

# **Public Sector Business Cases using the Five Case Model: a Toolkit**

## **The Templates**

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## Explanatory Note

These templates are designed to be used in conjunction with the HFMA's guide Public Sector Business Cases using the Five Case Model: a Toolkit. The Toolkit provides detailed explanations for each key stage in the business case development process and is provided in accordance with HM Treasury's Green Book (a Guide to Investment Appraisal in the Public Sector) and the Capital Investment Manuals for the NHS in England, Scotland and Wales.

The Five Case Model is the Office of Government Commerce's (OGC) recommended standard for the preparation of business cases and is used extensively within central government departments and their agencies.

The templates in this publication use the Five Case Model and are for the development of:

- Strategic Outline Programmes (SOPs)
- Strategic Outline Cases (SOCs)
- Outline Business Cases (OBCs)
- Full Business Cases (FBCs).

There is also a template for 'business justifications' for small and medium sized investments.

## Overview of the Business Case Development Process

### Stage 0 - Business planning

Phase 0 - determining the strategic context (Strategic Outline Plan - SOP)

Step 1: ascertaining strategic fit

Gate 0: strategic fit

### Stage 1 - Scoping

Phase 1 - preparing the Strategic Outline Case (SOC)

Step 2: making the case for change

Step 3: exploring the preferred way forward

Gate 1: business justification

### Stage 2 - Planning

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Step 4: determining potential VFM

Step 5: preparing for the potential deal

Step 6: ascertaining affordability and funding requirement

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# TEMPLATE 1: STRATEGIC OUTLINE PROGRAMME (SOP)

Project Title:

Strategic Outline Programme (SOP)

Version No:

Issue Date:



**Purpose of this document**

This document provides a template for the Strategic Outline Programme (SOP) and is for guidance purposes only - SOPs are not mandated.

SOPs have been devised to support the development and agreement of programmes in support of an agreed strategy/ strategies. The functional content of the programme may be scoped on either a national, regional or organisational basis. Following agreement to the SOP, the projects comprising the programme must be subject to individual business cases.

Importantly, even programmes are subject to choice in terms of their key components and critical paths - hence the need to address the available 'macro' options at the outset, thus minimising analysis at subsequent stages.

Best practice guidance on the management of programmes is available on the Office of Government Commerce's (OGC) website.

**VERSION HISTORY**

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Draft	00.00.00	First Draft Version	

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**OVERVIEW OF THE SOP PRODUCTION PROCESS**

The table below shows the systematic approach to the preparation of the SOP development phase of the business case:

Stages	Development Process	Deliverables
Phase 0 - Step 1/ action1	Determining strategic context Ascertain strategic fit	Strategic context
<i>Output</i>	<i>Strategic Outline Programme (SOP)</i>	
<i>Outcome</i>	<i>Strategic fit</i>	
<i>Review point</i>	<i>Gateway 0 - strategic fit</i>	

## SOP TEMPLATE AND SUPPORTING GUIDANCE

### 1. Executive summary

Please provide a concise and comprehensive overview of the SOP's content, key conclusions and principal recommendations.

### 2. Purpose

Please state the programme for which approval to proceed is being sought.

Please note that the primary purpose of the SOP is to:

- facilitate strategic ('macro') and collaborative planning and the setting of associated budgets
- identify and cost key components of the strategy (programmes) and enabling deliverables (projects)
- provide the strategic context for subsequent investments
- facilitate the speedy production of subsequent business cases for related investment.

### 3. Strategic case

#### 3.1 Organisation overview

Please provide a snapshot of the organisation or geographical area to which the proposed programme applies.

#### 3.2 Strategy and programme investment aims

Please provide an overview of the strategy and its component programmes, together with the specific investment aims for the programme for which approval is being sought.

#### 3.3 Existing arrangements

Please state what the existing arrangements are in relation to the programme for which approval is being sought.

#### 3.4 Business needs

Please state what the current and future business needs are in relation to the existing position within the proposed programme.

#### 3.5 Potential scope and service requirements

In relation to the above needs, please outline the potential scope for the proposed programme and associated service needs.

### **3.6 Benefits, risks, dependencies and constraints**

Please provide a résumé of the main benefits and risks associated with the delivery of the programme, together with any dependencies (between this programme and other components of the strategy) and constraints.

## **4. Economic case**

### **4.1 Critical success factors**

Please list the criteria (critical success factors - CSFs) against which you will assess the successful delivery of the programme and the evaluation of options.

### **4.2 Main options**

Within the potential scope for the programme, please list and evaluate the main choices (or options) for the successful delivery of the potential scope and/or required services.

This should be done by:

- describing the options for the programme

And then in relation to the investment aims and CSFs:

- assessing its main advantages
- assessing its main weaknesses
- outlining the potential projects (or investments) within the defined scope for the programme.

Please note that:

these options may differ in relation to potential configuration and services, service solution, service delivery, implementation timescale and funding the minimum level of activity (or 'do minimum') should be identified as a baseline option.

### **4.3 Preferred way forward**

Please state the preferred way forward in relation to the options identified for the successful implementation of the programme.

This should outline:

- the key investments within the programme
- those that will lead to separate procurements in their own right (and thus be subject to individual business cases - SOCs, OBCs, FBCs)
- related timescales
- the indicative economic cost (in £s), taking into account any attributable costs (including those falling to other organisations); quantifiable benefits (in £s) and risks (in £s). The use of optimism bias should be considered here.

## **5. Commercial case**

### **5.1 Commercial strategy**

Please outline the commercial strategy for the programme.

This may differ for individual investments and describes how the organisation(s) will endeavour to 'leverage' the best available deal for each investment, or combination of investments, from the supply-side and market place.

### **5.2 Procurement strategy**

Please outline the procurement strategy for the programme and how its components (projects) will be procured in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004).

This may differ for individual investments and range from the use of existing call-off contracts and catalogues, to new procurements.

## **6. Financial case**

### **6.1 Indicative cost**

Please indicate the total financial cost (in £s) of the programme, broken down by constituent investments and/or procurements.

This should be based on the additional cash cost of these investments to the organisation(s), taking into account any cash releasing benefits or off-setting costs.

### **6.2 Funding arrangements**

Please indicate how it is intended that these investments will be funded.

### 6.3 Affordability

Please confirm the affordability of the overall programme, indicating any agreements or understandings in place with commissioning bodies and/or any affordability gaps.

## 7. Management case

### 7.1 Programme management arrangements

Please outline the programme management arrangements, including your framework (roles and responsibilities), strategy for dealing with stakeholders and customers, and outline plans.

In accordance with best practice, the programme must have a Senior Responsible Owner (SRO), who takes ownership of the programme and is responsible for its direction.

### 7.2 Programme milestones

Please outline the main milestones for the programme in the years ahead.

### 7.3 Programme assurance

Please state what these arrangements are, including any provision for gateway reviews on an ongoing basis for strategic fit (Gate 0).

# TEMPLATE 2: STRATEGIC OUTLINE CASE (SOC)

Project Title:

Strategic Outline Case (SOC)

Version No:  
Issue Date

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## Purpose of this document

This document provides a template for a Strategic Outline Case (SOC), in support of an investment (project, procurement or scheme) which has been identified within a strategy and/or its supporting programme. The strategic outline programme (SOP) refers.

At an early stage, the main purpose of the SOC is to establish the need for investment; to appraise the main options for service delivery; and to provide management with a recommended - or preferred - way forward for further analysis.

In practice, the author will find this entails building on strategy documents to make the case for change within the strategic case; preparing and appraising the long list of options within the economic case; and recommending a preferred way forward, together with indicative costs, for much further analysis within the Outline Business Case (OBC).

Business planning is an iterative exercise, so the author should bear in mind the need to revisit earlier assumptions. Also note that the SOC should be prepared in accordance with best practice guidance provided in HM Treasury's Green Book.

## VERSION HISTORY

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### APPENDICES

These must include:

- Strategic plans/ organisational/ business strategies (as appropriate)
- Strategic business plans/ SOP
- Risk potential assessment (RPA)

## HOW TO USE THIS TEMPLATE

There are four points that you should take into consideration:

- first, that the business planning process for the scoping (SOC), planning (OBC) and procurement (FBC) of a scheme is an **iterative exercise**. Therefore, it follows that whilst some sections of the above cases using the Five Case Model may look remarkably similar, the level of detail required will vary significantly over the developmental phases of a business case
- second, that the guidance provided in Departmental Capital Investment Manuals should continue to be referred to, along with the Treasury Green Book: A Guide to Investment Appraisal in the Public Sector
- third, wherever you are in the business case development process, remember that the business case for a scheme is a single document, developed over time, in four distinct phases
- fourth, detailed guidance on the completion of this template is set out in Public Sector Business Cases using the Five Case Model: a Toolkit, published by the HFMA.

## OVERVIEW OF THE SOC PRODUCTION PROCESS

The table below shows the systematic approach to the preparation of the SOP and SOC development phases of the business case:

Stages	Development Process	Deliverables
Phase 0 - Step 1/ action1	Determining strategic context Ascertain strategic fit	Strategic context
<i>Output</i>	<i>Strategic Outline Programme (SOP)</i>	
<i>Outcome</i>	<i>Strategic fit</i>	
<i>Review point</i>	<i>Gateway 0 - strategic fit</i>	
<b>Phase 1 - scoping</b>	<b>Preparing the Strategic Outline Case (SOC)</b>	<b>Strategic case</b>
<b>Step 2</b>	<b>Making the case for change</b>	
Action 2	Agree strategic context	
Action 3	Determine investment objectives, existing arrangements and business needs	
Action 4	Determine potential business scope and key service requirements	
Action 5	Determine benefits, risks, constraints and dependencies	
<b>Step 3</b>	<b>Exploring the preferred way forward</b>	<b>Economic case - part 1</b>
Action 6	Agree critical success factors (CSFs)	
Action 7	Determine long list options and SWOT analysis	
Action 8	Recommend preferred way forward, including other arrangements.	Outline commercial, financial and management cases
<i>Output</i>	<i>Strategic Outline Case (SOC)</i>	
<i>Outcome</i>	<i>Robust case for change</i>	
<i>Review point</i>	<i>Gateway 1 - business justification</i>	



## SOC TEMPLATE AND SUPPORTING GUIDANCE

### 1. Executive summary

#### 1.1 Introduction

This SOC seeks approval to invest an estimated £..... in .....

#### 1.2 Strategic case

##### *1.2.1 The strategic context*

The strategic drivers for this investment and associated strategies, programmes and plans are as follows: .....

##### *1.2.2 The case for change*

The existing situation is as follows: .....

The related business needs are as follows: .....

On the basis of this analysis, the potential scope for the scheme is as follows: .....

#### 1.3 Economic case

##### *1.3.1 The long list*

Within this potential scope, the following options were considered using the options framework.....

##### *1.3.2 The preferred way forward*

On the basis of the above analysis, the preferred and recommended way forward is as follows: .....

The main benefits to stakeholders, customers/ users are as follows: .....

##### *1.3.3 The short list*

On the basis that the preferred way forward is agreed, we recommend the following options for further, more detailed evaluation within the Outline Business Case (OBC):

- option 1 - status quo, do nothing or do minimum
- option 2 - the reference project or outline Public Sector Comparator (PSC)
- option 3 - the outline PSC - more ambitious
- option 4 - the outline PSC - less ambitious.

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

**1.3.4 Indicative economic costs**

The indicative costs for the scheme are as follows:

	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 1</b>		
Capital Revenue		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non- cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 2</b>		
Capital Revenue		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		

Total		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 3</b>		
Capital Revenue		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 4</b>		
Capital Revenue		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		

Note: it should be possible to provide indicative costs and benefits for all options.

