

Business Case Health Check

BA Manager Forum



Workshop agenda

- Provide a basic introduction to the HM Treasury 'Better Business Case' Five Case Model
- Business case - group exercise
- Discussion - what does good look like?
- Focus on the Five Case Model Options Framework
- Learning lessons from past projects

- The Better Business ‘Five Case Model’ jointly developed by HM Treasury and Welsh Government
- Used extensively by central & local government to support investment decisions
- APMG provides accreditation for examinations at Foundation and Practitioner Level

Better Business Cases ask 5 key questions



The strategic case

Can we demonstrate a compelling case for change?

Spending (Investment) objectives - *SMART*

Existing arrangements – *Snapshot*

Business needs – *Problems and opportunities*

Potential scope - *Solutions*

Main Benefits – *criteria by stakeholder group*

Key Risks – *by key category*

Constraints and dependencies

The economic case

Does the recommended option optimise public value?

- A wide range of potential options
- Demonstrate that the preferred option delivers value for money and represents the best balance of costs, benefits, dis-benefits and risks

The commercial case

Is a deal achievable and attractive to the market place?

- The procurement strategy
- Scope and related services
- Risk transfer
- Charging/payment mechanism
- Key contractual clauses & length
- Personnel implications (TUPE)
- Supplier's implementation time-scales
- Accountancy treatment (FRS 5)

The financial case

Is the spending proposal achievable?

- Financial statements for all projects
- Capital and revenue requirements
- Net effect on prices
- Impact on balance sheet
- Impact on income and expenditure account
- Overall funding and affordability

The management case

How will the proposal be successfully delivered?

- Programme and project management
- Use of special advisers
- Contract & change management
- Benefits realisation
- Risk management
- PPM assurance arrangements
- Post evaluation arrangements
- Contingency plans

Business cases in action

Ysgolion yr 21ain Ganrif

21st Century Schools

- £1.4 billion investment programme 2014-2019
- 150+ New/improved schools
- Funding split 50% WG/ 50% LAs
- All 22 Welsh LAs participating

Key drivers:

- Reduce surplus capacity
- Improve educational outcomes
- Reduce overall running and lifetime costs



Summary

- Provides a framework for scoping & planning spending proposals leading to efficient & effective spend
- A tool for internal and external approval
- Accountability for funds/resources invested
- Recognised best practice (PRINCE2®)
- Repository for information and evidence base
- Post evaluation

Summary: types of business case

Strategic Outline Programmes (SOP)	Policies Regulation & Grants Programmes
Strategic Outline Case (SOC) Outline Business Case (OBC) Full/Final Business Case (FBC)	Major Projects (schemes) requiring OJEU procurement
Business Justification Case (BJC)	Minor spending proposals

Programme Business Cases (trains and tracks)

- Converts the strategy into robust spending proposals
- Establishes programme aims, objectives and the case for change
- Appraises options for the range/mix of projects to be delivered
- Identifies and cost justifies delivery plans (at a high level) and sets the 'funding envelope'
- Provides the basis for post evaluation
- Provides a vehicle for the approval of the programme

Project level business case development

- Major, complex or contentious projects requiring an OJEU procurement –
Single case developed in three stages
- Smaller or more straightforward schemes using pre-competed procurement –
Single case developed in one stage

Strategic Outline Case

- Provides strategic context and confirms fit
- Makes case for change
- Indicates probable costs, benefits and risks
- Identifies preferred way forward
- Outlines delivery arrangements

Strategic case

Economic case

**Commercial,
financial and
management cases**

Outline Business Case

- Revisits the case for change
- Identifies the option which best optimises balance of public value (cost, benefits & risk) to the UK (NPV)
- Confirms procurement strategy, potential deal and affordability
- Identifies resources & management arrangements to ensure successful delivery

