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SP-NN Strategic Outline Case PD

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| Identifier | SOC |
| Title | Strategic Outline Case |
| Purpose | This document provides guidance for completing a Strategic Outline 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 Strategic Outline Case are to:   * confirm the strategic context and fit of the proposed investment * confirm the case for change and the need for investment * recommend an indicative or preferred way forward for further development of the investment proposal, supported by a limited number of short-listed options for further analysis, and * seek the approval of decision-makers to develop an Outline Business Case, based on the preferred way forward.   The Strategic Outline Case provides an early opportunity for the organisation and key stakeholders to influence the direction of the investment proposal and to avoid too much effort being put into developing investment proposals and options that should not proceed.  In a PRINCE2 environment, the SOC could act as the Project Brief created during Starting Up a Project. |
| Composition | Executive Summary  Outline of 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 long list options analysis.  Indicate the preferred way forward.  Summarise the value for money assessment.  Commercial Case  Summarise the attractiveness assessment.  Financial  Summarise the affordability assessment.  Management Case  Summarise the achievability assessment.  Recommendation  Summarise the recommended way forward and next steps, and indicate when decision makers will be presented with the Outline Business Case.  Introduction to the Investment Proposal  Describe the spending proposal in broad terms.  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.  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.  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.  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 (ie, 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.  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.  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.  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.  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.  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.  Where possible, describe how these key risks might be addressed. More detailed risk management is undertaken later in the Outline Business Case.  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, including funding.  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. As an example consider train tracks, stations, timetables, signals and people's intentions to use the rail service when thinking about new trains. New trains may be able to travel at 150 kph but not if the track, timetables and signalling aren't also up to necessary standard, or if there is no demand for faster trains. IT may also be important. For projects in a programme environment, there should be many dependencies.  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  Initial Economic Case  The purpose of the economic case is to identify the investment option that optimises value for money.  Critical Success Factors  Provide a list of critical success factors, weighted and ranked in order of importance.  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.  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.  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).  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?  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).  Implementation Options  When can services be delivered? Immediate or deferred? Big-bang or phased delivery of services?  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.  Long List Options Summary  Set out the key findings of the long list options analysis and overall conclusions.  Preferred Way Forward  Describe the overall direction it is recommended that the spending proposal follow, derived from initial assessment of the long list.  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 a reference project.  Indicative Costs and Benefits  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.  Value for Money Assessment  Show how the spending proposal, if it were to pursue the preferred way forward, would generate value for money  Outline Commercial Case  The detailed consideration of the commercial case takes place at the Outline Business Case stage.  An initial outline of the commercial case should be provided now to decision-makers to provide some assurance on the likely commercial viability of the proposal, potential suppliers, and where those suppliers may be utilised. This is particularly relevant for innovative or more complex services where there may be little market depth and experience.  Provide a high-level assessment of the viability of the proposed spend.  Required Services  Identify the broad thrust of the spending proposal, in terms of the tangible outputs and outcomes that it will deliver.  Supply-side Interest  Where possible, record the results of early market testing  Possible Deal  Outline the potential deal, and contract provisions which might be required to reflect the specific nature of this proposed initiative, and for risk sharing and innovation.  Personnel Implications  Describe the impact of the proposed investment on personnel in the impacted business units.  Accountancy Treatment  Describe how assets acquired and expenses incurred will be represented in financial statements.  Procurement Strategy and Timeframes  Summarise the procurement strategy and highlight the potential for non-traditional procurement.  Attractiveness Assessment  Provide an assessment of the likely commercial viability of the proposal.  Outline Financial Case  Note that detailed analysis of the financial case including affordability takes place at the Outline Business Case stage. This part of the financial case provides assurance that the short-listed options, with particular focus on the preferred way forward, are affordable to the organisation.  