## 1.4 Commercial case

### *1.4.1 Procurement strategy*

Subject to further analysis at OBC stage, we would envisage procuring this scheme as follows in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004).....

### *1.4.2 Required services*

The required products and services in relation to the preferred way forward are briefly as follows:.....

**1.4.3 Potential for risk transfer and potential payment mechanisms**

The main risks associated with the scheme are as follows:.....

These could potentially be tied down contractually within the deal and associated payment mechanisms as follows: .....

**1.5 Financial case**

**1.5.1 Summary of financial appraisal**

The indicative financial implications of the proposed investment are as follows:

£ xxx	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred way forward:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

**1.5.2 Overall affordability and balance sheet treatment**

The overall affordability of the scheme is as follows: .....

The organisation’s commissioners/ stakeholders have expressed their support as follows: .....

The funding requirement (if any) is as follows: .....

The balance sheet treatment of the scheme is expected to be as follows: .....

## 1.6 Management case

### *1.6.1 Project management arrangements*

The scheme is an integral part of the ..... programme, which comprises a portfolio of projects for the delivery of.....

These are set out in the Strategic Outline Programme (SOP) for the project, which was agreed on.....This is attached as an Appendix.

The following arrangements will be put in place to ensure the successful development of the scheme and production of the OBC.....

### *1.6.2 Gateway reviews arrangements*

A Gate 0 (strategic fit) has been undertaken on the programme, in conjunction with agreement to the SOP. The consequent actions are as follows.....

A Gate 1 (business justification) has been undertaken on the project, in conjunction with the submission of this SOC. The consequent actions are as follows.....

## 1.7 Recommendation

We recommend .....

**Signed:**

**Date:**

**Senior Responsible Owner  
Project team**

## 2. The Strategic Case

### 2.0 Introduction

This Strategic Outline Case (SOC) is for .....

#### *Structure and content of the document*

This SOC has been prepared using the agreed standards and format for business cases, as set out in .....

The approved format is the Five Case Model, which comprises the following key components:

- the **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
- the **economic case** section. This demonstrates that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM)
- the **commercial case** section. This outlines what any potential deal might look like
- the **financial case** section. This highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme
- the **management case** section. This demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

The purpose of this section is to explain and revisit 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.

Please refer back to the Strategic Outline Programme (SOP) noting any key changes since the production and approval of these documents.

#### Part A: The strategic context

### 2.1 Organisational overview

Please provide an updated overview of the organisation(s) making the case for investment in the scheme, with particular reference to purpose, structure, and operational environment.

## 2.2 Business strategies

Please reference the business strategy for the organisation(s) and any related national, regional or local strategies.

Other projects within the SOP should also be referenced.

## 2.3. Other organisational strategies

Please provide an update on any other related organisational strategies, as appropriate.

## Part B: The case for change

### 2.4 Investment objectives

The investment objectives for this project are as follows:

- investment objective 1: .....
- investment objective 2: .....
- investment objective 3: .....
- investment objective 4: .....
- investment objective 5: .....

Note: these are crucial to making a compelling case for investment.

Please note how these were derived with the involvement of stakeholders and customers for the proposed scheme. They **must** be SMART - specific, measurable, achievable, relevant, and time constrained. In particular, consideration should be given to investment objectives which will reduce cost (economy); improve throughput (efficiency) and improve quality (effectiveness); and the need for replacement services.

There is no restriction on the number of investment objectives for a scheme, but a maximum of 5 is suggested in order to make the case manageable.

## 2.5 Existing arrangements

This section describes the existing situation with regard to the investment - the status quo.

The existing arrangements are as follows: .....

Note: If applicable - for example, in the case of a replacement service - details of existing costs can be included here

Table 1: existing costs

Existing costs (£)	Service stream	Service stream	Service stream	Service stream	Total
Current					
Capital					
Duration of contract					

## 2.6 Business needs

This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs.

## 2.7 Potential business scope and key service requirements

This section describes the potential business scope and key service requirements for the project in relation to the above business needs.

Note: it may be helpful to consider the potential business scope and key service requirements assessed against a continuum of need ranging from:

- a minimum scope - essential or core requirements/outcomes
- an intermediate scope - essential and desirable requirements/outcomes

- a maximum scope - essential, desirable and optional requirements/outcomes.

The options within these ranges are considered within the economic case.

Table 2: business scope and key service requirements

	Minimum	Intermediate	Maximum
Potential business scope			
Key service requirements			

## 2.8 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

Table 3: investment objectives and benefits criteria

Investment objectives	Main benefits criteria by stakeholder group
Investment objective 1	
Investment objective 2	
Investment objective 3	
Investment objective 4	
Investment objective 5	

The main 'dis-benefits' are as follows (if applicable):

Note: this section identifies the benefits criteria for the assessment of options within the economic case.

## 2.9 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

Note: the table that follows provides a starting point for consideration in relation to service risks. Business risks will need to be identified separately by the organisation on a case by case basis. The aim should be to identify the 20% of risks that account for 80% of the value on fruition. In some cases it may also be pertinent to consider any notable external environmental risks.

Table 4: risks and counter measures

Main Risk	Counter Measures
Design	
Development <ul style="list-style-type: none"> <li>• supplier</li> <li>• specification</li> <li>• timescale</li> <li>• change management and project management</li> </ul>	
Implementation risks <ul style="list-style-type: none"> <li>• supplier</li> <li>• timescale</li> <li>• specification and data transfer</li> <li>• cost risks</li> <li>• change management and project management</li> <li>• training and user</li> </ul>	
Operational risks <ul style="list-style-type: none"> <li>• supplier</li> <li>• availability</li> <li>• performance</li> <li>• operating cost</li> <li>• project management</li> </ul>	
Termination risks	

## 2.10 Constraints

The project is subject to the following constraints: .....

Note: these are the internal parameters which have been established at outset of the project.

## 2.11 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

Note: these are the external influences on the project - namely things which have to be in place in order to make a success of this investment.

### 3. The Economic Case

#### 3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the SOC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

#### 3.2 Critical success factors

The key CSFs for the .... project were developed by an 'options workshop' held by .... on .....

The attendees included relevant stakeholders and customers (for example, patients, commissioners, clinicians, administrators) - see Appendix...

These CSFs have been used alongside the investment objectives for the project to evaluate the long list of possible options.

Note: You may find it useful to consider the following for this purpose:

- CSF1: business needs - how well the option satisfies the existing and future business needs of the organisation.
- CSF2: strategic fit - how well the option provides holistic fit and synergy with other key elements of national, regional and local strategies.
- CSF3: benefits optimisation - how well the option optimises the potential return on expenditure - business outcomes and benefits (qualitative and quantitative, direct and indirect to the organisation) - and assists in improving overall VFM (economy, efficiency and effectiveness).
- CSF4: potential achievability - the organisation's ability to innovate, adapt, introduce, support and manage the required level of change, including the management of associated risks and the need for supporting skills (capacity and capability). Also the organisation's ability to engender acceptance by staff.
- CSF5: supply side capacity and capability - the ability of the market place and potential suppliers to deliver the required services and deliverables.
- CSF6: potential affordability - the organisation's ability to fund the required level of expenditure - namely, the capital and revenue consequences associated with the proposed investment.

### 3.3 The long-listed options

The long list of options was generated by the workshop in accordance with best practice contained in the Capital Investment Manual.

The evaluation was undertaken in accordance with how well each option met the investment objectives and CSFs.

Note: the options framework can be used to generate the required number of options for the long list. It does so by systematically working through the available choices for what, how, who, when and funding.

This process results in options either being discounted, carried forward for further consideration in the short list or identified as a preferred choice and basis for the reference project (or outline Public Sector Comparator, as it is technically known).

In some cases, it may be necessary to redefine these 'categories of choice' in order to meet the specific needs of the investment.

The long list of options for this investment was generated by the workshop using the options framework. This generated options within the following key categories of choice:

#### *Scoping options - choices in terms of coverage (the what)*

The choices for potential scope are driven by business needs and the strategic objectives at both national and local levels. In practice, these may range from business functionality to geographical, customer and organisational coverage. Key considerations at this stage are 'what's in?' 'what's out?' and service needs. See 3.4 below.

#### *Service solution options - choices in terms of solution (the how)*

The choices for potential solution are driven by new technologies, new services and new approaches and new ways of working, including business process re-engineering. In practice, these will range from services to how the estate of an organisation might be configured. Key considerations range from 'what ways are there to do it?' to 'what processes could we use?' See 3.5 below.

#### *Service delivery options - choices in terms of delivery (the who)*

The choices for service delivery are driven by the availability of service providers. In practice, these will range from within the organisation (in-house), to outsourcing, to use of the public sector as opposed to the private sector, or some

combination of each category. The use of some form of public private sector partnership (PPP) is also relevant here. See 3.6 below.

### *Implementation options - choices in terms of the delivery timescale*

The choices for implementation are driven by the ability of the supply side to produce the required products and services, VFM, affordability and service need. In practice, these will range from the phasing of the solution over time, to the modular, incremental introduction of services. See 3.7 below.

### *Funding options - choices in terms of financing and funding*

The choices for financing the scheme (public versus private) and funding (central versus local) will be driven by the availability of capital and revenue, potential VFM, and the effectiveness or relevance/ appropriateness of funding sources. See 3.8 below.

## **3.4 Scoping options**

### *3.4.1 Introduction*

This range of options considers coverage of ....

In accordance with the Treasury Green Book and Capital Investment Manual, the do nothing / status quo/ do minimum (delete as applicable) has been considered as a benchmark for potential VFM.

An infinite number of options and permutations are possible; however, within the broad scope outlined in the strategic case, the following main options have been considered:

- option 1.1 - do nothing
- option 1.2 - the 'minimum' scope - marginal improvements in ...
- option 1.3 - the 'intermediate' scope - for improvements in ....
- option 1.4 - 'maximum' scope - for improvements in .....

### *Option 1.1: do nothing*

#### *Description*

This option...

*Advantages*

The main advantages are:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would ....

Note: focus on how well the option meets the investment objectives and agreed CSFs for the project (SWOT analysis) and summarise the overall findings in the conclusion.

*Option 1.2: do minimum - marginal improvements in ....*

*Description*

This option...

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option would ...

### *Option 1.3: intermediate scope for improvements in .....*

#### *Description*

This option ...

#### *Advantages*

The main advantages are that:

#### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option provides ...

### *Option 1.4: maximum scope for improvements in .....*

#### *Description*

This option ...

#### *Advantages*

The main advantages are that:

#### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option provides ...

### **3.4.2 Overall conclusion: scoping options**

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

Table 5: summary assessment of scoping options

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

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*Option 1.1: do nothing*

This option has been discounted because it does not satisfy .....

*Option 1.2: minimum scope - marginal improvements*

This option would deliver ...

This option is possible because...

*Option 1.3: intermediate scope for improvements*

This option would deliver.....

This option is preferred because...

*Option 1.4: maximum scope*

This option would deliver.....

This option has been discounted because.....

Note: one option is carried forward as the preferred choice for assessment within the next category - in this example it is option 1.3.

### 3.5 Service solution options

#### 3.5.1 Introduction

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

The range of options that have been considered are:

- option 2.1
- option 2.2.....

### *Option 2.1*

#### *Description*

This option is for.....

#### *Advantages*

The main advantages are that: .....

#### *Disadvantages*

The main disadvantages are that: .....