} **Strategic case**

} **Economic case**

} **Commercial and financial cases**

} **Management case**

Full Business Case

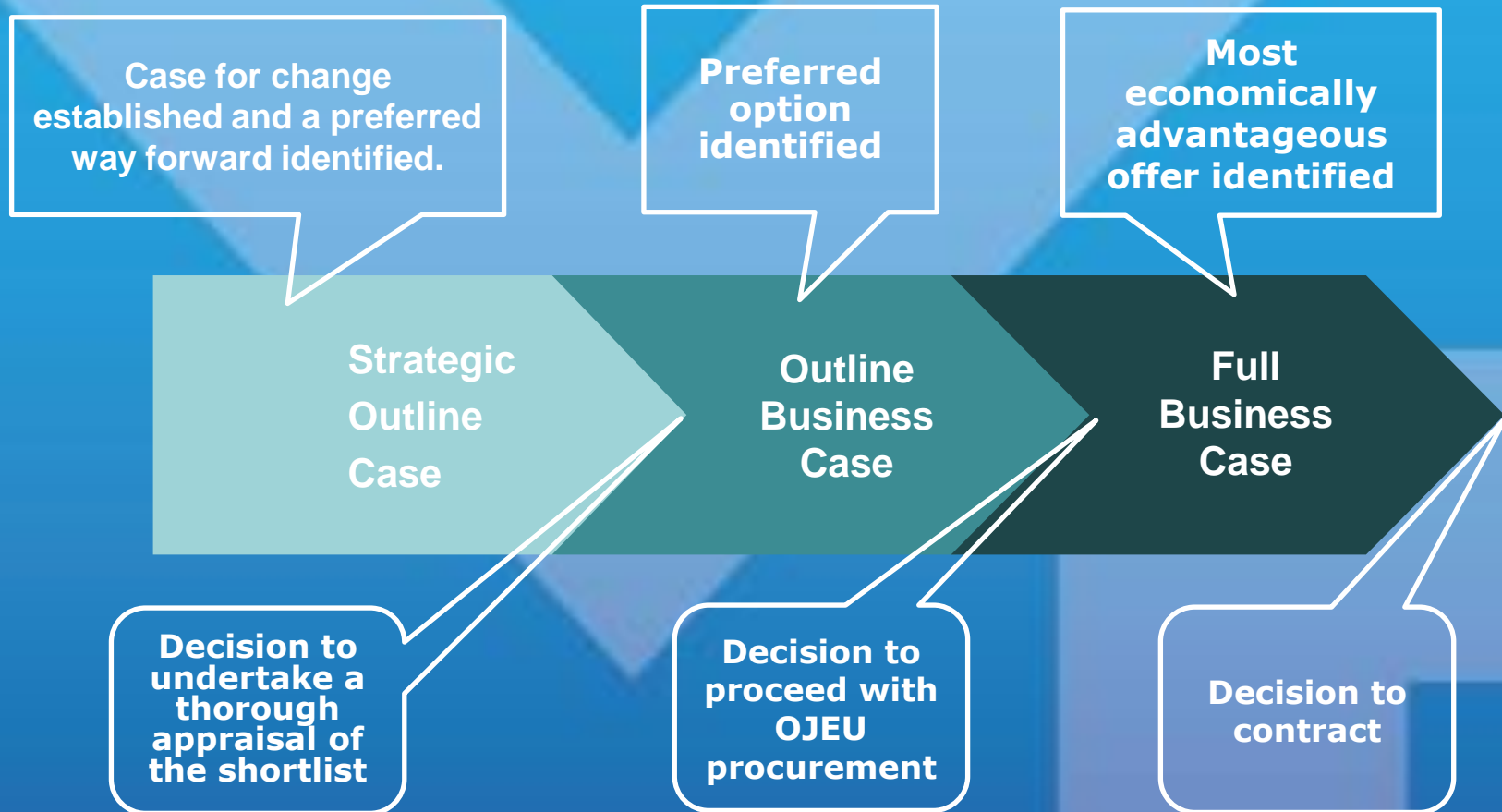
- Confirms public value and that the most economically advantageous offer is being procured
- Sets out the commercial and contractual arrangements for the deal
- Confirms affordability and the plans for successful delivery

