

XXXX Project Author Name Exec Name Client Name

SP-NN Outline Business Case

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| Document Name | Outline Business Case |

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Executive Summary

* 1. The Investment Proposal

* 1. Strategic Case
  2. Economic Case
  3. Commercial Case
  4. Financial Case
  5. Management Case
  6. Next Steps

Introduction to the Investment Proposal

This OBC seeks approval to invest an estimated $... in ….

Strategic Case

The purpose of this section is to explain how the scope of the proposed project or scheme fits within the existing business strategies of the organisation, and provides a compelling case for change, in terms of the existing and future operational needs of the organisation.

* 1. Strategic Context

**Organisational Overview**

**Existing Strategies and Plans**

**Alignment of Proposed Investment**

* 1. Strategic and Operational Needs

**Investment Objectives**

**Existing Arrangements**

**Current and Future Business Needs**

* 1. Summary of Investment Proposal

**Recommended Business Scope and Key Service Requirements**

**Main Benefits Criteria**

| **Investment objectives** | **Main benefits criteria by stakeholder group** |
| --- | --- |
| Investment objective 1 | **Stakeholder Group 1**  Cash releasing ($s)  *For example, avoided costs*  Non cash releasing ($s)  *For example, Staff time saved (x hours)*  Qualitative  *For example, staff morale*  **Stakeholder Group 1**  Ditto  **Stakeholder Group 1**  Ditto |
| Investment objective 2 |  |
| Investment objective 3 |  |
| Investment objective 4 |  |
| Investment objective 5 |  |

**Main Risks**

| **Main Risk** | **Counter Measures** |
| --- | --- |
| Design |  |
| Development:   * supplier * specification * timescale * change management and project management |  |
| Implementation risks:   * supplier * timescale * specification and data transfer * cost risks * change management and project management * training and user |  |
| Operational risks:   * supplier * availability * performance * operating cost |  |
| Termination risks |  |

**Constraints**

**Dependencies**

* 1. Summary of the Case for Change

Economic Case

This section of the OBC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

* 1. Critical Success Factors

The critical success factors for this investment, in priority order, are:

* Business need;
* Strategic fit;
* Benefits optimisation;
* Potential achievability;
* Supply-side capacity and capability;
* Potential affordability.
  1. Long-List Options

Within the potential scope of this proposal, the following options were considered:

* XXX;
* XXX.

These options are assessed using the options framework in the following sections.

* + 1. Scoping Options

**Options Considered**

Within the broad scope outlined in the strategic case, the following main scoping options have been considered:

|  |  |
| --- | --- |
| **Option 1.1 – do nothing** | |
| Description | Continue with current arrangements |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 1.2 – do minimum** | |
| Description | Marginal improvements in … |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 1.3 – intermediate scope** | |
| Description | Delivers improvements in ….. |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 1.4 – maximum scope** | |
| Description | Delivers improvements in ….. and …. |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

**Assessment of Scoping Options**

The table below summarises the assessment of each option against the investment objectives and CSFs.

|  | Option 1.1 | Option 1.2 | Option 1.3 | Option 1.4 |
| --- | --- | --- | --- | --- |
| **Description of option:** | Do nothing | Minimum | Intermediate | Maximum |
| **Investment objectives** |  |  |  |  |
| 1 | 🗶 | ? | ✓ | ✓ |
| 2 | 🗶 | ? | ✓ | ✓ |
| 3 | 🗶 | ? | ✓ | ✓ |
| 4 | ? | ? | ✓ | ✓ |
| 5 | 🗶 | ? | ✓ | ✓ |
| **Critical success factors** |  |  |  |  |
| Business need | 🗶 | ? | ✓ | ✓ |
| Strategic fit | 🗶 | 🗶 | ✓ | ✓ |
| Benefits optimisation | 🗶 | ? | ✓ | ? |
| Potential achievability |  |  | ? | ? |
| Supply-side capacity and capability |  |  |  | ? |
| Potential affordability | 🗶 |  | ? | 🗶 |
| **Summary** | Discounted | Possible | Preferred | Discounted |

**Conclusions**

Option 1.1 has been discounted because it does not satisfy …..

Option 1.2 would deliver … and is possible because…

Option 1.3 would deliver….. and is preferred because…

Option 1.4 would deliver….. but has been discounted because…….

The preferred option is carried forward for assessment of service solution options.

* 1. Service Solution Options

**Options Considered**

This range of options considers potential solutions in relation to the preferred scope.

