbed into the pre-existing public education system.</p> <p>\$5 million per annum is sought for additional security to be contracted from the private sector to oversee the increased number of school visits by juveniles (DoC has similar contracts in place with private sector providers already and would have to employ additional FTE if the function was not to be outsourced, although costs would be similar the increased capacity could not be effectively redeployed).</p> <p>Contracts will be renegotiated every three years (in line with Sunset Clause funding arrangements).</p> <p>The DoE has also advised that there are 10 school sites within reasonable distance from current juvenile detention facilities and minor upgrades at a cost of \$10 million in total would be required.</p> <p>The minor upgrades will likely remain productively employed if the program ceases.</p> <p>Alternatively students could stay on detention centre sites at no additional cost. This approach has not been recommended as the juveniles connection with the school is seen as an important factor in increasing educational outcomes and the possibility of education continuing after detention is complete.</p>	
<p>Cessation Date</p> <p>30 June 2017 (based on 1 July 2014 commencement date).</p>	

* Note this example is for illustrative purposes only. The structure of SMART analysis will be driven by the specific program.