Organisational Financial Position  Describe the financial position of the organisation, and its ability to fund the proposed initiative, and the likely financial impacts of this initiative of the organisation’s financial statements.  Summary Financial Appraisal  Summarise the overall capital and revenue affordability over the life of the proposed investment, including any additional funding requirements. The financial costing needs to be updated as the impacts on the financial statements of the organisation are known with greater accuracy. To allow for uncertainty in the initial estimates, optimism bias should be included and range-based estimates are preferred. Also indicate the level of funding required, by year, and possible sources.  Impact on Financial Statements  Summarise the expected impact of the proposed investment in the income and expenditure statement, and balance sheet.  Funding Strategy  Summarise the funding strategy, likely sources of funding, and highlight the timing of on- or off-cycle funding submissions.  Statement of Support  Indicate whether key stakeholders have agreed to provide in principle support for the spending proposal.  Affordability Assessment  Provide a high-level assessment of the affordability of the proposed spend.  Identify funding gaps and ensure the primary funding sources for the preferred way forward are identified, including self-funding options.  Obtain the CEO’s agreement in principle to the likely level of funding required.  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.  Key Management Considerations  Identify by name the person who will act as Senior Responsible Officer for this initiative.  Propose a governance structure and major implementation milestones.  Stakeholder Engagement  Identify likely key stakeholders.  Indicate the actual or likely level of support for the proposed investment of each of these stakeholders.  Risk Mitigation Activities  For any areas of major uncertainty, nominate activities which might be undertaken to reduce this uncertainty.  Management Strategy  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.  Outline project roles and responsibilities, reporting structures, nominal staging and timescales.  Assurance and Specialist Advisors  Indicate the types of assurance activities and support that will be needed.  Indicate the nature of specialist advisors that might need to be engaged to support the proposed investment.  Achievability Assessment  Provide a high-level assessment of the achievability of the proposed spend.  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  Recommended way forward  Describe the recommended way forward, to be assessed in more detail in the Outline Business Case.  Arrangements for completion of OBC  Describe the plan for refinement of the Strategic Business Case into the Outline 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 for the development of the Outline 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 organisational or business unit strategy documents, from SWOT and PESTLEC analysis, and from documentation regarding existing initiatives which might be related to, or associated with, the proposed spending initiative |
| Format and Presentation | This product will be developed in the Strategic Outline 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  Strategic analysis 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’.   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 Strategic Outline Case.  The Executive Summary should not contain text that has be copied verbatim from the body of the Strategic Outline Case.  The following criteria apply to each of the five cases:   |  |  | | --- | --- | | Strategic Case | Is the proposed scheme an integral part of the organisation’s business strategy?  Are the spending objectives and underpinning business needs defined clearly and supported by the key stakeholders and customers?  Is the scope for potential change to current services and business processes clearly defined?  Have the main benefits been clearly defined by key stakeholders and customers, alongside arrangements for their realisation?  Have the main risks been identified, alongside arrangements for their management and control?  Have the key organisational constraints and business dependencies been identified? | | Economic Case | Have the CSFs for options appraisal been identified?  Has a sufficiently wide range of options been identified and assessed within the long list?  Has a preferred way forward been identified following robust analysis of the available options?  Has the preferred way forward been unpacked within a short list for further examination and appraisal? | | Commercial Case | Has a high-level assessment of the potential deal and its likely acceptability to the supply side been undertaken? | | Financial Case | Has a high-level assessment of affordability and source(s) of required funding been undertaken? | | Management Case | Is the proposed scheme sufficiently large and stand alone to form a project or could it be more sensibly be undertaken as part of another project? Is it large enough to be considered a programme in its own right?  Has a high-level assessment of the achievability and deliverability of the project been undertaken?  Are all the necessary arrangements in place for the successful development of the Outline Business Case? | |
| Quality tolerance |  |
| Quality method | The final draft product will be subjected to formal Quality Review.  For major spending initiatives, the final Strategic Outline Case should then be subjected to Gateway 1 (Business Justification). |
| Quality skills required | Ability to cross-check details in the Strategic Outline 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 Strategic Outline Case, and provide recommendations |
| Quality responsibilities | The Sponsor of the spending proposal should chair the quality review of the Strategic Outline 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 to Outline 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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