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SP-NN Business Case PD

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| Document Name | Outline Business Case Product Description |

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| Identifier | OBC |
| Title | Outline Business Case |
| Purpose | This document provides guidance for completing an Outline 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 Outline Business Case are to:   * revisit the SOC assumptions and main findings; * establish the preferred option; * put in place the arrangements for the procurement of the scheme.   The Outline Business Case revisits earlier SOC assumptions and analysis in order to identify a ‘preferred option’ which demonstrably optimises value for money. The OBC also sets out the likely deal; demonstrates its affordability; and details the supporting procurement strategy, together with management arrangements for the successful delivery of the proposal. |
| Composition | 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 SOC, 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 SOC, 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 SOC, 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 SOC, 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.  Bring forward detail from the SOC, and update as required.  The investment objectives should be ranked in order of priority.  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 SOC, 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 SOC, and update as required.  Summary of Investment Proposal  Potential 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 required for the project to be considered successful. 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.  Bring forward detail from the SOC, and update as required.  Provide a detailed description of business scope and high-level service outputs/requirements.  Main Benefit 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.  Bring forward detail from the SOC, and update as required.  Provide a list of the main benefits by key stakeholder groups, ranked in order of importance or weight.  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.  Bring forward detail from the SOC, and update as required.  Provide specific proposals for mitigation and management of each risk.  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.  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 SOC, 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 SOC, 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 SOC, 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).  Incorporate options not identified earlier.  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?  Incorporate options not identified earlier.  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).  Incorporate options not identified earlier.  Implementation Options  When can services be delivered? Immediate or deferred? Big-bang or phased delivery of services?  Incorporate options not identified earlier.  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.  Incorporate options not identified earlier.  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 SOC, and update as required.  Short-List Options  Options recommended to proceed 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).  Indicative Costs Benefits and Risks  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.  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.  Economic Appraisal  Estimating Costs  Estimating Benefits  Estimating Net Present Costs  Options Ranking  Summary of Economic Appraisal  Provide the results of economic appraisal for each short-list option, including cost of risk retained.  Describe the approach to optimism bias.  Qualitative Benefits Appraisal  Methodology  Qualitative Benefits Criteria  Qualitative Benefits Scoring  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.  Risk Appraisal  Methodology  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.  Preferred Option  Nominate the preferred option from among the short-listed options.  Sensitivity Analysis  Provide the results of sensitivity analysis undertaken for each short-listed option.  Preferred Option Revised  Indicate whether sensitivity analysis has caused a rethink about the preferred option.  Value for Money Assessment  Show how the spending proposal, if it were to pursue the preferred option, would generate value for money.  Outline Commercial Case  Outline and assess the possible deal relating to the preferred option.  Possible Deal  If possible, place the draft 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 possible deal, in terms of the tangible outputs and outcomes that it will deliver.  Expected Contractual Arrangements  Outline potential key contractual arrangements for the possible deal, including arrangements for non-traditional procurement.  Expected Risk Allocation  Discuss options for allocation of risk associated with the possible deal.  Expected Payment Mechanisms  Discuss mechanisms for payment associated with the possible deal.  Expected Implementation Timescales  Outline potential timescales for implementing the possible deal.  Procurement Method  If possible, place the draft procurement documents into an Appendix.  Provide a summary description of the intended method of procurement, including:   * Regulatory impacts; * Evaluation criteria; * Method of selection of preferred bidder.   Potential Personnel Implications  Outline personnel implications arising from contracting for the possible deal.  Attractiveness Assessment  Provide an assessment of the likely commercial viability of the possible deal.  Outline Financial Case  The Financial Case demonstrates that the preferred option will result in a fundable and affordable deal.  Organisational Financial Position  Describe the organisation’s capacity and capability to undertake this investment, from a financial viewpoint.  Expected Capital Requirement  Describe the potential capital requirements of the possible deal.  Impact on Pricing  Describe the net effect of the possible deal on pricing.  Impact on Financial Statements  Outline potential accounting treatments of the possible deal relating to the preferred option.  Describe the impact of the possible deal on the organisation’s income and expenditure account.  Describe the net effect of the possible deal on the organisation’s balance sheet.  Stakeholder / Customer Agreement  Indicate the agreement or otherwise of stakeholders and customers to the possible deal.  Funding Strategy  Summarise the funding strategy and highlight the timing of on- or off-cycle funding submissions.  Affordability Assessment  Identify funding gaps and ensure the primary funding sources for the preferred way forward are identified, including self-funding options.  Outline Management Case  The management case addresses the achievability of the proposal and the planning arrangements required to both ensure successful delivery and to manage project risks.  Programme / Project Management Arrangements  Outline arrangements for programme or project management.  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.  Propose a governance structure and major implementation milestones.  Business Change Management Arrangements  Outline arrangements for business change management.  Benefits Realisation Arrangements  Outline arrangements for benefits realisation.  Specialist Advisors  Describe the need for specialist advisors.  Review and Assurance Arrangements  Outline arrangements for review and assurance, including gateway reviews, project implementation review (process) and project evaluation review (benefits).  Risk Management Arrangements  Outline arrangements for risk management.  Contingency Plans  Outline 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.  Next Steps  Arrangements for procurement and completion of the FBC  Describe the plan for refinement of the Outline Business Case into the Full Business Case. 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 (pre-contract) procurement activities and for the development of the Full Business Case.  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.  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 Strategic Outline Case, that has been revalidated and extended as required, the results of appraisal of the short list options, and more detailed work on the Management Case. |
| Format and Presentation | This product will be developed in the Outline 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  Procurement expertise  Delivery strategy 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 SOC 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 Outline Business Case.  The Executive Summary should not contain text that has been copied verbatim from the body of the Outline Business Case.  The following criteria apply to the five cases:   |  |  | | --- | --- | | Strategic Case | Are the SOC spending objectives and planning assumptions still valid?  Do the services to be procured in the SOC still provide best fit in relation to organisational needs?  Have any outstanding differences at SOC stage between stakeholders and customers been satisfactorily resolved?  Has the assessment of likely benefits, risks, constraints and dependencies in the SOC been revisited and examined in further detail? | | Economic Case | Were the long-listed options in the SOC revisited and subjected to further scrutiny?  Were the sort-listed options in the SOC revisited and subjected to robust analysis?  Has the PSC been constructed and assessed in accordance with HM Treasury guidance?  Does the preferred option represent best VFM or the most economically advantageous offer? | | Commercial Case | Has the procurement strategy for the successful delivery of the required services been considered and prepared in sufficient detail?  Is there sufficient scope for a potential deal, which will meet organisational needs whilst offering best VFM?  Has the potential deal been considered in sufficient detail? The **how** rather than **what**.  Is there a clear understanding of the business change agenda?  Is the potential deal still likely to be acceptable and bankable within the private sector? | | Financial Case | Is the solution still likely to be affordable? | | Management Case | Are all the necessary arrangements in place for the successful completion of the next phase? | |
| Quality tolerance |  |
| Quality method | The final draft product will be subjected to formal Quality Review.  For major spending initiatives, the final Outline Business Case should then be subjected to Gateway 2 (Procurement Strategy). |
| Quality skills required | Ability to cross-check details in the Outline 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 Outline Business Case, and provide recommendations |
| Quality responsibilities | The Sponsor of the spending proposal should chair the quality review of the Outline 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 in-principle approval to proceed with tendering activities and development of the Full Business Case. |

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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