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SP-NN Full Business Case PD

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| Document Name | Outline Business Case Product Description |

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| Identifier | FBC |
| Title | Full Business Case |
| Purpose | This document provides guidance for completing the Full Business Case in accordance with Better Business Cases guidance. The business case development process is organised around a five case model designed to systematically ascertain that each investment proposal:   * is supported by a robust case for change – the ‘strategic case’ * optimises value for money – the ‘economic case’ * is commercially viable – the ‘commercial case’ * is financially affordable – the ‘financial case’, and * is achievable – the ‘management case’.   The key purposes of the Full Business Case are to:   * identify the ‘market place opportunity’ (deal) which offers optimal VfM; * set out the negotiated commercial and contractual arrangements for the deal; * demonstrate that the deal is unequivocally affordable; * put in place the detailed management arrangements for successful delivery of the scheme.   The Full Business Case updates the OBC with the results of suppliers’ best and final offers following procurement activities but before contracts for delivery of the required products and services have been finalised. The FBC also sets out the negotiated deal; demonstrates its affordability; and details the management arrangements for the successful delivery of the proposal. |
| Composition | Note: The content of the FBC is derived from the OBC. While any such content may be changed, there are elements of the FBC which are created to reflect the results of procurement activities. All potential changes from OBC content is highlighted below.  Executive Summary  The Investment Proposal  Describe the investment proposal in one to two sentences. State what decision-makers are being asked to consider or decide.  Strategic Case  Summarise the case for change – the problems or opportunities, and the proposed initiative to address these issues.  Economic Case  Summarise the value for money assessment.  Commercial Case  Summarise the attractiveness assessment.  Financial  Summarise the affordability assessment.  Management Case  Summarise the achievability assessment.  Next Steps  Summarise the next steps, and when decision makers will be presented with the Full Business Case.  Introduction to the Investment Proposal  Describe the spending proposal in broad terms.  Bring forward detail from the OBC, and update as required.  Strategic Case  The purpose of this section is to explain and revisit how the scope of the proposed investment fits within the existing business strategies of the organisation, in terms of the existing and future operational needs of the organisation.  Strategic Context  Organisational Overview  Provide a snapshot of the organisation: its purpose; relevant structures; and its environment.  The scope of the investment proposal will be related to the expected impact: a single business unit within a larger organisation, the entire organisation, or cross-organisational.  Current planning documents should also be referenced wherever possible. There is no need to repeat the detailed content of existing, readily available documents. However the reader should be provided with a complete snapshot of the organisation, of what it is seeking to achieve, current activities, available resources and the environment in which it operates.  The summary of the operating environment should consider what externally driven factors are driving the need to invest. These could be threats or opportunities, either existing or expected. External drivers for change can be political, environmental, societal, technological, legislative or economic.  Bring forward detail from the OBC, and update as required.  Existing Strategies and Plans  Summarise any existing and proposed strategies, programmes and projects which relate to, or may impact on, the proposed spending.  Describe any relevant broader initiatives and impacted stakeholders. Also describe any functional strategies, e.g. HR, IS/IT, etc.  Bring forward detail from the OBC, and update as required.  Alignment of Proposed Investment  Demonstrate how the proposed programme aligns to relevant national, state, sector and organisational strategies. Where the proposal is part of a larger portfolio of related programmes or projects, these inter-dependencies should also be outlined.  Outline how the proposal will help to achieve the business goals, strategic aims and plans of the organisation. The proposed investment should contribute to, and be consistent with strategic business planning.  Describe how the spending proposal aligns with organisational strategy through common KPIs.  Bring forward detail from the OBC, and update as required.  Strategic and Operational Needs  A robust and compelling case for change requires a thorough understanding of what the organisation is seeking to achieve (described by the investment objectives) and what is currently happening (existing arrangements). Any difference between the two represents the business gap (or business needs) that this investment proposal is intended to address. This gap analysis assists in providing a compelling case for change.  Investment Objectives  Investment objectives define the desired outcomes for the proposed investment and need to be SMART (specific, measureable, achievable, relevant and time-bound).  There is no restriction on the number of investment objectives, but five or less is suggested to make the analysis manageable and focussed (i.e. on the vital few). The objectives are crucial for making a compelling case for change. A useful test is to ask “is this objective really why we are considering this investment proposal?” If not, the objective may actually be better classified as a critical success factor or business need.  