#### *Conclusion*

This option meets.....

### *Option 2.2*

#### *Description*

This option is for .....

#### *Advantages*

The main advantages are that: .....

### *Disadvantages*

The main disadvantages are that: .....

### *Conclusion*

This option meets ...

And so on...

### **3.5.2 Overall conclusion: service solutions options**

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

Table 6: summary assessment of service solutions options

Reference to:	Option 2.1	Option 2.2
Description of option:		
<b>Investment objectives</b>		
1		
2	?	
3	?	
4	?	
5	x	
<b>Critical success factors</b>		
Business need	?	
Strategic fit	?	
Benefits optimisation	?	?
Potential achievability	?	?
Supply-side capacity and capability	?	
Potential affordability	✓	?

Summary	Possible	Preferred
---------	----------	-----------

### *Option 2.1*

This option is possible because .....

### *Option 2.2*

This option is preferred because .....

Note: the preferred option, with previous choices, is carried forward for subsequent assessment in the next category of choice.

## 3.6 Service delivery options

### *3.6.2 Introduction*

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

The ranges of options that have been examined are:

- option 3.1: in-house
- option 3.2: outsource
- option 3.3: strategic partnership.

### *Option 3.1: in-house*

#### *Description*

This option describes the provision of.....

#### *Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would .....

*Option 3.2: outsource*

*Description*

This option describes the provision of.....

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would.....

*Option 3.3: strategic partnership*

*Description*

This option describes the provision of.....

### *Advantages*

The main advantages are that:

### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option would.....

### *3.6.2 Overall conclusion: service delivery options*

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

Table 7: summary assessment of service delivery options

Reference to:	Option 3.1	Option 3.2	Option 3.3
Description of options:	<i>In-house</i>	<i>Outsource</i>	<i>Strategic partnership</i>
Investment objectives			
1		?	
2		?	
3		?	
4			
5		✓	x
Critical success factors			
Business need	✓	?	?
Strategic fit	✓	x	?
Benefits optimisation	✓	x	

Potential achievability		x	
Supply-side capacity and capability	✓	?	?
Potential affordability	✓	?	?
<b>Summary</b>	Preferred	Discounted	Possible

### *Option 3.1: In-house*

This option would/would not .....

This option is preferred because.....

### *Option 3.2: outsource*

This option would/would not .....

This option has been discounted because .....

### *Option 3.3: strategic partnership*

This option would/would not .....

This option is possible because .....

## **3.7 Implementation options**

### *3.7.1 Introduction*

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

- option 4.1: 'Big Bang'
- option 4.2: phased.

## Option 4.1: 'Big Bang'

### *Description*

This option assumes that all the required services could be delivered within the initial phase(s) of the project.

### *Advantages*

The main advantages are that:

### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option is .....

## *Option 4.2: phased*

### *Description*

This option assumes that the implementation of the required services would be phased on an incremental basis .....

### *Advantages*

The main advantages are that:

### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

This option is .....

### **3.7.2 Overall conclusion: implementation options**

The table below summarises the assessment of each option against the investment objectives and critical success factors.

Table 8: summary assessment of implementation options

Reference to:	Option 4.1	Option 4.2
Description of options:	'Big Bang'	phased
<b>Investment objectives</b>		
1	✓	✓
2	✓	✓
3	✓	✓
4	✓	✓
5	✓	✓
<b>Critical success factors</b>		
Business need	✓	✓
Strategic fit	x	✓
Benefits optimisation	?	?
Potential achievability	x	✓
Supply-side capacity and capability	x	✓
Potential affordability	?	?
<b>Summary</b>	Discounted	Preferred

### *Option 4.1: 'Big Bang'*

This option has been discounted because.....

### *Option 4.2: Phased*

This option is preferred because .....

## **3.8 Funding options**

Note: where it has been agreed that the scheme will be publicly funded as part of the capital expenditure programme, it will be unnecessary to consider the use of alternative methods of finance. However, where the funding mechanism has **not** been agreed this set of options may still have a use for appraisal purposes - for example, as in the case of central versus local funding.

It should also be noted that the use of private finance does not simply consist of Public Private Partnerships (PPP) and the Private Finance Initiative (PFI). In this context, the use of financial leases and operating leases, and other forms of rental payment might also be considered, together with sponsorship arrangements.

### *3.8.1 Introduction*

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

The options are as follows:

- option 5.1: private funding
- option 5.2: public funding.

### *Option 5.1: private funding*

#### *Description*

Under this option, the required services might be provided on a PPP (PFI) basis from a single service provider or consortium made up of potential service providers on the private sector side.

The assets underpinning the provision of services would be an integral part of the service and indistinguishable within the resultant service charge. All elements of the service would be within the potential scope of the deal.

*Relevant background*

The Confederation of British Industry (CBI) has developed the following criteria for assessing the eligibility of public sector investment schemes against private funding arrangements (CBI Report: Private Skills in Public Service). The Project team has assessed the potential for private finance using these criteria.

Table 9: assessment of favourable characteristics for a privately financed project

	High	Medium	Low
1. Output/service-delivery driven	✓		
2. Substantial operating content within the project			✓
3. Significant scope for additional/alternative uses of the asset			✓
4. Scope for innovation in design			✓
5. Surplus assets intrinsic to transaction			✓
6. Long contract term available		✓	
7. Committed public sector management		✓	
8. Political sensitivities are manageable		✓	
9. Risks primarily commercial in nature	✓		
10. Substantial deal			✓
11. Complete or stand alone operations to allow maximum synergies		✓	
<b>Note: none of these conditions will themselves guarantee success but they point to a particular direction and allow for a more informed decision</b>			

*Advantages*

The main advantages are that:

### *Disadvantages*

The main disadvantages are that:

### *Conclusion*

In the context of this investment it is considered....

### *Option 5.2: public funding*

#### *Description*

The options for public funding are essentially to .....

#### *Advantages*

The main advantages are that:

#### *Disadvantages*

The main disadvantages are that:

#### **Conclusion**

Under this option .....

### ***3.8.2 Overall conclusion: funding***

Use of the CBI table above indicates that the deal would be suitable/ not suitable for private finance because .....

## **3.9 The long list: inclusions and exclusions**

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

Table 10: summary of inclusions, exclusions and possible options

Options	Finding
<b>1.0 Scope</b>	
1.1 'Do Nothing'	Discounted - because
1.2 Minimum	Possible - because
1.3 Intermediate	Preferred - because
1.4 Maximum	Discounted - because
<b>2.0 Service solutions</b>	
2.1	
2.2	
<b>3.0 Service delivery</b>	
3.1 In-house	
3.2 Outsource	
3.3 Strategic partnership	
<b>4.0 Implementation</b>	
4.2 Big bang	
4.3 Phased	
<b>5.0 Funding</b>	
5.1 Private Funding	
5.2 Public Funding	

### 3.10 Short-listed options

#### 3.10.1 Overview

The 'preferred' and 'possible' options identified in table 6 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 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.

Note: please provide full descriptions of each option and note that indicative amounts (in £s) for the benefits and costs associated with each of the above short listed options should be provided within the SOC.

Also, if it is possible to go on to the next stage in more detail, then the guidance provided in the template for the OBC in relation to the economic case (short list) should be pursued. In other words, the above information and analysis constitutes the minimum requirement for the purpose of the SOC.

Finally, when calculating the estimated costs for the scheme, please note the need to make some allowance for optimism bias or risk adjustment.

**4. The Commercial Case**

**4.1 Introduction**

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

Note: the detailed consideration of the commercial case takes place at OBC stage. However, you need to start thinking about it in outline terms now. The SOC should contain an initial, less detailed review

This is for the provision of .... under a .... contract.

**4.2 Required services**

These are as follows ...

**4.3 Potential for risk transfer**

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

Note: detailed analysis of risks takes place at OBC stage

The general principle is to ensure that risks should be passed to 'the party best able to manage them', subject to value for money (VFM).

The table below outlines the potential allocation of risk ...

Table 11: risk transfer matrix

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	✓		

#### 4.4 Proposed charging mechanisms

The organisation intends to make payments with respect to the proposed products and services as follows ....

#### 4.5 Proposed contract lengths

The following contract lengths will be considered.....

#### 4.6 Proposed key contractual clauses

These are as follows:

#### 4.7 Personnel implications (including TUPE)

It is anticipated that the TUPE - Transfer of Undertakings (Protection of Employment) Regulations 1981 - will/ will not apply to this investment as outlined above.

#### 4.8 Procurement strategy and implementation timescales

It is anticipated that the procurement strategy will follow...

Subject to agreement of the SOC, it is anticipated that the implementation milestones to be agreed for the scheme with the service provider will be as follows...

#### 4.9 FRS 5 accountancy treatment

It is envisaged that the assets underpinning the delivery of service will/will not be on the balance sheet of the organisation.....

## 5.0 The Financial Case

### 5.1 Introduction

The purpose of this section is to set out the indicative financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case section).

Note: detailed analysis of the financial case including affordability takes place at OBC stage.

### 5.2 Impact on the organisation’s income and expenditure account

The anticipated payment stream for the project over its intended life span is .....

Table 12: summary of financial appraisal

£ xxx	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred way forward:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

### 5.3 Impact on the balance sheet

The proposed capital expenditure will have the following impact...

### 5.4 Overall affordability

The proposed cost of the project is ... over the .... years of the expected lifetime of the contract.

The organisation’s commissioners have signified their agreement to the required level of funding required...

Note: costs should be broken down, as appropriate, within the categories shown for the design, build and operational phases of the scheme. In all cases, capital charges, VAT, and the cost of risk (any contingency or allowance for risk adjustment and optimism bias) should be shown separately.

6. The Management Case

6.1 Introduction

This section of the SOC addresses the 'achievability' of the scheme. Its purpose is to set out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

6.2 Programme management arrangements

The scheme is an integral part of the ..... programme, which comprises a portfolio of projects for the delivery of...

These are set out in the SOP for the project, which was agreed on.....

The programme management arrangements are as follows.....

6.3 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

6.3.1 Outline project reporting structure

6.3.2 Outline project roles and responsibilities

6.3.3 Outline project plan

Table 12: milestones

Milestone activity	Week no.

**6.4 Use of special advisers**

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance: Use of Special Advisers.

Details are set out in the table below:

Table 13: special advisers

Specialist Area	Adviser
Financial	
Technical	
Procurement and legal	
Business assurance	
Other	

**6.5 Gateway review arrangements**

The impacts/risks associated with the project have been scored against the risk potential assessment (RPA) for projects. The RPA scores are attached at Appendix....

A Gate 0 (strategic fit) has been undertaken on the programme, in conjunction with agreement to the SOP. The consequent actions have been as follows...

A Gate 1 (business justification) has been has been undertaken on the project, in conjunction with the submission of this SOC. The consequent actions have been addressed as follows ...

Further reviews are planned as follows...

**Signed:**

**Date:**

**Senior Responsible Owner**

**Project Team**

# TEMPLATE 3: OUTLINE BUSINESS CASE (OBC)

Project Title:

Outline Business Case (OBC)

Version No:

Issue Date:

**Purpose of this document**

This document provides a template for an Outline Business Case (OBC) in support of an investment - a project, procurement or scheme.

In all cases, a Strategic Outline Case (SOC) should have been completed, prior to the submission of this document for approval.

The main purpose of the OBC is to: revisit the case for change and the preferred way forward identified in the SOC; establish the option which optimises value for money; outline the deal and assess affordability; and demonstrate that the proposed scheme is deliverable.