Within the broad scope outlined in the strategic case, the following main service solution options have been considered:

|  |  |
| --- | --- |
| **Option 2.1 – XXXX** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 2.2 – XXXX** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

**Assessment of Service Solution Options**

The table below summarises the assessment of each option against the investment objectives and CSFs.

|  | Option 2.1 | Option 2.2 |
| --- | --- | --- |
| **Description of option:** | XXXX | XXXX |
| **Investment objectives** |  |  |
| 1 | 🗶 | ? |
| 2 | 🗶 | ? |
| 3 | 🗶 | ? |
| 4 | ? | ? |
| 5 | 🗶 | ? |
| **Critical success factors** |  |  |
| Business need | 🗶 | ? |
| Strategic fit | 🗶 | 🗶 |
| Benefits optimisation | 🗶 | ? |
| Potential achievability |  |  |
| Supply-side capacity and capability |  |  |
| Potential affordability | 🗶 |  |
| **Summary** | Discounted | Possible |

**Conclusions**

Option 2.1 is possible because…

Option 2.2 is preferred because…

The preferred option is carried forward for assessment of service delivery options.

* 1. Service Delivery Options

**Options Considered**

This range of options considers the options for service delivery in relation to the preferred scope and potential solution.

Within the broad scope outlined in the strategic case, the following main service delivery options have been considered:

|  |  |
| --- | --- |
| **Option 3.1 – In-house** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 3.2 – Outsource** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 3.3 – Strategic Partnership** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

**Assessment of Service Delivery Options**

The table below summarises the assessment of each option against the investment objectives and CSFs.

|  | Option 3.1 | Option 3.2 | Option 3.3 |
| --- | --- | --- | --- |
| **Description of option:** | XXXX | XXXX | XXXX |
| **Investment objectives** |  |  |  |
| 1 | 🗶 | ? | ? |
| 2 | 🗶 | ? | ? |
| 3 | 🗶 | ? | ? |
| 4 | ? | ? | ? |
| 5 | 🗶 | ? | ? |
| **Critical success factors** |  |  |  |
| Business need | 🗶 | ? | ? |
| Strategic fit | 🗶 | 🗶 | 🗶 |
| Benefits optimisation | 🗶 | ? | ? |
| Potential achievability |  |  |  |
| Supply-side capacity and capability |  |  |  |
| Potential affordability | 🗶 |  |  |
| **Summary** | Preferred | Discounted | Possible |

**Conclusions**

Option 3.1 would/would not …… and is preferred because……

Option 3.2 would/would not …… and is discounted because……

Option 3.3 would/would not …… and is possible because……

The preferred option is carried forward for assessment of implementation options.

* 1. Implementation Options

**Options Considered**

This range of options considers the choices for implementation in relation to the preferred scope, solution and method of service delivery.

Within the broad scope outlined in the strategic case, the following main implementation options have been considered:

|  |  |
| --- | --- |
| **Option 4.1 – Big Bang** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 4.2 – Phased** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

**Assessment of Implementation Options**

The table below summarises the assessment of each option against the investment objectives and CSFs.

|  | Option 4.1 | Option 4.2 |
| --- | --- | --- |
| **Description of option:** | ‘Big Bang’ | Phased |
| **Investment objectives** |  |  |
| 1 | ✓ | ✓ |
| 2 | ✓ | ✓ |
| 3 | ✓ | ✓ |
| 4 | ✓ | ✓ |
| 5 | ✓ | ✓ |
| **Critical success factors** |  |  |
| Business need | ✓ | ✓ |
| Strategic fit | 🗶 | ✓ |
| Benefits optimisation | ? | ? |
| Potential achievability | 🗶 | ✓ |
| Supply-side capacity and capability | 🗶 | ✓ |
| Potential affordability | ? | ? |
| **Summary** | Discounted | Preferred |

**Conclusions**

Option 4.1 has been discounted because……

Option 4.2 is possible because……

The preferred option is carried forward for assessment of funding options.

* 1. Funding Options

**Options Considered**

This range of options considers the choices for funding and financing in relation to the preferred scope, solution, method of service delivery and implementation.

Within the broad scope outlined in the strategic case, the following main funding options have been considered:

|  |  |
| --- | --- |
| **Option 5.1 – Private finance** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

|  |  |
| --- | --- |
| **Option 5.2 – Public finance** | |
| Description | XXXX |
| Advantages |  |
| Disadvantages |  |
| Conclusion |  |

**Assessment of Funding Options**

The table below summarises the assessment of each option against the investment objectives and CSFs.

|  | Option 5.1 | Option 5.2 |
| --- | --- | --- |
| **Description of option:** | Public | Private |
| **Investment objectives** |  |  |
| 1 | ✓ | ✓ |
| 2 | ✓ | ✓ |
| 3 | ✓ | ✓ |
| 4 | ✓ | ✓ |
| 5 | ✓ | ✓ |
| **Critical success factors** |  |  |
| Business need | ✓ | ✓ |
| Strategic fit | 🗶 | ✓ |
| Benefits optimisation | ? | ? |
| Potential achievability | 🗶 | ✓ |
| Supply-side capacity and capability | 🗶 | ✓ |
| Potential affordability | ? | ? |
| **Summary** | Discounted | Preferred |