A facilitated case for change workshop process is recommended to ensure that key stakeholders are engaged early and have the ability to challenge and shape the direction of the investment proposal.  The investment objectives should be ranked in order of priority.  Bring forward detail from the OBC, and update as required.  Existing Arrangements  For each objective, provide a snapshot of the current service arrangements. For example where an existing service is being replaced, this could include current costs and measures of the existing services. Including metrics provide a base to help measure the distance of travel from the status quo.  Outline any synergies with the spending proposal. Outline the need for redelineation of any existing initiatives if the spending proposal proceeds to implementation.  Bring forward detail from the OBC, and update as required.  Current and Future Business Needs  For each objective, provide a detailed account of the business gap between the existing arrangements and the desired future state(s). This should describe the problems, difficulties and service gaps associated with the existing arrangements that the proposed investment is intended to address. A continuum of future states may be possible depending on the scope of the investment.  Bring forward detail from the OBC, and update as required.  Summary of Investment Proposal  Recommended Business Scope and Key Service Requirements  Where the investment objectives describe the direction of travel from the status quo, the purpose of this section is to describe the degree or scale of change recommended after final negotiation with the preferred supplier(s). Three different levels of investment are typically considered and only those options within this range are assessed further in the economic case:   * The minimum scope required to deliver the essential or core service requirements * The intermediate scope required to deliver essential and desirable service requirements, and * The maximum scope required to deliver the essential, desirable and optional service requirements.   Desirable requirements may typically be considered if they represent good marginal value for money. The optional requirements (or “nice to haves”) are generally only considered further if they are affordable.  The potential business scope defines the boundaries of the investment proposal (or aspects that are considered to be out-of-scope). These boundaries should be narrow enough to avoid scope creep, but broad enough to encourage consideration of innovative options or solutions.  Provide a detailed description of business scope and high-level service outputs/requirements, aligned with the findings of economic and financial appraisal of the short list options.  Bring forward detail from the OBC, and update as required.  Main Benefits Criteria  Potential benefits from the investment proposal represent improvements in outcomes for intended (and sometimes unintended) beneficiaries, whether the organisation, the wider state sector, industry or the general public. Benefits may either have a direct or indirect impact on the beneficiary. The impacts will likely vary depending on the scope of the proposal (minimum, intermediate and maximum).  Benefits may be measureable in either monetary terms (financial or cash-releasing, such as avoided costs or efficiency savings) or non-monetary terms (either quantifiable, such as reduced customer complaints, or qualitative, such as improved health outcomes). Qualitative benefits may be observable but not easily measured. Dis-benefits have negative impacts on beneficiaries. Some benefits may be uncertain or contingent on other events, and should be classified with risks.  This analysis is concerned with describing the main benefits only and builds upon the initial analysis in the Strategic Assessment. The benefits need to be comprehensive (to avoid significant under-statement of the impacts) and be mutually exclusive (to avoid double-counting impacts). More detailed analysis is undertaken in the Detailed Business Case.  List the main benefits or categories of benefits, and the key stakeholder groups receiving each.  Provide a list of the main benefits by key stakeholder groups, ranked in order of importance or weight.  Bring forward detail from the OBC, and update as required.  Main Risks  Outline the key business, service and delivery risks that this spending proposal will face. The emphasis in the Strategic Outline Case is to identify the top 20% of risk events which could account for 80% of the total potential risk of the proposal.  Provide specific proposals for mitigation and management of each risk.  Bring forward detail from the OBC, and update as required.  Constraints  Describe any internal and external constraints within which the spending proposal must be framed. Constraints are limitations imposed on the investment proposal from the outset. These can include constraints on available resources.  Bring forward detail from the OBC, and update as required.  Dependencies  Describe any dependencies which will have to be managed. Dependencies are external influences on the success of the project, where project success is contingent on the future actions of others.  Bring forward detail from the OBC, and update as required.  Summary of the Case for Change  Summarise the case for change. It is useful to present the detailed analysis of the case for change in a simple tabular format, by investment objective. Some of the later row content may be common across multiple objectives.  Economic Case  The purpose of the economic case is to identify the investment option that optimises value for money.  Critical Success Factors  Critical success factors are attributes essential to successful delivery of the proposal, against which identified long-list options can be assessed. These can differ depending on the nature of the proposal, both in content and relative importance. The key point is that they are crucial, not desirable, and are set at a level which does not preclude important options at an early stage of the analysis.  