In practice, the author will find this entails updating the strategic case; undertaking investment appraisal within the economic case; and completing the commercial, financial and management cases, with supporting benefits and risk registers.

Business planning is an iterative exercise, so the author should note that all earlier assumptions require revisiting within the OBC.

Please note that this template is for guidance purposes only and should be completed in accordance with the guidelines laid down in HM Treasury’s Green Book.

**VERSION HISTORY**

Version	Date Issued	Brief Summary of Change	Owner’s Name
Draft	00.00.00	First Draft Version	



## CONTENTS - OBC TEMPLATE

### HOW TO USE THIS TEMPLATE

### OVERVIEW OF THE OBC DEVELOPMENT PROCESS

### TEMPLATE AND SUPPORTING GUIDANCE

1. Executive summary
2. Strategic case
3. Economic case
4. Commercial case
5. Financial case
6. Management case

### APPENDICES

These must include:

- economic appraisals
- financial appraisals
- benefits register
- risk register
- risk potential assessment (RPA)
- letter of commissioner/ stakeholder support
- draft OJEU notice
- SOP/ strategic business plans.

## HOW TO USE THIS TEMPLATE

There are four points that you should take into consideration:

- first, the business planning process for the scoping (SOC), planning (OBC) and procurement (FBC) of a scheme is an **iterative exercise**. Therefore, it follows that whilst some sections of the above cases using the Five Case Model may look similar, the level of detail required will vary significantly over the developmental phases of a business case
- second, the guidance provided in Departmental Capital Investment Manuals should be referred to, along with the Treasury Green Book: A Guide to Investment Appraisal in the Public Sector
- third, wherever you are in the business case development process, remember that the business case for a scheme is a single document, developed over time, in four distinct phases
- fourth, detailed guidance on the completion of this template is set out in Public Sector Business Cases using the Five Case Model: a Toolkit (published by the HFMA).

## OVERVIEW OF THE OBC DEVELOPMENT PROCESS

The table below shows the systematic approach to the preparation of the business case - SOP, SOC and OBC development phases.

Stages	Development Process	Deliverables
Phase 0 - Step 1/ action 1	Determining strategic context Ascertain strategic fit	Strategic context
<i>Output</i>	<i>Strategic Outline Programme (SOP)</i>	
<i>Outcome</i>	<i>Strategic fit</i>	
<i>Review point</i>	<i>Gateway 0 -strategic fit</i>	
Phase 1 - scoping	Preparing the Strategic Outline Case (SOC)	Strategic case
Step 2	Making the case for change	
Action 2	Agree strategic context	
Action 3	Determine investment objectives, existing arrangements and business needs	
Action 4	Determine potential business scope and key service requirements	
Action 5	Determine benefits, risks, constraints and dependencies	
Step 3	Exploring the preferred way forward	Economic case - part 1
Action 6	Agree critical success factors (CSFs)	
Action 7	Determine long list options and SWOT analysis	
Action 8	Recommend preferred way forward, including other arrangements	
<i>Output</i>	<i>Strategic Outline Case (SOC)</i>	Outline commercial, financial and management cases
<i>Outcome</i>	<i>Robust case for change</i>	
<i>Review point</i>	<i>Gateway 1 - business justification</i>	

<b>Phase 2 - planning</b>	<b>Preparing the Outline Business Case (OBC)</b>	
<b>Step 4</b>	<b>Determining potential value for money (VFM)</b>	<b>Economic case - part 2</b>
Action 9	Revisit SOC and determine short list including the reference project (outline PSC)	
Action 10	Prepare the economic appraisals for short-listed options	
Action 11	Undertake benefits appraisal	
Action 12	Undertake risk assessment/appraisal	
Action 13	Select preferred option and undertake sensitivity analysis	
<b>Step 5</b>	<b>Preparing for the potential deal</b>	<b>Commercial case</b>
Action 14	Determine procurement strategy	
Action 15	Determine service streams and required outputs	
Action 16	Outline potential risk apportionment	
Action 17	Outline potential payment mechanisms	
Action 18	Ascertain contractual issues and accountancy treatment	
<b>Step 6</b>	<b>Ascertaining affordability and funding requirement</b>	<b>Financial case</b>
Action 19	Prepare financial model and financial appraisals.	
<b>Step 7</b>	<b>Planning for successful delivery</b>	<b>Management case</b>
Action 20	Plan project management - strategy, framework and outline plans	
Action 21	Plan change management - strategy, framework and outline plans	
Action 22	Plan benefits realisation - strategy, framework and outline plans	
Action 23	Plan risk management - strategy, framework and outline plans	

Action 24 Plan post project evaluation - strategy, framework and outline plans

*Output: Outline Business Case*

*Outcome: Planned procurement for VFM solution*

*Review point: Gateway 2 - procurement strategy*

## OBC TEMPLATE AND SUPPORTING GUIDANCE

### 1. Executive Summary

#### 1.1 Introduction

This OBC seeks approval to invest £..... in .....

#### 1.2 Strategic case

##### *1.2.1 The strategic context*

Please summarise the strategic drivers for this investment, with particular reference to supporting strategies, programmes and plans.

##### *1.2.2 The case for change*

Please summarise the business needs for this investment, with particular reference to existing difficulties and the need for service improvement.

#### 1.3 Economic case

##### *1.3.1 The long list*

Please summarise the long list of options explored within the economic case.

##### *1.3.2 The short list*

The following short list of options emerged:

- **option 1** - status quo, do nothing or do minimum
- **option 2** - the reference project or outline Public Sector Comparator (PSC)
- **option 3** - the PSC - more ambitious
- **option 4** - the PSC - less ambitious.

##### *1.3.3 Key findings*

Set out the key findings from the economic appraisals here.

	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 1 - Do Nothing/Do Minimum/Status Quo</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 2 - Reference Project/ Outline Public Sector Comparator</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		

Total costs		
Less cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
Less cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		

Option appraisal conclusions:

- Option 1 - this option ranks .....
- Option 2 - this option ranks .....
- Option 3 - this option ranks .....
- Option 4 - this option ranks .....

#### ***1.3.4 Overall findings: the preferred option***

Summary of overall results

Evaluation Results	Option 1	Option 2	Option 3	Option 4
Economic appraisals				
Benefits appraisal				
Risk appraisal				

Overall ranking				
-----------------	--	--	--	--

Overall conclusions .....

## 1.4 Commercial case

### *1.4.1 Procurement strategy*

Please summarise the procurement strategy and intended contractual arrangements.

### *1.4.2 Required services*

Please summarise the products and services intended for use and procurement with regard to the recommended option.

### *1.4.3 Potential for risk transfer and potential payment mechanisms*

Please summarise the main risks associated with the scheme and supporting arrangements for payment for the required products and services.

## 1.5 Financial case

### *1.5.1 Financial expenditure*

Summary of financial appraisal

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred option:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

### ***1.5.2 Overall affordability and balance sheet treatment***

Please summarise the overall affordability of the scheme - both in terms of its capital and revenue consequences - over the lifespan of the investment.

Where the scheme requires the support and approval of external parties, please indicate that this is forthcoming. A letter of support should be attached as an appendix.

In instances where the investment is above the delegated limit of the organisation and/ or is 'novel and contentious', please indicate the sums requiring approval and any additional funding requirements.

## **1.6 Management case**

### ***1.6.1 Project management arrangements***

Please summarise the project management arrangements for the scheme.

### ***1.6.2 Benefits realisation and risk management***

Please summarise these arrangements.

### ***1.6.3 Post project evaluation arrangements***

Please summarise these arrangements, with reference to arrangements for the Gateway Review process, as required.

## **1.7 Recommendation**

Please formally make the required recommendation for approval of the scheme to proceed to the next stage.

**Signed:**

**Date:**

**Senior Responsible Owner Project  
Project Team**

## 2. The Strategic Case

### 2.0 Introduction

This Outline Business Case (OBC) is for .....

#### *Structure and content of the document*

This OBC has been prepared using the agreed standards and format for business cases, as set out in .....

The approved format is the Five Case Model, which comprises the following key components:

- the **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
- the **economic case** section. This demonstrates that the organisation has selected the choice for investment which best meets the existing and future needs of the service and optimises value for money (VFM)
- the **commercial case** section. This outlines the content and structure of the proposed deal
- the **financial case** section. This confirms funding arrangements and affordability and explains any impact on the balance sheet of the organisation
- the **management case** section. This demonstrates that the scheme is achievable and can be delivered successfully to cost, time and quality.

The purpose of this section is to explain and revisit 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 existing and future operational needs.

Please refer back to the Strategic Outline Programme (SOP) and Strategic Outline Case (SOC), noting any key changes since the production and approval of these documents.

#### **Part A: The strategic context**

## 2.1 Organisational overview

Please provide an updated overview of the organisation(s) making the case for investment in the scheme.

## 2.2 Business strategies

Please reference the business strategy for the organisation(s) and any related national or regional strategies, noting any changes since agreement to the SOC for the scheme.

In the main, this will include consideration of national policy documents, regional plans and supporting SOPs and other relevant initiatives.

## 2.3. Other organisational strategies

Please provide an update on any other related organisational strategies, as appropriate.

## Part B: The case for change

### 2.4 Investment objectives

The investment objectives for this project are as follows:

- investment objective 1: .....
- investment objective 2: .....
- investment objective 3: .....
- investment objective 4: .....
- investment objective 5: .....

Note: these are **crucial** to making a compelling case for investment and should be revisited since the preparation of the SOC.

Please note how these were derived with the stakeholders and customers for the proposed scheme. They **must** be SMART - specific, measurable, achievable, relevant, and time constrained. In particular, consideration should be given to investment objectives which will reduce cost (economy); improve throughput

(efficiency) and improve quality (effectiveness); and the need for replacement services.

## 2.5 Existing arrangements

This section describes the existing situation with regard to the investment.

The existing arrangements are as follows: .....

Note: If applicable - for example, in the case of a replacement service - details of existing costs can be included here.

Table 1: Existing costs

Existing costs (£)	Service stream	Service stream	Service stream	Service stream	Total
Current					
Capital					
Duration of contract					

## 2.6 Business needs

This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs and changes since submission of the SOC.

## 2.7 Potential business scope and key service requirements

This section describes the potential scope for the project in relation to the above business needs and the changes (if any) since submission of the SOC.

Note: it may be helpful to consider the potential scope assessed against a continuum of need ranging from:

- a minimum scope - essential or core requirements/outcomes
- an intermediate scope - essential and desirable requirements/outcomes

- a maximum scope - essential, desirable and optional requirements/outcomes.

The options within these ranges are considered within the economic case.

Table 2: business scope and key service requirements

	Minimum	Intermediate	Maximum
Potential business scope			
Key service requirements			

## 2.8 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

Table 3: Investment objectives and benefits

Investment objectives	Main benefits criteria by stakeholder group
-----------------------	---

<b>Investment objective 1</b>	<b>Patients</b> Cash releasing (£s) <i>For example, avoided costs</i> Non cash releasing (£s) <i>For example, Staff time saved (x hours)</i> Qualitative <i>For example, staff morale</i> <b>Clinicians</b> Ditto <b>Administrators</b> Ditto
<b>Investment objective 2</b>	
<b>Investment objective 3</b>	
<b>Investment objective 4</b>	
<b>Investment objective 5</b>	

The main 'dis-benefits' are as follows: (if applicable)

Note: this section identifies the benefits criteria for the assessment of options within the economic case.