**Conclusions**

Option 5.1 has been discounted because……

Option 5.2 is possible because……

* 1. Long List Options Summary

The long list has appraised a wide range of possible options.

| **Option** | **Finding** |
| --- | --- |
| **Scope** |  |
| 1.1 ‘Do nothing’ | Discounted because … |
| 1.2 Minimum | Possible because … |
| 1.3 Intermediate | Preferred because … |
| 1.4 Maximum | Discounted because … |
| **Service Solutions** |  |
| 2.1 XXX |  |
| 2.2 XXX |  |
| **Service Delivery** |  |
| 3.1 In-house |  |
| 3.2 Outsource |  |
| 3.3 Strategic partnership |  |
| **Implementation** |  |
| 4.1 Big bang |  |
| 4.2 Phased |  |
| **Funding** |  |
| 5.1 Private |  |
| 5.2 Public |  |

* 1. Preferred Way Forward

On the basis of the above analysis, the preferred way forward is …

* 1. Short List Options

The ‘preferred’ and ‘possible’ options identified above have been carried forward into the short list for further appraisal and evaluation. All the options that were discounted as impracticable have been excluded at this stage.

On the basis of this analysis, the recommended short list for further appraisal within the Outline Business Case (OBC) is as follows:

* Option 1 – the do minimum, do nothing or status quo;
* Option 2 – the reference project or outline Public Sector Comparator (PSC) based on totality of the preferred choices within each of the above categories;
* Option 3 – the reference project or outline PSC (more ambitious option) based on the more ambitious possible options within each of the above categories;
* Option 4 – the reference project or outline PSC (less ambitious option) – based on the less ambitious options within each of the above categories.

The preferred option will be identified and recommended for approval within the OBC.

* 1. Economic Appraisal

**Estimating Benefits**

**Estimating Costs**

**Estimating Net Present Costs**

|  |  |  |
| --- | --- | --- |
|  | **Undiscounted ($)** | **Net Present Cost (Value) ($)** |
| **Option 1** | | |
| Capital |  |  |
| Revenue |  |  |
| Risk retained |  |  |
| Optimism Bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
| **Option 2** | | |
| Capital |  |  |
| Revenue |  |  |
| Risk retained |  |  |
| Optimism Bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |

**Option Ranking**

The ranking of each of the short listed options are:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | **Ranking** | | | | |
| **Description** | | NPC  ($s) | Cash benefit | Non cash benefit | Cost net cash savings | Costs net all savings |
| **1** |  |  |  |  |  |  |
| **2** |  |  |  |  |  |  |
| **3** |  |  |  |  |  |  |
| **4** |  |  |  |  |  |  |

* 1. Qualitative Benefits Appraisal

**Methodology**

**Qualitative Benefits Criteria**

| **Investment Objectives** | **Qualitative Benefits** | **Weight** |
| --- | --- | --- |
| Investment objective 1 | For example, business continuity through the provision of …… | 30% |
| Investment objective 2 | For example, business flexibility through the provision of …… | 25% |
| Investment objective 3 |  | 25% |
| Investment objective 4 |  | 10% |
| Investment objective 5 |  | 10% |

**Qualitative Benefits Scoring**

| **Benefit Criteria and Weight** | **Option 1** | | **Option 2** | | **Option 3** | | **Option 4** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Raw or Weighted** | **R** | **W** | **R** | **W** | **R** | **W** | **R** | **W** |
| Investment objective 1 |  |  |  |  |  |  |  |  |
| Investment objective 2 |  |  |  |  |  |  |  |  |
| Investment objective 3 |  |  |  |  |  |  |  |  |
| Investment objective 4 |  |  |  |  |  |  |  |  |
| Investment objective 5 |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

**Analysis of Results**

The key considerations that influenced the scores achieved by the various options were as follows.

Option 1 – do nothing/ do minimum/ status quo

This option ranks…..

It provides ……

Key considerations influencing its score are ……

Option 2 – reference project/ outline PSC

This option ranks…..

It provides ……

Key considerations influencing its score are ……

Option 3 – reference project/ outline PSC (more ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

Option 4 – reference project/ outline PSC (less ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* 1. Risk Appraisal - unquantifiable

**Methodology**

The range of scales used to quantify risk was as follows:

* low equals 2
* medium equals 3
* high equals 5.