Bring forward detail from the OBC, and update as required.  Long List Options  The purpose of this section is to identify and assess a wide as possible range of options that achieve the investment objectives and service requirements, yet lie within the boundaries of the scope parameters and critical success factors identified above.  Decision-making relies on robust analysis of the trade-offs between scarce resources and the extent to which investment objectives and key service requirements of the investment proposal can be achieved. Essentially this requires an initial assessment of the potential advantages and disadvantages of each identified option.  Develop and describe a long list (say, 12) options within the potential scope of this proposal. Systematically consider all the possible ways in which the investment proposal could be delivered under each of five dimensions or categories of choice:   * Scoping options; * Service solution options; * Service delivery options; * Implementation options; * Funding options.   In some cases, it may be necessary to redefine these ‘categories of choice’ in order to meet the specific needs of the investment.  A wide range of possible solutions should be considered under each of the five dimensions. There is no set limit on the number of composite options that may be generated. However, impractical options can be discarded as part of the identification process to avoid undue analysis effort.  A base case option must be included and is used as a baseline for comparing marginal costs and benefits of alternative investment options or courses of action. It provides the benchmark for determining the relative marginal value for money added by the other short-listed options under consideration. Usually this is the "status quo" or “do nothing” option. In some cases, maintaining the current level of services is not a viable option going forward. In the case of significant change or service delivery failure, some restorative action may need to be assumed to be taken and the baseline costs and benefits adjusted accordingly.  Revisit detail from the OBC, and update as required.  Scoping Options  In relation to the proposal, what levels of coverage are possible? This can include options for the scale of organisational operations, the level of services provided or the size or spread of the target population. A key consideration is what is in/out of scope and the scope options (status quo, minimum scope, intermediate scope or maximum scope).  Revisit detail from the OBC, and update as required.  Service Solution Options  How can services be provided? What alternative ways could the services be delivered? What alternative processes (including technology and business process engineering) could be utilised?  Revisit detail from the OBC, and update as required.  Service Delivery Options  Who can deliver the services? Who are the alternative service providers? In-house or out-source? Public or private provision? Or combinations of the above? Also consider non-traditional procurement options for service delivery, including public private partnership (PPP).  Revisit detail from the OBC, and update as required.  Implementation Options  When can services be delivered? Immediate or deferred? Big-bang or phased delivery of services?  Revisit detail from the OBC, and update as required.  Funding Options  How can it be funded? Crown or third party? Capital or revenue? Existing or new? Equity or debt? Some options can be limited by existing statutory requirements, such as borrowing restrictions for departments.  Revisit detail from the OBC, and update as required.  Long List Options Summary  Set out the key findings of the long list options analysis and overall conclusions.  Update as required.  Preferred Way Forward  Describe the overall direction it is recommended that the spending proposal follow, derived from initial assessment of the long list.  Revisit detail from the OBC, and update as required.  Short-List Options  Options which have been subjected to more detailed analysis in the OBC.  Generally three to five options are constructed and carried forward to the short-list, including the status quo or do nothing option, less ambitious and more ambitious options, and an outline reference project (Public Sector Comparator).  There is a demonstrated, systematic, tendency to exhibit optimism bias when preparing spending proposals. The most familiar forms of risk to outcomes are that the estimated future costs arising from the given proposal are overly conservative, or the benefits are overly optimistic, or both. The analysis may not fully reflect the possibility of cost-overruns, changing business drivers or implementation timing delays. Refer to the Better Business Case guidance for optimism bias adjustments by project type and phase of the process.  Revisit detail from the OBC, and update as required.  Economic Appraisal  Estimating Benefits  Describe the approach to estimating the benefits of each short list option, and how optimism bias will be dealt with.  Revisit detail from the OBC, and update as required.  Update with specific benefits arising from the preferred supplier(s) offers.  Estimating Costs  Describe the approach to estimating the costs of each short list option, and how optimism bias will be dealt with.  Revisit detail from the OBC, and update as required.  Update with specific costs arising from the preferred supplier(s) best and final offers.  Estimating Net Present Costs  Provide range-based estimates of the indicative costs and benefits of each of the short-listed options. Provide an indicative risk assessment of each short-list option.  Revisit detail from the OBC, and update as required.  Options Ranking  Rank the short list options in order of NPC.  Revisit detail from the OBC, and update as required.  Qualitative Benefits Appraisal  Methodology  Describe how qualitative benefits will be assessed.  Qualitative Benefits Criteria  Describe the criteria that will be used to evaluate qualitative benefits.  