## 2.9 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

Table 4: main risks and counter measures

Main Risk	Counter Measures
Design	
Development <ul style="list-style-type: none"> <li>• supplier</li> <li>• specification</li> <li>• timescale</li> <li>• change management and project management</li> </ul>	

<b>Implementation risks</b> <ul style="list-style-type: none"> <li>• supplier</li> <li>• timescale</li> <li>• specification and data transfer</li> <li>• cost risks</li> <li>• change management and project management</li> <li>• training and user</li> </ul>	
<b>Operational risks</b> <ul style="list-style-type: none"> <li>• supplier</li> <li>• availability</li> <li>• performance</li> <li>• operating cost</li> <li>• project management</li> </ul>	
<b>Termination risks</b>	

Note: this section should update and expand on the key risks identified within the SOC.

The above table shows the main risk categories typically associated with the provision of the service - business and external environmental risks also need to be considered.

## 2.10 Constraints

The project is subject to the following constraints: .....

Note: these are the internal parameters which have been established at outset of the project. Any changes since the SOC should be noted.

## 2.11 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

Note: these are the external influences on the project - namely things which have to be in place in order to make a success of this investment. Any changes since the SOC should be noted.

### 3. The Economic Case

#### 3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), 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.

#### 3.2 Critical success factors

The critical success factors (CSFs) shown within the SOC were as follows: .....

These have been re-visited in the context of the OBC and remain valid/ have changed as follows (please delete as required).....

#### 3.3 The long-listed options

The long list shown within the SOC was as follows: .....

Note: for illustrative purposes, the options are taken from the SOC template.

Table 5: long list - summary of inclusions, exclusions and possible options

Options	Finding
<b>1.0 Scoping</b>	
1.1 Do nothing	
1.2 Minimum scope	
1.3 Intermediate scope	
1.4 Maximum scope	
<b>2.0 Service solution</b>	
2.1	
2.2	
<b>3.0 Service delivery</b>	
3.1 In house	
3.2 Outsource	

3.3 Strategic partnership	
<b>4.0 Implementation</b>	
4.2 Big Bang	
4.3 Phased	
<b>5.0 Funding</b>	
5.1 Private funding	
5.2 Public funding	

These have been re-visited in the context of the OBC and remain valid/ have changed as follows (please delete as required): .....

### 3.4 Short-listed options

The short list shown within the SOC was as follows:

- option 1 - the do nothing, do minimum 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.

In detail, the short-listed options are:

#### *Option 1 - the do nothing, do minimum or status quo*

This option provides the benchmark for VFM and is predicated upon the following parameters:

Scope: .....

Solution: .....

Service delivery: .....

Implementation: .....

Funding: .....

*Option 2 - reference project or outline Public Sector Comparator (PSC)*

This option provides an outline of the 'preferred way forward' (**not preferred option**) at SOC stage and is predicated upon the following parameters drawn from the long list for:

Scope: .....

Solution: .....

Service delivery: .....

Implementation: .....

Funding: .....

*Option 3 - the reference project or outline PSC (more ambitious) option*

This option provides an outline of a more ambitious version of the preferred way forward at SOC.

Scope: .....

Solution: .....

Service delivery: .....

Implementation: .....

Funding: .....

*Option 4 - the reference project or outline PSC (less ambitious) option*

This option provides an outline of a less ambitious version of the preferred way forward at SOC.

Scope: .....

Solution: .....

Service delivery: .....

Implementation: .....

Funding: .....

## 3.5 Economic appraisal

### 3.5.1 Introduction

This section provides a detailed overview of the main costs and benefits associated with each of the selected options. Importantly, it indicates how they were identified and the main sources and assumptions.

More detailed information is shown for each cost and benefit line within the economic appraisals at Appendix.....

### 3.5.2 Estimating benefits

#### *Methodology*

The benefits associated with each option were identified during a workshop held on ..... with the stakeholders and customers for the scheme. A list of participants is attached at Appendix....

#### *Description, sources and assumptions*

The benefits identified fell into the following main categories. In each case, the sources and assumptions underlying their use are explained. A more detailed explanation for each benefit line is attached to the economic appraisals in Appendix .....

Note: benefits fall into different categories which require different treatment within the OBC appraisals supporting the economic and financial cases - the distinctions are shown in the table below.

Table 6: main benefits

Type	Direct to Organisation(s)	Indirect to Organisation(s)
Quantitative (or quantifiable)	Measurable - for example, £s or numbers of transactions etc.	As shown

Cash releasing	These are financial benefits - for example, avoided spend, reduced cost etc.	As shown
	<i>The above are accounted for in the financial case appraisals</i>	<i>The above are NOT accounted for in the financial case appraisals</i>
Non-cash releasing	These are economic benefits - for example, opportunity cost of staff time etc.	As shown
	<i>All of the above are accounted for in the economic case appraisals</i>	<i>All of the above are accounted for in the economic case appraisals</i>
Qualitative (or non-quantifiable)	Non-measurable - for example, quality improvements such as patient well-being, improved morale etc	As shown
	<i>Subject to weighting and scoring - see below</i>	<i>Subject to weighting and scoring - see below</i>

### 3.5.3 Estimating costs

#### *Methodology*

Costs were estimated by .....in accordance with .....

#### *Description, sources and assumptions*

The costs identified fell into the following main categories. In each case, the sources and assumptions underlying their use are explained. A more detailed explanation for each cost line is attached to the economic appraisals in Appendix .....

Note: special consideration should be given to the use of 'optimism bias' at OBC stage.

Transfer payments (VAT and capital charges etc) should not be included.

Costs falling to other public sector organisations should be included.

### 3.5.4 Net present cost findings

The detailed economic appraisals for each option are attached at Appendix ..... together with detailed descriptions for costs and benefits, and their sources and assumptions.

(If applicable) The short-listed options have been risk-adjusted to account for the 'risk retained' (in £s) by the organisation under each option.

The following table summarises the key results of the economic appraisals for each option:

Table 7: key results of economic appraisals

	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 1 - Do Nothing/Do Minimum/Status Quo</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
<i>Less cash releasing benefits</i>		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 2 - Reference Project/ Outline Public Sector Comparator</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		

<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)</b>		
Capital		
Revenue/ current		
Risk retained		
Optimism bias		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		

### 3.5.5 Option ranking

The results are summarised and shown in the following Table:

Table 8: summary of results

Option	Description	Ranking				
		NPC (£s)	Cash benefit	Non cash benefit	Cost net cash savings	Costs net all savings
1						
2						
3						
4						

**3.5.6 Option appraisal conclusions**

The key findings are as follows:

*Option 1 - do nothing/do minimum/status quo*

This option ranks.....

It provides .....

*Option 2 - reference project/ outline PSC*

This option ranks.....

It provides .....

*Option 3 - reference project/ outline PSC (more ambitious)*

This option ranks.....

It provides .....

*Option 4 - reference project/ outline PSC (less ambitious)*

This option ranks.....

It provides .....

### 3.6 Qualitative benefits appraisal

A workshop was held at ..... on ..... to evaluate the qualitative benefits associated with each option.

#### 3.6.1 Methodology

The appraisal of the qualitative benefits associated with each option was undertaken by:

- identifying the benefits criteria relating to each of the investment objectives
- weighting the relative importance (in %s) of each benefit criterion in relation to each investment objective
- scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9
- deriving a weighted benefits score for each option.

#### 3.6.2 Qualitative benefits criteria

The benefits criteria were weighted as follows for each investment objective:

Table 9: qualitative benefits criteria

Investment Objectives	Qualitative Benefits	Weight
Investment objective 1	-For example, business continuity through the provision of ..... -For example, business flexibility through the provision of .....	30%
Investment objective 2		25%

Investment Objectives	Qualitative Benefits	Weight
Investment objective 3		25%
Investment objective 4		10%
Investment objective 5		10%

### 3.6.3 Qualitative benefits scoring

Benefits scores were allocated on a range of 0-9 for each option and agreed by discussion by the workshop participants to confirm that the scores were fair and reasonable.

### 3.6.4 Analysis of key results

The results of the benefits appraisal are shown in the following table:

Table 10: benefits appraisal results

Benefit Criteria and Weight	Option 1		Option 2		Option 3		Option 4	
	R	W	R	W	R	W	R	W
Raw (R) and weighted (W)scores								
Investment objective 1								
Investment objective 2								
Investment objective 3								
Investment objective 4								
Investment objective 5								
<b>Total</b>								
<b>Rank</b>								

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 .....

### 3.7 Risk appraisal - unquantifiables

Note: the risks associated with the scheme **must** be identified, prioritised and appraised in all instances.

In the case of significant, new and/or high value investments, the risks should be quantified in £s and included in the economic appraisals ('cost of risk retained'). In the absence of risk measurement (in £s), a sum should be included for optimism bias - see the guidance that supports these templates. All other risks - those that are unquantifiable in £s - should be appraised as shown below.

In the case of medium and small sized schemes, it may suffice at this stage to weight and score the risks for each option and to rank accordingly - see below. Whatever the approach, a sum **must** be included for optimism bias in the economic appraisals.

Ideally, the risks should be quantified (in £s) in all cases and the non-quantifiable risks assessed as outlined below. In most instances, you will find the service risks associated with the design, build and operation features of the scheme fall in the former category, while associated business risks fall into the latter. External environmental risks - for example, inflation - may be ignored for the purposes of this appraisal, given that they are common to all options.

A workshop was held at ..... on ..... to evaluate the risks associated with each option.

### *3.7.1 Methodology*

Risk appraisal has been undertaken and involved the following distinct elements:

- identifying all the possible business and service risks associated with each option
- assessing the impact and probability for each option
- calculating a risk score.

### *3.7.2 Risk scores*

The workshop assigned the risk scores shown in the following table on the basis of participants' judgment and assessment of previous procurements. A more detailed assessment of the individual risks is shown in the risk register.

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

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

Table 11: summary of the risk appraisal results

Summary of Risk Appraisal Results: OBC (Pr = probability)	Risk category no.	Impact	Option 1 - do minimum		Option 2 - PSC		Option 3 - PSC more ambitious		Option 4 - PSC less ambitious	
			Pr.	Tot	Pr.	Tot.	Pr.	Tot.	Pr.	Tot
Risk description										
Risk description										
Risk description										
Risk description										
<b>Total</b>										
<b>Rank</b>										

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 .....

### 3.8 The preferred option

The results of investment appraisal are as follows:

Table 12: summary of overall results

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

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

### 3.9 Sensitivity analysis

The methods used were:

- a) 'switching values'
- b) 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.

#### 3.9.1 Results of switching values

Table 13 shows the values (in %) at which the preferred option would change in the overall ranking of options.

Table 13: changes (%) 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		

**3.9.2 Key observations**

These are: .....

**3.9.3 Results of scenario planning**

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

Table 14: Summary of results from scenario planning

	Option 1 - benchmark	Option x - the preferred option
Sensitivity analysis on benefits		
Sensitivity analysis on costs		
New order in ranking		

### *3.9.4 Key observations*

These are: .....

### **3.10 Preferred option**

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

## 4. The Commercial Case

### 4.1 Introduction

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

This is for the provision of .... under a .... contract.

### 4.2 Required services

These are as follows: .....

### 4.3 Potential for risk transfer

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.....

Table 15: risk transfer matrix

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	✓		

#### 4.4 Proposed charging mechanisms

The organisation intends to make payments in relation to the proposed products and services as follows: .....

#### 4.5 Proposed contract lengths

The following contract lengths will be considered.....

#### 4.6 Proposed key contractual clauses

These are as follows: .....

#### 4.7 Personnel implications (including TUPE)

It is anticipated that the TUPE - Transfer of Undertakings (Protection of Employment) Regulations 1981 - will/ will not apply to this investment as outlined above.