**Risk Scores**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Summary of Risk Appraisal Results** | **Risk category no.** | **Impact** | **Option 1 – do minimum** | | **Option 2 – PSC** | | **Option 3 – PSC more ambitious** | | **Option 4 – PSC less ambitious** | |
| **Pr = probability** |  |  | Pr | Tot | Pr | Tot | Pr | Tot | Pr | Tot |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| **Total** | | | |  |  |  |  |  |  |  |
| **Rank** | | | |  |  |  |  |  |  |  |

* 1. Preferred Option

The results of investment appraisal are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Evaluation Results** | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| Economic appraisals |  |  |  |  |
| Benefits appraisal |  |  |  |  |
| Risk appraisal |  |  |  |  |
| **Overall Ranking** |  |  |  |  |

Conclusion: the preferred option is ….. because……..

* 1. Sensitivity Analysis

**Methodology**

The methods used were:

* ‘switching values’
* scenario planning / analysis (‘what if ‘) by altering the values of the ‘uncertain’ costs and benefits to observe the effect on the overall ranking of options.

**Results of Switching Values**

The following table shows the changes (%) for each other option required to equate with the preferred option.

| **Change in Costs (%)** | **Option 1** | **Option 2**  **Preferred Option** | **Option 3** | **Option 4** |
| --- | --- | --- | --- | --- |
| Capital costs |  | 0 |  |  |
| Current costs |  | 0 |  |  |
| Total costs |  | 0 |  |  |
| Cash releasing benefits |  | 0 |  |  |
| Non releasing cash benefits |  | 0 |  |  |
| NPV/C |  | 0 |  |  |

The key observations arising from this table are:

* X
* X

**Results of Scenario Planning**

The table below summarises the results associated with increasing uncertain costs by …% and reducing uncertain benefits by ….%.

|  | **Option 1** | **Option 2**  **Preferred Option** | **Option 3** | **Option 4** |
| --- | --- | --- | --- | --- |
| Sensitivity analysis on benefits |  |  |  |  |
| Sensitivity analysis on costs |  |  |  |  |
| New order in ranking |  |  |  |  |

The key observations arising from this table are:

* X
* X
  1. Preferred Option Revised

The preferred option remains/has altered (delete as appropriate), because……

* 1. Value for Money Assessment

Outline Commercial Case

This section of the OBC outlines the proposed deal in relation to the preferred option outlined in the economic case.

* 1. Recommended Deal

**Required Products and Services**

**Expected Contractual Arrangements**

**Expected Risk Allocation**

The general principle is that risks should be passed to ‘the party best able to manage them’, subject to value for money.

This section provides an assessment of how the associated risks might be apportioned between ……

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk Category** | **Potential allocation** | | |
| **Public** | **Private** | **Shared** |
| 1. Design risk | ✓ |  | ✓ |
| 2. Construction and development risk |  |  | ✓ |
| 3. Transition and implementation risk |  |  | ✓ |
| 4. Availability and performance risk |  |  | ✓ |
| 5. Operating risk | ✓ |  |  |
| 6. Variability of revenue risks | ✓ |  |  |
| 7. Termination risks | ✓ |  |  |
| 8. Technology and obsolescence risks | ✓ |  | ✓ |
| 9. Control risks | ✓ |  |  |
| 10. Residual value risks | ✓ |  |  |
| 11. Financing risks | ✓ |  |  |
| 12. Legislative risks | ✓ |  |  |
| 13. Other project risks | ✓ |  |  |

**Expected Payment Mechanisms**

**Expected Implementation Timescales**

* 1. Procurement Method
  2. Potential Personnel Implications
  3. Attractiveness Assessment

Outline Financial Case

* 1. Organisational Financial Position
  2. Expected Capital Requirement
  3. Impact on Pricing
  4. Impact on Financial Statements
  5. Summary of Financial Appraisal

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| $ xxx | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Total |
|  | $ | $ | $ | $ | $ | $ | $ | $ |
| **Preferred way forward:** | | | | | | | | |
| Capital |  |  |  |  |  |  |  |  |
| Revenue |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |
| **Funded by:** | | | | | | | | |
| Existing |  |  |  |  |  |  |  |  |
| Additional |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

* 1. Stakeholder / Customer Agreement
  2. Funding Strategy
  3. Affordability Assessment

Outline Management Case

* 1. Programme / Project Management Arrangements
  2. Business Change Management Arrangements
  3. Benefits Realisation Arrangements
  4. Specialist Advisors
  5. Review and Assurance Arrangements
  6. Risk Management Arrangements
  7. Contingency Plans

In the event of delays in delivery of any of the required products and services, the following arrangements are in place to support business-as-usual:

* x

In the event that the required products and services cannot be delivered, the following arrangements are in place to support business-as-usual:

* x
  1. Achievability Assessment

Next Steps

* 1. Arrangements for Procurement and Completion of the FBC
  2. Request for Approval to Proceed

References

Appendices

Document History

|  |  |
| --- | --- |
| 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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| Templates | This document is based on the Outline Business Case TP V01\_00 Template  and the Outline Business Case PD V01\_00 Product Description. |

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