Revisit detail from the OBC, and update as required.  Qualitative Benefits Scoring  Provide raw and weighted scores for each short list option against each of the investment objectives.  Revisit detail from the OBC, and update as required.  Update with details of qualitative benefits relating to the preferred supplier(s) offers.  Analysis of Results  Provide the results of ranking, weighting and scoring the qualitative benefits of each of the short-listed options.  Describe the approach to optimism bias.  Update as required.  Risk Appraisal  Methodology  Describe how unquantifiable risk will be assessed.  Revisit detail from the OBC, and update as required.  Risk Scores  Provide a full assessment of the risks retained under each short-listed option, including costing of design, build, funding and operational (DBFO) risks.  Revisit detail from the OBC, and update as required.  Update with details of risk relating to the preferred supplier(s) offers.  Preferred Option  Nominate the preferred option from among the short-listed options, using the results of economic, benefit and risk appraisals.  Revisit detail from the OBC, and update as required.  Sensitivity Analysis  Methodology  Describe how sensitivity analysis will be performed.  Revisit detail from the OBC, and update as required.  Switching Values  For each of the non-preferred options, determine by how much each critical assessment criteria would have to change to equate to the value of the preferred option.  Revisit detail from the OBC, and update as required.  Scenario Planning  For each of the short list options, increase uncertain costs by X% and reduce uncertain benefits by X%, then check to see the impact on the ranking of each option.  Revisit detail from the OBC, and update as required.  Preferred Option Revised  Indicate whether sensitivity analysis has caused a rethink about the preferred option.  Revisit detail from the OBC, and update as required.  Value for Money Assessment  Show how the spending proposal, if it were to pursue the preferred option, would generate value for money.  Revisit detail from the OBC, and update as required.  Commercial Case  Assess the recommended deal relating to the preferred option.  Recommended Deal  Place the negotiated form of the intended contract into an Appendix, and provide a summary description of the key elements in the following sections.  Required Products and Services  Identify the broad thrust of the recommended deal, in terms of the tangible outputs and outcomes that it will deliver.  Contractual Arrangements  Outline key contractual arrangements for the recommended deal, including arrangements for non-traditional procurement.  Risk Allocation  Discuss negotiated allocation of risk associated with the recommended deal.  Payment Mechanisms  Outline mechanisms for payment associated with the recommended deal.  Implementation Timescales  Outline agreed timescales for implementing the recommended deal.  Procurement Process  Place the procurement documents into an Appendix.  Provide a summary description of the actual method of procurement, including:   * Regulatory impacts; * Evaluation criteria; * Method of selection of preferred bidder.   Personnel Implications  Outline personnel implications arising from contracting for the recommended deal.  Attractiveness Assessment  Provide an assessment of the likely commercial viability of the possible deal.  Update as required.  Financial Case  The Financial Case demonstrates that the recommended deal is a fundable and affordable deal.  Organisational Financial Position  Describe the organisation’s capacity and capability to undertake this investment represented by the recommended deal, from a financial viewpoint.  Capital Requirement  Describe the capital requirements of the recommended deal.  Impact on Pricing  Describe the net effect of the recommended deal on pricing.  Impact on Financial Statements  Outline agreed accounting treatments of the recommended deal relating to the preferred option.  Describe the impact of the recommended deal on the organisation’s income and expenditure account.  Describe the net effect of the recommended deal on the organisation’s balance sheet.  Stakeholder / Customer Agreement  Indicate the agreement or otherwise of stakeholders and customers to the recommended deal.  Funding Strategy  Summarise the funding strategy and highlight the timing of on- or off-cycle funding submissions.  Revisit detail from the OBC, and update as required.  Affordability Assessment  Identify funding gaps and ensure the primary funding sources for the preferred way forward are identified, including self-funding options.  Revisit detail from the OBC, and update as required.  Management Case  The management case addresses the achievability of the proposal and the agreed planning arrangements required to both ensure successful delivery and to manage project risks.  Programme / Project Management Arrangements  Classify implementation of this spending proposal as a programme, project or business-as-usual initiative.  Identify the management methodology to be applied, and any major customisations that might be necessary.  Identify by name the person who will act as Senior Responsible Officer for this initiative.  Outline the governance structure and major implementation milestones.  Summarise arrangements for programme or project management. Attach relevant plans.  Contract Management Arrangements  Summarise arrangements for management of the negotiated contract(s).  Business Change Management Arrangements  Summarise arrangements for business change management.  Benefits Realisation Arrangements  Summarise arrangements for benefits realisation.  Specialist Advisors  Describe the need for specialist advisors.  Review and Assurance Arrangements  Summarise arrangements for review and assurance, including gateway reviews, project implementation review (process) and project evaluation review (benefits).  Risk Management Arrangements  Summarise arrangements for risk management.  