#### 4.8 Procurement strategy and implementation timescales

It is anticipated that the procurement strategy will follow: .....

It is anticipated that the implementation milestones to be agreed for the scheme with the service provider will be as follows: .....

#### 4.9 FRS 5 accountancy treatment

It is envisaged that the assets underpinning delivery of the service will/will not be on the balance sheet of the organisation.....



**5.0 The Financial Case**

**5.1 Introduction**

The purpose of this section is to set out the forecast financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case).

**5.2 Impact on the organisation’s income and expenditure account**

The anticipated payment stream for the project over its intended life span is set out in the following table:

Table 16: summary of financial appraisal

£ xxx	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred way forward:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

**5.3 Impact on the balance sheet**

The proposed expenditure will have the following impact.....

**5.4 Overall affordability**

The proposed cost of the project is ... over the .... years of the expected lifespan of the contract.

Our commissioners have signified their agreement to the required level of funding as follows: .....

Note: costs should be broken down, as appropriate, within the categories shown for the design, build and operational phases of the scheme. In all cases, capital charges, VAT, and the cost of risk (any contingency or allowance for risk adjustment and optimism bias) should be shown separately.

## 6. The Management Case

### 6.1 Introduction

This section of the OBC addresses the 'achievability' of the scheme. Its purpose, therefore, is to build on the SOC by setting out in more detail the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

### 6.2 Programme management arrangements

The scheme is an integral part of the ..... programme, which comprises a portfolio of projects for the delivery of.....

These are set out in the Strategic Outline Programme for the Project, which was agreed on.....

The programme management arrangements are as follows: .....

### 6.3 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

#### *6.3.1 Project reporting structure*

The reporting organisation and the reporting structure for the project are as follows: .....

Note: a diagram with named individuals is required.

#### *6.3.2 Project roles and responsibilities*

These are as follows: .....

#### *6.3.3 Project plan*

This is as set out in the following table:

Table 17: project plan

Milestone Activity	Week No.

#### 6.4 Use of special advisers

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance: Use of Special Advisers.

Table 18: special advisers

Specialist Area	Adviser
Financial	
Technical	
Procurement and legal	
Business assurance	
Other	

#### 6.5 Outline arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management is as follows.....

#### 6.6 Outline arrangements for benefits realisation

The strategy, framework and plan for dealing with the management and delivery of benefits are as follows.....

A copy of the project benefits register is attached at appendix .....

This sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

## **6.7 Outline arrangements for risk management**

The strategy, framework and plan for dealing with the management of risk are as follows.....

A copy of the project risk register is attached at Appendix .....

This details who is responsible for the management of risks and the required counter measures, as required.

## **6.8 Outline arrangements for post project evaluation**

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with best practice and are as follows.

### ***6.8.1 Post implementation review (PIR)***

These reviews ascertain whether the anticipated benefits have been delivered and are timed to take place.....

### ***6.8.2 Project evaluation reviews (PERs)***

PERs appraise how well the project was managed and delivered compared with expectations and are timed to take place .....

## **6.9 Gateway review arrangements**

The impacts/risks associated with the project have been scored against the risk potential assessment (RPA) for projects. The RPA score is ..... The report is attached at Appendix....

A Gateway 2 (procurement strategy) has been undertaken on the project, in conjunction with the draft OBC. The consequent actions have been addressed as follows.....

Further reviews are planned as follows: .....

### **6.10 Contingency plans**

In the event that this project fails, the following arrangements are in place for continued delivery of the required services and outputs.....

**Signed:**

**Date:**

**Senior Responsible Owner**

**Project Team**

# TEMPLATE 4: FULL BUSINESS CASE (FBC)

Project Title:

Full Business Case (FBC)

Version No:

Issue Date:

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## Purpose of this document

This document provides a template for a Full Business Case (FBC), in support of an investment - project, procurement or scheme.

In all cases, an Outline Business Case (OBC) should have been completed and agreed, prior to the submission of this document for approval.

Prior to contract signature, the main purpose of the FBC is to evidence that the most economically advantageous offer is being procured and that it is affordable. In addition, the FBC explains the fundamentals of the negotiated deal and demonstrates that the required outputs can be successfully achieved.

In practice, the author will find this entails updating the economic case to reflect the procurement phase; completing the commercial case to record the preferred service provider's offerings; and putting in place robust management arrangements for delivery of the required products and services.

Please note that this template is for guidance purposes only and should be completed in accordance with the guidelines laid down in the HM Treasury's Green Book.

## VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	00.00.00	First Draft Version	

## CONTENTS - FBC TEMPLATE

### HOW TO USE THIS TEMPLATE

### OVERVIEW OF THE FBC DEVELOPMENT PROCESS

### TEMPLATE AND SUPPORTING GUIDANCE

1. Executive summary
2. Strategic case
3. Economic case
4. Commercial case
5. Financial case
6. Management case

### APPENDICES

These must include:

- economic appraisals
- financial appraisals
- benefits register
- risk register
- risk potential assessment (RPA)
- letter of commissioner/ stakeholder support
- SOP/ strategic business plans
- proposed contract and OJEU notice (where applicable)

- agreed project/ change management plans.

## HOW TO USE THIS TEMPLATE

There are four points that you should take into consideration:

- first, the business planning process for the scoping (SOC), planning (OBC) and procurement (FBC) of a scheme is an **iterative exercise**. Therefore, it follows that whilst some sections of the above cases using the Five Case Model may look similar, the level of detail required will vary significantly over the developmental phases of business case
- second, the guidance provided in Departmental Capital Investment Manuals should be referred to, along with the Treasury Green Book: A Guide to Investment Appraisal in the Public Sector
- third, wherever you are in the business case development process, remember that the business case for a scheme is a single document, developed over time, in four distinct phases
- fourth, that detailed guidance on the completion of this template is available from The Complete Guide to Public Sector Business Cases using the Five Case Model (published by the HFMA).

## 2. OVERVIEW OF THE FBC DEVELOPMENT PROCESS

The table below shows the systematic approach to the preparation of the business case - SOP, SOC, OBC and FBC development phases.

Stages	Development Process	Deliverables
Phase 0	Determining Strategic Context	
Step 1 / action 1	Ascertain strategic fit	Strategic context
<i>Output</i>	<i>Strategic Outline Programme (SOP)</i>	
<i>Outcome</i>	<i>Strategic fit</i>	
<i>Review point</i>	<i>Gateway 0 - strategic fit</i>	
Phase 1 - scoping	Preparing the Strategic Outline Case (SOC)	Strategic case
Step 2	Making the case for change	
Action 2	Agree strategic context	
Action 3	Determine investment objectives, existing arrangements and business needs	
Action 4	Determine potential business scope and key service requirements	
Action 5	Determine benefits, risks, constraints and dependencies	
Step 3	Exploring the preferred way forward	Economic case - part 1
Action 6	Agree critical success factors (CSFs)	
Action 7	Determine long list options and SWOT analysis	
Action 8	Recommended preferred way forward, including other arrangements	Outline commercial, financial and management cases
<i>Output</i>	<i>Strategic Outline Case (SOC)</i>	
<i>Outcome</i>	<i>Robust case for change</i>	
<i>Review point</i>	<i>Gateway 1 - business justification</i>	

Phase 2 - Planning	Preparing the Outline Business Case (OBC)	
Step 4	Determining potential value for money (VFM)	Economic case - part 2
Action 9	Revisit SOC and determine short list including the reference project (outline PSC)	
Action 10	Prepare the economic appraisals for short-listed options	
Action 11	Undertake benefits appraisal	
Action 12	Undertake risk assessment/appraisal	
Action 13	Select preferred option and undertake sensitivity analysis	
Step 5	Preparing for the potential deal	Commercial case
Action 14	Determine procurement strategy	
Action 15	Determine service streams and required outputs	
Action 16	Outline potential risk apportionment	
Action 17	Outline potential payment mechanisms	
Action 18	Ascertain contractual issues and accountancy treatment	
Step 6	Ascertaining affordability and funding requirement	Financial case
Action 19	Prepare financial model and financial appraisals	
Step 7	Planning for successful delivery	Management case
Action 20	Plan project management - strategy, framework and outline plans	
Action 21	Plan change management - strategy, framework and outline plans	
Action 22	Plan benefits realisation - strategy, framework and outline plans	
Action 23	Plan risk management - strategy, framework and outline plans	

Action 24 Plan post project evaluation – strategy, framework and outline plans

*Output* Outline Business Case

*Outcome* Planned procurement for VFM solution

*Review point* Gateway 2 – procurement strategy

<b>Phase 3 - procurement</b>	<b>Preparing the Full Business Case (FBC)</b>	
<b>Step 8</b>	<b>Procuring the VFM Solution</b>	<b>Economic case</b>
Action 25	Revisit the case for change	
Action 26	Revisit the OBC options, including the PSC	
Action 27	Detail procurement process and evaluation of best and final offers (BAFOs) (in £s)	
<b>Step 9</b>	<b>Contracting for the deal</b>	<b>Commercial case</b>
Action 28	Set out the negotiated deal and contractual arrangements	
Action 29	Set out the financial implications of the deal	<b>Financial case</b>
<b>Step 10</b>	<b>Ensuring successful delivery</b>	<b>Management case</b>
Action 30	Finalise project management arrangements and plans	
Action 31	Finalise change management arrangements and plans	
Action 32	Finalise benefits realisation arrangements and plans	
Action 33	Finalise risk management arrangements and plans	
Action 34	Finalise contract management arrangements and plans	
Action 35	Finalise post project evaluation arrangements and plans	
<b>Output</b>	<b>Full Business Case</b>	

<i>Outcome</i>	<i>Recommended service provider and solution</i>
<i>Review point</i>	<i>Gateway 3 - investment decision</i>

## FBC TEMPLATE AND SUPPORTING GUIDANCE

### 1. Executive summary

#### 1.1 Introduction

This FBC seeks approval to invest £..... in a contract for x years with ..... for the following services in.....

#### 1.2 Strategic case.

##### *1.2.1 The strategic context*

Please summarise the strategic drivers for this investment, with particular reference to supporting strategies, programmes and plans.

##### *1.2.2 The case for change*

Please summarise the business needs for this investment, with particular reference to existing difficulties and the need for service improvement.

#### 1.3 Economic case

##### *1.3.1 OBC long list and short list*

Please summarise the long and short lists of options explored in the OBC, with results.

##### *1.3.2 The procurement.*

Please provide a concise overview of the procurement process - from long list to short list and best and final offers (BAFOs).

The following short list emerged as a result of the BAFOs in relation to the scheme:

- option 1 - the reference project or Public Sector Comparator (PSC) (if this is required)
- option 2 - supplier A
- option 3 - supplier B
- option 4 - supplier C

### 1.3.3 Key findings

#### *The economic appraisals*

Set out the findings from the economic appraisals here.

	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 1 - PSC</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 2 - supplier A</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 3 - supplier B</b>		

Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 4 - supplier C</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		

### *Option appraisal conclusions*

- Option 1: PSC - this option ranks .....
- Option 2: supplier A - this option ranks .....
- Option 3: supplier B - this option ranks .....
- Option 4: supplier C - this option ranks .....

### *1.3.4 Overall findings: the preferred option*

Summary of overall results

Evaluation Results	Option 1 - PSC	Option 2 - supplier A	Option 3 - supplier B	Option 4 - supplier C
Economic appraisals				
Benefits appraisal				
Risk appraisal				
Overall ranking				

Overall conclusions and recommendations: .....

