



SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP

# Advice to Scheme Promoters on the Development of Business Cases

Version 8

August 2018



TOGETHER.STRONGER



# Contents

Section	Page Number
1 Introduction	2
2 The Business Case	3
3 Guidance on the development of business cases	5
4 Contact	6

# 1 Introduction

This is version seven of our advice to scheme promoters on the development of business cases and signposts to central government guidance.

The Solent LEP Assurance Framework sets out the requirements for investment decision making, and in relation to larger and more complex projects an investment decision must be informed by a Full Business Case (FBC that is developed in accordance with Her Majesty's Treasury (HMT) [Green Book](#) (or equivalent) guidance.

All FBCs that are being considered for investment will be published for public consultation on the Solent LEP website. The consultation period will ordinarily last for 12 weeks and a summary of consultation responses will also be published by the LEP within 12 weeks of the closing date of the consultation.

It is important that the LEP is able to demonstrate high value for money<sup>1</sup> of its investments in accordance with HMT Green Book and scheme proposers will be required to demonstrate this through compliance with Departmental appraisal guidance that is current at the time of the submission of the business case.

---

<sup>1</sup> The LEP Board may consider funding projects that do not demonstrate high value for money through standard appraisal methodology, where there is a compelling and / or transformational strategic case.

## 2 The Business Case

The business case is a management tool and is developed over time as a living document as the proposal develops. The Business Case keeps together and summarises the results of all the necessary research and analysis needed to support decision making in a transparent way. In its final form it becomes the key document of record for the proposal, also summarising objectives, the key features of implementation management and arrangements for post implementation evaluation. Business cases can cover a wide range of types and levels of spending. Each case will be developed to reflect the type of proposal being considered. The effort departments expend on developing the proposal should be proportionate to the likely costs and benefits.

### **Business Case Structure**

Business cases can be broken down into 5 different aspects which are interconnected but distinct (namely, the strategic, economic, financial, commercial and management aspects of the case). The business case should enable Treasury and other stakeholders to ascertain that proposals:

- are supported by a robust Case for Change – **the Strategic Case**;
- optimise Value for Money – **the Economic Case**;
- are commercially viable – **the Commercial Case**;
- are financially affordable – **the Financial Case**; and,
- can be delivered successfully – **the Management Case**.

All of these aspects are important; however, their size will vary from proposal to proposal depending upon its nature and complexity. Some less complex business cases particularly those not involving significant new procurement, new systems or new building construction may need little or nothing by way of a commercial case and require a less complex management case. These cases will be developed as the Business Case progresses.

The business case develops iteratively over time, often in 3 distinct stages with more detail being provided at each stage.

### **Stage 1 – Strategic Outline Case (SOC) - the scoping stage.**

The purpose of the SOC is to confirm the strategic context of the proposal; to make a robust case for change; and to provide stakeholders and customers with an early indication of the proposed way forward (but not yet the preferred option), having identified and undertaken SWOT analysis (Strengths Weaknesses Opportunities Threats) on a wide range of available options, together with indicative costs. This phase maps onto OGC Gateway 1 (Business Justification).

At this stage, you might expect:

- the Strategic Case – completed in full but may be revised later;
- the Economic Case – completed to the long-list of alternative options stage, with a recommended way forward (£) and an initially recommended shortlist for further examination at OBC stage;
- the Commercial Case – addresses the fundamentals of any potential Procurement and Deal;
- the Financial Case – discusses the likely affordability of the proposed Scheme; and,
- the Management Case – outlines how the project will be set up and managed,

## **Stage 2 - Outline Business Case (OBC) - the detailed planning phase.**

The purpose of the OBC is to revisit the SOC in more detail and to identify a preferred option which demonstrably optimises Value for Money. It also sets out the likely Deal; demonstrates its affordability; and details the supporting Procurement Strategy, together with management arrangements for the successful rollout of the Scheme. This phase maps onto OGC Gateway 2 (Procurement Strategy).