Contingency Plans  Summarise arrangements for risk management.  Achievability Assessment  Provide an assessment of the likely achievability of the implementation phase of this initiative. Make reference to similar initiatives which have succeeded, or nominate strategies and controls to deal with any issues which have caused problems in the past.  Revisit detail from the OBC, and update as required.  Next Steps  Arrangements for contract finalisation and implementation  Describe the plan for finalisation of contracts and mobilisation to commence implementation of the scheme. Identify the people who will take the key roles. Nominate the timeframe for this work. Identify key milestones.  Request for Approval to Proceed  Nominate the people who must give approval to proceed with finalisation of contract(s) and for the implementation of the scheme.  References  Provide references to supporting strategy and planning documents, stakeholder engagement plans, risk register, scoping document, investment logic mapping deliverables, detailed options analysis and feasibility study reports, procurement offers and evaluation documents.  Appendices  Include supporting information in appendices. This may include the Chief Executive Officer’s letter of in-principle support, detailed options analysis and feasibility study reports, initial stakeholder analysis, draft risk register, scoping document, investment logic mapping deliverables. |
| Derivation | This product is derived from detail contained in the Outline Business Case, that has been revalidated and extended as required, the results of procurement activities including BAFOs and contract negotiation, and more detailed work on the Management Case. |
| Format and Presentation | This product will be developed in the Full Business Case document template, which matches the composition section of this Product Description.  This template and Product Description should be tailored to match organisational investment review processes and associated terminology. |
| Development skills required | Workshop facilitation skills  Contract negotiation expertise  Delivery planning skills |
| Quality criteria | The completed product must include reasoned arguments that demonstrate that the spending proposal is:   * is supported by a robust case for change – the ‘strategic case’ * optimises value for money – the ‘economic case’ * is commercially viable – the ‘commercial case’ * is financially affordable – the ‘financial case’, and * is achievable – the ‘management case’.   Where a block of text is copied from the OBC into this document, any changes or additions to that text must be clearly identified.  The long list of options must include at least 12 options.  The short-list of options must include from 3 to 5 options.  The Senior Responsible Officer must be identified by name. For major spending proposals, this person must be a member of the executive leadership team.  Detailed information should be placed in an appendix, not in the body of the Full Business Case.  The Executive Summary should not contain text that has been copied verbatim from the body of the Full Business Case.  The following criteria apply to the five cases:   |  |  | | --- | --- | | Strategic Case | Does the recommended deal still provide synergy and best fit with other parts of the organisation’s business strategy?  Does the recommended deal still satisfy OBC spending objectives and business needs?  Does the recommended deal provide all of the required services – both current and future? | | Economic Case | Was a wide range of bids received from service providers in response to procurement activities?  Was the most economically advantageous offer selected? | | Commercial Case | Was the procurement undertaken in accordance with applicable procurement policy, regulations and accepted best?  Can the selected service provider deliver the required deliverables and services?  Have negotiations resulted in a robust and legally enforceable contract?  How will business and service change be delivered and implemented successfully over the lifespan of the contract period? | | Financial Case | Is the proposed spending still affordable? | | Management Case | Have the business and cultural implications of the intended service been fully understood and taken into account?  Are all the arrangements in place for the successful implementation and delivery of the required services?  How will the benefits be delivered and associated business and service risks managed throughout the lifespan of the service?  Are all the necessary arrangements in place for post- project evaluation?  Are contingency plans in place should the recommended deal fail at any stage? | |
| Quality tolerance |  |
| Quality method | The final draft product will be subjected to formal Quality Review.  For major spending initiatives, the final Full Business Case should then be subjected to Gateway 3 (Investment Decision). |
| Quality skills required | Ability to cross-check details in the Full Business Case against the source documents where these details have been developed.  The organisation may wish to engage independent support to provide Project Assurance to validate any or all aspects of the Full Business Case, and provide recommendations |
| Quality responsibilities | The Sponsor of the spending proposal should chair the quality review of the Full Business Case.  For major spending proposals, this CEO should be present as a reviewer.  Senior managers of impacted operational and support areas such as IT and HR, should be present as reviewers.  Major spending initiatives require CEO approval to proceed with major contracts and implementation of major schemes. |

Document History

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| Document Location | This document is only valid on the day it was printed.  The source of the document will be found in the XXXXX directory. |

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| Revision History |  |

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