Economic case

Commercial case

**Financial and
management
cases**

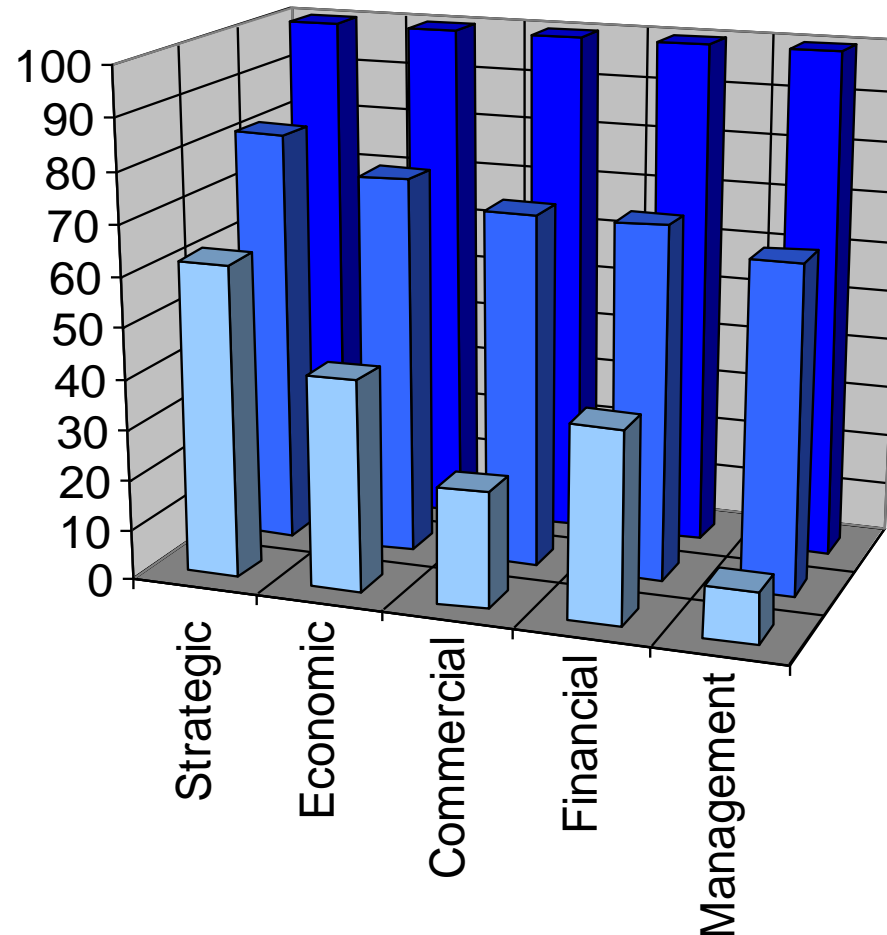
Stages of business case development



Procurement may be stopped at any stage

Development of the business case

SBC, OBC & Full Business Cases (FBC)



Business Justification Case

- Single case for relatively small, non-contentious, pre-competed procurements
- Detail scalable and related to size and complexity of scheme – larger BJC akin to OBC
- Multiple BJCs **MUST** be supported by PBC
- Limit £ dependent upon organisation but typically £5m

Focus on options

- Identifying long list options and refining this to a short-list is one of the most important sections of the business case
- If we develop the wrong short-list at this stage the rest of the business case is fundamentally flawed!

Options framework

Categories of choice:

- **Scope** (coverage: who, what, where etc)
- **Service solution** - (how: technical)
- **Service delivery** - (who: provider)
- **Implementation** - (when: phasing & time)
- **Funding** (how: £)

Preferred way forward using the options framework

- **Spending objectives** - help determine which options are considered in the framework
- **Critical Success Factors (CSFs)** – the ‘filter’ for long-list options and used to explore the trade-offs between different options
- **Categories of choice** – the key elements that make up ‘an option’

Survey

- Core requirement – for wards
- Desirable requirement – for canteens
- Optional requirement – for “out of hours”
- As soon as possible please!

Options framework

Scope	Wards – Carry forward Do Min	+ Canteens Preferred	“Out of hours” Discount
Service Solution	<i>Refurbish Kitchens - Discount</i>	Centralised Kitchen - Preferred	<i>Buy-in Service: Greenfield Discount</i>
Service Delivery	In-house staff Preferred	<i>Outsource - Discount</i>	
Implement- ation	12 months - Carry forward	6 months - Preferred	Big Bang – Carry forward
Funding	Public Preferred	Private	

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- **Critical Success Factors:**
- Strategic fit
- Benefits optimisation
- Achievability
- Supply side capacity
- Affordability

Options analysis: short-list

- Status Quo/ Do nothing/ Do minimum
- Preferred Way Forward (PWF)
- PWF - Less Ambitious (content, time)
- PWF - More Ambitious (content, time)

Optimising VFM!

Do minimum

Scope	Wards – Do Minimum		
Service Solution		Centralised Kitchen Preferred	
Service Delivery	In-house staff Preferred		
Implementation		6 months Preferred	
Funding	Public Preferred		

Preferred Way Forward

Scope		Wards + Canteens Preferred	
Service Solution		Centralised Kitchen Preferred	
Service Delivery	In-house staff Preferred		
Implementation		6 months - Preferred	
Funding	Public Preferred		

Less ambitious

Scope		Wards + Canteens Preferred	
Service Solution		Centralised Kitchen Preferred	
Service Delivery	In-house Preferred		
Implementation	12 Months Maybe c/f		
Funding	Public Preferred		

More ambitious

Scope		Wards + Canteens Preferred	
Service Solution		Centralised Kitchen Preferred	
Service Delivery	In-house staff Preferred		
Implementation			Big bang Maybe c/f
Funding	Public Preferred		

What does a good business case look like?

- Presentation is key (but not a sales document!)
- Allows different stakeholders to quickly focus on information important to them
- Enables effective scrutiny and assurance by adopting a common approach i.e. 'comparing apples with apples'
- Draws on evidence from past business cases!
- Builds confidence by impartial and unbiased assessment of options

But often!

- Pet Projects are prioritised and there is a tendency to ignore past experience
- Are viewed simply as a vehicle for gaining approval rather than a 'thinking document'
- Have different standards/methodology applied which are not 'fit for purpose'
- Are poorly presented
- Are inherently optimistic with sub-optimal VfM

Thank you

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