At this stage, you might expect:

- the Strategic Case – revisited;
- the Economic Case – completed according to the Green Book;
- the Commercial Case – outlines envisaged Deal structure/s and key contractual clauses and payment mechanisms;
- the Financial Case – contains a detailed analysis of affordability and any funding gaps;
- the Management Case – develops in more detail how the scheme will be delivered with an outline of the proposed programme/project management plan and if ITC is involved in accordance with PRINCE 2 methodology.

The Solent LEP [Large Project Application Template](#) aims to capture the information that is required within an OBC.

## **Stage 3 - Full Business Case (FBC) - detailed final phase.**

This takes place within the procurement phase of the project, following detailed negotiations with potential service providers/suppliers prior to the formal signing of contracts and the procurement of goods and services. This is usually the stage at which final Treasury approval is required.

The purpose of the FBC is to revisit the OBC and record the findings of the subsequent procurement activities; together with the recommendation for an affordable solution which continues to optimise value for money, and detailed arrangements for the successful delivery of required goods and implementation of services from the recommended supplier/s. This phase maps on OGC Gateway 3 (Investment Decision).

At this stage, you might expect:

- the Strategic Case – revisited and revised if required.
- the Economic Case – the findings of the procurement included in the analysis and recorded;
- the Commercial Case – the recommended Deal written-up;
- the Financial Case – affordability and funding issues resolved;
- the Management Case – the detailed plans for delivery and arrangements for the realisation of benefits, management of risk; and post evaluation are recorded.

**The scheme lead is responsible for all costs associated with the development of the Business Case. All business cases are developed at the risk of the scheme lead.**

### 3 Central Government Guidance on the Development of Business Cases

To access LEP funding for large projects, the Solent LEP will the scheme lead / promoter to develop an Outline Business Case (OBC) and / or a Full Business Case (FBC). Each is developed at risk by scheme proposer.

The OBC and the FBC are described in section 2. OBCs and FBCs must be developed in accordance with the guidance (or any subsequent guidance issued) by Government and the LEP's accountable body (Portsmouth City Council) as signposted below. It is the responsibility of the scheme lead / promoter to ensure that they are using the latest guidance issued.

#### **Equalities Act 2010**

In developing business cases, applicants must be very mindful of the obligations under the Equality Act 2010 and in particular the impact of the proposals on groups with protected characteristics. Consideration of the requirements of the Act should be demonstrated within the business case. Further information on Equalities Impact Assessment can be found here:

[https://www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-\(eia\)](https://www.portsmouth.gov.uk/ext/the-council/equalities/equality-impact-assessments-(eia))

#### **Guidance**

Advice on the production of a Green Book compliant business case is available in [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/469317/green\\_book\\_guidance\\_public\\_sector\\_business\\_cases\\_2015\\_update.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/469317/green_book_guidance_public_sector_business_cases_2015_update.pdf).

In December 2016 the Department for Communities and Local Government (DCLG) published [The DCLG Appraisal Guide](#), which focusses on mainly the economic appraisal of development, including housing, commercial development and land-based interventions. However, the Guide also provides guidance on the metrics and appraisal information that needs to be calculated and presented for all policies.

For transport schemes, business cases must be developed in accordance with WebTAG advice provided by Department for Transport:

<https://www.gov.uk/guidance/transport-analysis-guidance-webtag#history>.

For all other investments, business cases should be developed in accordance with the guidance provided by HM Treasury:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/469317/green\\_book\\_guidance\\_public\\_sector\\_business\\_cases\\_2015\\_update.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/469317/green_book_guidance_public_sector_business_cases_2015_update.pdf)

Business cases will need to demonstrate how the proposal is state aid compliant. Additional guidance on this may be issued.

## 4 Contact

For further information please contact the Solent LEP on:

[info@solentlep.org.uk](mailto:info@solentlep.org.uk)

02392 688 924