1.4 Commercial case

*1.4.1 Agreed products and services*

The following goods and services are being contracted.....

*1.4.2 Agreed risk allocation and charging mechanism*

The following risk allocation and supporting charging mechanism have been agreed.....

*1.4.3 Key contractual arrangements*

A copy of the intended contract is attached at Appendix.... This is based upon.....

The key contractual issues are as follows: .....

There are no personnel implications and TUPE does NOT apply (please alter as required).

*1.4.4 Agreed implementation timescales*

The key milestones and delivery dates are as follows: .....

*1.4.5 Accountancy treatment*

The agreed accountancy treatment is .....

## 1.5 Financial case

The financial implications of this procurement are as follows: .....

### *1.5.1 Financial expenditure*

Summary of financial appraisal

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred choice:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

### *1.5.2 Overall affordability and balance sheet treatment*

Please summarise the overall affordability of the scheme - both in terms of its capital and revenue consequences - over the lifespan of the investment.

Where the scheme requires the support and approval of external parties, please indicate that this is forthcoming. A letter of support should be attached as an appendix.

In instances where the investment is above the delegated limit of the organisation and/ or is 'novel and contentious', please indicate the sums requiring approval and any additional funding requirements.

## 1.6 Management case

### *1.6.1 Project management arrangements*

Please summarise the project management arrangements for the scheme, with reference to programme management arrangements, as required.

### *1.6.2 Benefits realisation and risk management*

Please summarise these arrangements.

### *1.6.3 Post project evaluation arrangements*

Please summarise these arrangements, with reference to arrangements for the Gateway Review process, as required.

## **1.7 Recommendation**

Please formally make the required recommendation for approval of the scheme to proceed to delivery of the scheme.

**Signed:**

**Date:**

**Senior Responsible Owner  
Project**

## 2. The Strategic Case

### 2.0 Introduction

This Full Business Case (FBC) is for the provision of .....

#### *Structure and content of the document*

The FBC has been prepared using the agreed standards and format for business cases, as set out in .....

The approved format is the Five Case Model, which comprises the following key components:

- the **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the scheme
- the **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money (VFM)
- the **commercial case** section. This sets out the content of the proposed deal
- the **financial case** section, which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation
- the **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality.

Please update how the 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.

Please refer back to the Strategic Outline Programme (SOP), Strategic Outline Case (SOC) and Outline Business Case (OBC), noting any key changes since the production and approval of these documents.

### Part A: the strategic context

#### 2.1 Organisational overview

Please provide an updated overview of the organisation(s) making the case for investment in the scheme.

## 2.2 Business strategies

Please reference the business strategy for the organisation(s), and any related national or regional strategies, noting any changes since agreement to the OBC for the scheme.

In the main, this will include consideration of national policy documents, regional plans and supporting SOPs and other relevant initiatives.

## 2.3. Other organisational strategies

Please provide an update on any other related organisational strategies, as appropriate.

## Part B: the case for change

### 2.4 Investment objectives

The investment objectives for this project are as follows:

- investment objective 1: .....
- investment objective 2: .....
- investment objective 3: .....
- investment objective 4: .....
- investment objective 5: .....

Please note any changes from the OBC.

### 2.5 Existing arrangements

This section describes the existing situation with regard to the scheme and associated investment.

The existing arrangements are as follows: .....

Note: if applicable - for example, in the case of a replacement service - details of existing costs can be included here.

Table 1: existing costs

Existing costs (£)	Service stream	Service stream	Service stream	Service stream	Total
Current					
Capital					
Duration of contract					

**2.6 Business needs**

This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs and any changes since submission of the OBC.

**2.7 Potential business scope and key service requirements**

This section describes the potential scope for the project in relation to the above business needs and any changes since submission of the OBC.

**2.8 Main benefits criteria**

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

Table 2: investment objectives and benefits

Investment Objectives	Main benefits criteria by stakeholder group
Investment objective 1	<b>Patients</b> Cash releasing (£s) <i>For example, avoided costs</i> Non cash releasing (£s) <i>For example, staff time saved (x hours)</i> Qualitative <i>For example, staff morale</i> <b>Clinicians</b> Ditto <b>Administrators</b> Ditto
Investment objective 2	
Investment objective 3	
Investment objective 4	
Investment objective 5	

The main 'dis-benefits' are as follows: (if applicable)

## 2.9 Main risks

The main business and service risks (design, build and operational over the lifespan of the scheme) associated with the scope for this project are shown below, together with their counter measures.

For further details, please see the attached risk register.

Table 3: main risks and counter measures

Main Risk	Counter Measures
Design	

<p>Development</p> <ul style="list-style-type: none"> <li>• supplier</li> <li>• specification</li> <li>• timescale</li> <li>• change management and project management</li> </ul>	
<p>Implementation risks</p> <ul style="list-style-type: none"> <li>• supplier</li> <li>• timescale</li> <li>• specification and data transfer</li> <li>• cost risks</li> <li>• change management and project management</li> <li>• training and user</li> </ul>	
<p>Operational risks</p> <ul style="list-style-type: none"> <li>• supplier</li> <li>• availability</li> <li>• performance</li> <li>• operating cost</li> <li>• project management</li> </ul>	
<p>Termination risks</p>	

Note: this table shows the main risk categories typically associated with the provision of the service. Table 10 in section 3.8.2 below shows the risk categories more generally associated with construction projects.

## 2.10 Constraints

The project is subject to following constraints: .....

Note: any changes since the OBC should be noted.

## 2.11 Dependencies

The project is subject to following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme: .....

Note: any changes since the OBC should be noted.

**3. The Economic Case**

**3.1 Introduction**

In accordance with the Capital Investment Manual and requirements of HM Treasury’s Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the FBC documents the procurement process and provides evidence to show that we have selected the most economically advantageous offer, which best meets our service needs and optimises value for money.

**3.2 Critical success factors**

The critical success factors (CSFs) shown within the OBC were as follows: .....

**3.3 The long-listed options**

The long list evaluated within the OBC was as follows: .....

Table 4: long list - summary of inclusions, exclusions and possible options

Options	Finding
<b>1.0 Scoping</b>	
1.1 Do nothing	
1.2 Minimum scope	
1.3 Intermediate scope	
1.4 Maximum scope	
<b>2.0 Service solutions</b>	
2.1	
2.2	
<b>3.0 Service delivery</b>	
3.1 In house	
3.2 Outsource	
3.3 Strategic partnership	
<b>4.0 Implementation</b>	

4.2 Big bang	
4.3 Phased	
<b>5.0 Funding</b>	
5.1 Private funding	
5.2 Public funding	

### Preferred way forward

The preferred way forward at SOC and OBC stages was as follows: .....

### 3.4 Short-listed options

The short listed options shown within the OBC were as follows:

- option 1 - the do nothing, do minimum 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.

### Preferred option

The preferred and agreed option at OBC stage was as follows: .....

This was the solution we went to procurement for.

### 3.5 The procurement process

We used the following procurement route: .....

The response (to the OJEU) was as follows: .....

### ***3.5.1 Long list criteria***

The long list criteria were as follows: .....

### ***3.5.2 Long list***

As a result of applying these criteria, the evaluation list was as follows: .....

### ***3.5.3 Short list criteria***

The short list criteria were as follows: .....

### ***3.5.4 Short list***

As a result of applying these criteria, the evaluation list was as follows: .....

Note: the short list generally comprises the successful suppliers following BAFOs. In instances where a 'preferred bidder' is appointed, the short list should be made up of the selected service provider; the second choice, or standby service provider, (if applicable); and the adjusted public sector comparator (PSC). The PSC is predicated upon the 'in-house', or some alternative method, of service provision. It should not be a hypothetical solution; but rather an alternative method of service provision which is capable of implementation, if required.

## **3.6 Economic appraisal**

### ***3.6.1 Introduction***

This section provides a detailed overview of the costs and benefits associated with each of the selected service providers.

More detailed information is shown for each cost and benefit line within the economic appraisals at Appendix.....for each option.

### 3.6.2 Estimating benefits

#### Methodology

Please provide an update of any changes since the OBC particularly in relation to tasks associated with the preparation of the benefits register and benefits realisation plan for the scheme.

#### Description, sources and assumptions

The benefits identified fell into the following **main** categories. In each case, the sources and assumptions underlying their use is explained. A more detailed explanation for each benefit line is attached to the economic appraisals in Appendix....

Note: please note that as before (when preparing the OBC) benefits fall into different categories which require different treatment within the FBC appraisals supporting the economic and financial cases.

Table 5: main benefits

Type	Direct to Organisation(s)	Indirect to Organisation(s)
Quantitative (or quantifiable)	Measurable - for example, £s or numbers of transactions etc	As shown
Cash releasing	These are financial benefits - for example, avoided spend, reduced cost etc	As shown
	<i>The above are accounted for in the financial case appraisals</i>	<i>The above are not accounted for in the financial case appraisals</i>
Non-cash releasing	These are economic benefits - for example, opportunity cost of staff time etc	As shown
	<i>All of the above are accounted for in the economic case</i>	<i>All of the above are accounted for in the economic case</i>

	<i>appraisals</i>	<i>appraisals</i>
Qualitative (or non-quantifiable)	Non-measurable - for example, quality improvements such as patient well-being, improved morale etc	As shown
	<i>Subject to weighting and scoring - see below</i>	<i>Subject to weighting and scoring - see below</i>

### ***3.6.3 Estimating costs***

#### *Methodology*

Please update since the preparation of the OBC, as required.

#### *Description, sources and assumptions*

The costs associated with the PSC for the scheme were estimated as follows: .....

The 'attributable' costs falling to the organisation and public sector were estimated as follows and are accounted for within each of the economic appraisals for each option.

All other costs for each option were provided by the successful service provider at BAFO stage.

Note: there should be very little requirement for the use of optimism bias at this stage because all of the costs and benefits should have been risk-adjusted (in £s) and the 'cost of risk retained' under each option accounted for in the economic appraisals.

### ***3.6.4 Net present cost findings***

The detailed economic appraisals for each option are attached at Appendix ... together with detailed descriptions for costs and benefits, and their sources and assumptions.

The short-listed options have been risk-adjusted to account for the cost of risk retained (in £s) by the public sector under each option. The following table

summarises the key results of the economic appraisals for each option - please consider whether sums for the cost of risk retained need to be shown separately.

Table 6: key results of the economic appraisals for each option

	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 1 - PSC</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 2 - supplier A</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
Total costs		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)

<b>Option 3 - supplier B</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		
	Undiscounted (£)	Net Present Cost (Value) (£)
<b>Option 4 - supplier C</b>		
Capital		
Revenue		
Risk retained		
Optimism bias (if applicable)		
<b>Total costs</b>		
<i>Less</i> cash releasing benefits		
Costs net cash savings		
Non-cash releasing benefits		
<b>Total</b>		

### *3.6.5 Option ranking*

The results are summarised and in the following table:

Table 7: Summary of results

Option	Description	Ranking				
		NPC (£s)	Cash benefit	Non cash benefit	Cost net cash savings	Costs net all savings
1	PSC					
2	Supplier A					
3	Supplier B					
4	Supplier C					

### *3.6.6 Option appraisal conclusions*

The key findings are as follows: .....

#### *Option 1 - PSC*

This option ranks.....

It provides .....

#### *Option 2 - supplier A*

This option ranks.....

It provides .....

#### *Option 3 - supplier B*

This option ranks.....

It provides .....

#### *Option 4 - supplier C*

This option ranks.....

It provides .....

