



SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP

Advice to Scheme Promoters on the Development of Business Cases

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TOGETHER.STRONGER



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1 Introduction

This is version ten of our advice to scheme promoters on the development of business cases.

The Solent LEP Assurance Framework sets out the requirements for investment decision making. 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 and a monitoring and evaluation framework, in line with the principles of the National Assurance Framework and [HMT's Magenta Book](#).

Scheme Promoters should note that HM Treasury updated the Green Book during 2020 to ensure that investment spreads opportunity across the UK. Specifically, HM Treasury has updated the Green Book to end the dominance of the benefit cost ratio (BCR) in decision making.

In line with these changes, the Solent LEP will require appraisals to give a comprehensive picture of cost and benefits, including non-monetisable, non-economic impacts. In particular, options will be assessed first and foremost on whether they deliver relevant LEP policy objectives (for instance, supporting the Solent to become the UK capital of coastal renaissance). Any option which fails to do so cannot be considered value for money and will not progress to shortlisting stage.

The government has also changed the guidance so it will no longer be acceptable for proposals to be 'place blind'. The LEP will therefore require business cases to be developed to align with relevant local strategies and major interventions in the area. Business cases for all proposals will have to set out how they will impact different places across the Solent on a comply or explain basis.

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 (should any be received) will also be published by the LEP within 12 weeks of the closing date of the consultation. In some circumstances, for example, where there is a need to support early project delivery, a shorter consultation period may be set by the Board of the LEP.

It is important that the LEP is able to demonstrate the value for money¹ 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.

¹ 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 project sponsors expend on developing the proposal should be proportionate to the likely costs and benefits.

Business Case Structure

Business cases can be broken down into five different aspects which are interconnected but distinct (namely, the strategic, economic, financial, commercial and management aspects of the case). The business case should enable The LEP (and if applicable, Government Departments) 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 three 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,

In addition and as previously referenced all Scheme Promoters should note that HM Treasury

updated the Green Book during 2020 to ensure that investment spreads opportunity across the UK. Specifically, HM Treasury has updated the Green Book to end the dominance of the benefit cost ratio (BCR) in decision making.

In line with these changes, the Solent LEP will require appraisals to give a comprehensive picture of cost and benefits, including non-monetisable, non-economic impacts. In particular, options will be assessed first and foremost on whether they deliver relevant LEP policy objectives (for instance, supporting the Solent to become the UK capital of coastal renaissance). Any option which fails to do so cannot be considered value for money and will not progress to further stages.

Also the SOC must align with relevant local strategies and major interventions in the Solent area. The SOC for all proposals will have to set out how they will impact different places across the Solent on a comply or explain basis.

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 unless agreed with the LEP. 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 invite 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://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>.

In December 2016 the Department for Communities and Local Government (DCLG)² 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>.

In line with guidance from the [Department for Transport](#), any bidding Local Authorities will also be required to place their business case on their own websites when bids are submitted for funding. During the period when Solent LEP is consulting on a Full Business Case, a Local Authority will be required to provide a link to the consultation on their FBC for publishing on the Solent LEP website.

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

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>.

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

² Now the Ministry for Housing, Communities, and Local Government

4 Decision Making

Parts D and E of the Solent LEP Assurance Framework set out the decision making process and this will also be set out in the relevant Fund guidance.

The following documents will be made available to the LEP Board (or relevant investment panel in line with the scheme of delegation) in advance of making funding decisions in order to inform the Board or Panel's decision making in relation to a project:

- The application made for funding;
- An appraisal of the application (This will include the independent appraisal that Solent LEP adopt for large scale projects and SME investments over £100,000);
- A view by legal and financial expert;
- A recommendation as to whether to approve the funding proposal or not;
- A recommendation about conditions that should be attached to the proposal.

4 Contact

For further information please contact the Solent LEP on:

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