### 3.7 Qualitative benefits appraisal

The qualitative benefits associated with each of the short-listed options have been appraised as follows.....

#### 3.7.1 Methodology

This was undertaken by:

- identifying the benefits criteria relating to each of investment objectives
- weighting the relative importance (in %) of each benefit criterion in relation to each investment objective
- scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9
- deriving a weighted benefits score for each option.

#### 3.7.2 Qualitative benefits criteria

The benefits criteria were weighted as follows for each investment objective:

Table 8: qualitative benefits criteria

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

### 3.7.3 Qualitative benefits scoring

Benefits scores were allocated on a range of 0-9 for each option and agreed by discussion by the workshop participants to confirm that the scores were fair and reasonable.

### 3.7.4 Analysis of key results

The results of the benefits appraisal are shown in the table that follows.

Table 9: benefits appraisal results

Benefit Criteria and Weight	Option - PSC		Option 2 - Supplier A		Option 3 - Supplier B		Option 4 - Supplier C	
	R	W	R	W	R	W	R	W
Raw (R) weighted (W) scores								
Investment objective 1								
Investment objective 2								
Investment objective 3								
Investment objective 4								
Investment objective 5								
<b>Total</b>								
<b>Rank</b>								

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

- option 1 - PSC

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- **option 2 - supplier A**

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- **option 3 - supplier B**

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- **option 4 - supplier C**

This option ranks.....

It provides .....

Key considerations influencing its score are .....

### 3.8 Risk appraisal - unquantifiables

Note: all the quantifiable risks should be measured (in £s) and included in the cost of risk retained for each option. There should be little need for the use of optimism bias at this stage.

All risks should be accounted for in the attached risk register.

The assessment of the non-financial risks should be recorded as shown below.

A workshop was held at ..... on ..... to evaluate the risks associated with each option.

#### 3.8.1 Methodology

Risk appraisal has been undertaken and involved the following distinct elements:

- identifying all the possible business and service risks associated with each option
- assessing the impact and probability for each option
- calculating a risk score.

#### 3.8.2 Risk scores

The workshop assigned the risk scores shown in the following table on the basis of participants' judgements and assessments of previous procurements. A more detailed assessment of the individual risks is shown in the risk register.

The range of scales used to quantify risk for both impact and probability was as follows:

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

Table 10: summary of the risk appraisal results

Summary of Risk Appraisal Results (Pr = probability)	Risk category no.	Impact	Option 1 - PSC	Option 2 - Supplier A	Option 3 - Supplier B	Option 4 - Supplier C

			Pr.	Tot	Pr.	Tot.	Pr.	Tot.	Pr.	Tot
Risk description										
Risk description										
Risk description										
Risk description										
<b>Total</b>										
<b>Rank</b>										

### *Results*

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

- **option 1 - PSC**

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- **option 2 - supplier A**

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- option 3 - supplier B

This option ranks.....

It provides .....

Key considerations influencing its score are .....

- option 4 - supplier C

This option ranks.....

It provides .....

Key considerations influencing its score are .....

### 3.9 The preferred option - selected supplier

The results of investment appraisal are as follows:

Table 11: summary of overall results

Evaluation Results	Option 1 PSC	Option 2 supplier A	Option 3 supplier B	Option 4 supplier C
Economic appraisals				
Benefits appraisal				

Risk appraisal				
<b>Overall Ranking</b>				

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

### 3.10 Sensitivity analysis

The methods used were:

- a) 'switching values'
- b) 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.

#### 3.10.1 Results of switching values

Table 12 shows the values (in %s) at which the preferred option would change in the overall ranking of options.

Table 12: changes (%) 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		

### 3.10.2 Key observations

These are: .....

### 3.10.3 Results of scenario planning

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

Table 13: summary of results from scenario planning

	Option 1 - benchmark	Option x - the preferred option
Sensitivity analysis on benefits		
Sensitivity analysis on costs		
New order in ranking		

### 3.10.4 Key observations

These are: .....

### 3.11 Preferred option

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

## 4. THE COMMERCIAL CASE

### 4.1 Introduction

This section of the FBC sets out the negotiated arrangements.

This is for the provision of .... under a .... contract with.....

### 4.2 Required services

The products and services under contract are as follows: .....

### 4.3 Agreed risk transfer

The general principle is that risk is passed to 'the party best able to manage them', subject to value for money.

We have agreed that we will apportion service risks in the design, build and operational phases as follows: .....

Table 14: Risk transfer matrix

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	✓		

#### 4.4 Agreed charging mechanisms

The payment mechanism agreed with the service provider with respect to the proposed products and services is as follows: .....

Importantly, this should explain how the transferred risks are being tied down in the payment mechanism.

#### 4.5 Agreed contract length

This is ..... years for the following reasons.....

#### 4.6 Key contractual clauses

These are as follows: .....

#### 4.7 Personnel implications (including TUPE)

TUPE - the Transfer of Undertakings (Protection of Employment) Regulations 1981 - will/ will not apply to this investment because.....

#### 4.8 Procurement route and implementation timescales

The solution was procured using.....

The implementation milestones agreed for the scheme with the service provider are as follows: .....

#### 4.9 FRS 5 accountancy treatment

The assets underpinning delivery of service will/will not be on the balance sheet of the organisation..... This has been confirmed by .....

**5.0 The Financial Case**

**5.1 Introduction**

The purpose of this section is to set out firm financial implications of the contracted solution.

**5.2 Impact on the organisation’s income and expenditure account**

The payment stream for the scheme over the intended lifespan of the project is as follows:

Table 15: summary of financial appraisal

£ xxx	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£	£	£	£	£	£	£	£
<b>Preferred choice:</b>								
Capital								
Revenue								
<b>Total</b>								
<b>Funded by:</b>								
Existing								
Additional								
<b>Total</b>								

**5.3 Impact on the balance sheet**

The proposed expenditure will have the following impact.....

**5.4 Overall affordability**

The cost of the project is ... over the expected lifespan of the contract period.  
 Our commissioners have signified their agreement to the required level of funding required as follows: .....

Note: costs should be broken down, as appropriate, within the categories shown for the design, build and operational phases of the scheme. In all cases, capital charges, VAT, and the cost of risk should be shown separately.

6. The Management Case

6.1 Introduction

This section of the FBC addresses in detail how the scheme will be delivered successfully.

6.2 Programme management arrangements

The scheme is an integral part of the ..... programme, which comprises of a portfolio of projects for the delivery of.....

These are set out in the SOP for the project, which was agreed on.....

The programme management arrangements are as follows: .....

6.3 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

6.3.1 Project reporting structure

The reporting organisation and the reporting structure for the project are as follows: .....

Note: a diagram with named individuals is essential.

6.3.2 Project roles and responsibilities

These are as follows: .....

6.3.3 Project plan

This is as set out in the following table.

Table 16: project plan

Milestone Activity	Week No.
--------------------	----------

Milestone Activity	Week No.

#### 6.4 Use of special advisers

Special advisers were used as follows:

Table 17: special advisers

Specialist Area	Adviser
Financial	
Technical	
Procurement and legal	
Business assurance	
Other	

#### 6.5 Arrangements for change management

The strategy, framework and plan for dealing with change management are as follows.....

#### 6.6 Arrangements for benefits realisation

The strategy, framework and plan for dealing with the management and delivery of benefits are as follows.....

A copy of the project benefits register is attached at Appendix .....

This sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures.

#### 6.7 Arrangements for risk management

The strategy, framework and plan for dealing with the management of risk are as follows.....

A copy of the project risk register is attached at Appendix .....

This sets out who is responsible for the management of risks and the required counter measures.

## **6.8 Arrangements for contract management**

The strategy, framework and plan for contract management are as follows.....

## **6.9 Arrangements for post project evaluation**

The arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with best practice and are as follows:

### ***6.9.1 Post implementation review (PIR)***

This review ascertains whether the anticipated benefits have been delivered. The review is timed to take place .....

### ***6.9.2 Project evaluation review (PER)***

This review appraises how well the project was managed and whether or not it delivered to expectations. It is timed to take place .....

## **6.10 OGC Gateway review arrangements**

The impacts/risks associated with the project have been scored against the OGC Risk Potential Assessment (RPA) for projects. The RPA score is ....., The assessment is attached at Appendix....

A Gate 3 (investment decision) has been undertaken on the project, in conjunction with the submission of the draft FBC. The consequent actions have been addressed as follows.....

Further reviews are planned as follows: .....

### **6.11 Contingency plans**

In the event that this project fails, the following arrangements are in place to guarantee the continued delivery of the required services and outputs.....

**Signed:**

**Date:**

**Senior Responsible Owner  
Project Team**

# TEMPLATE 5: BUSINESS JUSTIFICATION

Project Title:

Business Justification

Version no:

Issue date:

**Purpose of this document**

This document provides a template for business cases in support of small and medium size investments - typically those below £2 million whole life costs that are **not** novel or contentious in nature.

The SOC, OBC and FBC templates should be used to progress the business case for significant procurements, in excess of this guideline.

Please note that this template is for guidance purposes only.

**VERSION HISTORY**

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	00.00.00	First draft version	



## CONTENTS - BUSINESS JUSTIFICATION TEMPLATE

### TEMPLATE AND SUPPORTING GUIDANCE

1. Purpose
2. Strategic context
3. Case for change
4. Available options
5. Preferred option
6. Procurement route
7. Funding and affordability
8. Management arrangements

### Appendix

Investment appraisals

## BUSINESS JUSTIFICATION TEMPLATE AND SUPPORTING GUIDANCE

### 1. Purpose

State clearly what the business justification is in support of: typically - 'this is to seek approval of ... for £ ... on ... in support of ...'

### 2. Strategic Context

Please provide an overview of the context within which the investment will be made. In other words, the strategy, work programme, service, project or operation, which the investment supports.

### 3. Case for Change

#### A. Business needs

Please provide the compelling reasons for investment in the required services or assets, with reference to:

- the investment objectives for the procurement
- the problems with the status quo.

#### B. Benefits

Please provide a summary of the **main** benefits associated with the investment, distinguishing between qualitative and quantitative; cash releasing and non-cash releasing; direct and indirect to the organisation, as appropriate.

#### C. Risks

Please provide a summary of the **main** risks associated with the investment, distinguishing between business and service risks during the design, build and operational phases of the project, as appropriate.

### 4. Available Options

Please provide a description of the main options (or choices) for investment, together with their relative advantages and disadvantages (a SWOT analysis).

Please bear in mind:

- that a minimum of **four options** should be considered, including the 'do minimum' or 'do nothing' (unless there are compelling reasons to the contrary)

- that these options may differ in potential business scope, service solution, service delivery, implementation and funding, depending on the nature of the investment
- that the investment appraisal for each option should be contained as an appendix and prepared in accordance with the tools and techniques set out in the Capital Investment Manual and HM Treasury Green Book.

## 5. Preferred Option

On the basis of the above, please:

- state why the recommended option optimises value for money (VFM)
- describe the services and/or assets required.

## 6. Procurement Route

Please state how the asset or service will be procured in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004).

This may involve the use of an existing contract; a call-off contract or framework agreement; or the requirement for a new procurement under the above.

## 7. Funding and Affordability

Please indicate:

- the capital and revenue costs of the proposed investment
- how the investment will be funded
- any affordability gap (as appropriate).

## 8. Management Arrangements

Please indicate how the investment will be delivered successfully with particular reference to:

- project management arrangements
- business assurance arrangements (if applicable)
- benefits realisation monitoring
- risk management
- post project evaluation (if applicable)
- contingency plans (if applicable).