

**Better Business Cases NI**

**Overview of the Five Case Model**

**SOC ~ OBC ~ FBC**

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## Overview of Five Case Model: SOC ~ OBC ~ FBC

Stage	Step Number and Description		Deliverables	HMT Guidance Reference	Gateway
<b>Stage 0</b>  <b>Strategic Assessment</b>	1	Determining the strategic context	Strategic Case 1 (SC1)	P.17	Gateway 0: Strategic Assessment
<b>Stage 1</b>  <b>Strategic Outline Case (SOC)</b>	2	Making the Case for Change	Strategic Case 2 (SC2)	P.19	Gateway 1: Business Justification
	3	Exploring the preferred way forward	Economic Case 1 (EC1)  Overview of the Commercial, Financial and Management Cases	P.27	
<b>Stage 2</b>  <b>Outline Business Case (OBC)</b>	4	Determining Value for Money (VfM)	Economic Case 2 (EC2)	P.43	Gateway 2: Delivery Strategy
	5	Preparing for the potential Deal	Commercial Case 1 (CC1)	P.61	
	6	Ascertaining affordability and funding requirement	Financial Case 1 (FC1)	P.68	
	7	Planning for successful delivery	Management Case 1 (MC1)	P.75	
<b>Stage 3</b>  <b>Full Business Case (FBC)</b>	8	Procuring the VfM solution	Strategic Case 3 (SC3)	P.85	Gateway 3: Investment Decision
			Economic Case 3 (EC3)		
	9	Contracting for the Deal	Commercial Case 2 (CC2)	P.88	
			Financial Case 2 (FC2)		
10	Ensuring successful delivery	Management Case 2 (MC2)	P.90		
<b>Key Considerations - (See overleaf for more info)</b>					
<b>Proportionate Effort</b>		<b>Appropriate Expertise</b>		<b>Rational Judgement</b>	

## Key Considerations

### Proportionate Effort

The development of business cases uses up resources. The effort that should go into it and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in view. Decisions on small expenditures need relatively little appraisal, while those with major spending implications require significant resources to be devoted to appraisal. Similar principles apply to ex post evaluation.

Judgement of proportionate effort should take into consideration the totality of the resources involved in a proposal. However, particular weight should be given to the total public funds involved, since it is primarily for these that public bodies are accountable to the taxpayer.

### Appropriate Expertise

As outlined in the [Best Practice Guide](#), the Five Case Model places an onus on the Senior Responsible Owner (SRO) of a project/programme/policy to seek the appropriate input, from the relevant experts (e.g. policy, finance, procurement, commercial, economist etc.) to develop each section (or case) of the BC before seeking approval. The extent of advice and support needed will be a matter of judgement for the SRO and will depend on a number of factors including the complexity of the proposal under consideration, the potential cost, whether it is a routine spend or one of a number of similar proposals, as well as the level of experience of the SRO or project team.

It is also important that the appraisal is appropriate in the sense that the correct methodology is used and tailored to suit the case in hand, because there are variations in how the steps of appraisal apply in different spending areas. Judging this is a matter of experience and departmental economists should be consulted where there is any doubt.

### Rational Judgement

Related to the concepts above, it is important that those involved in the BC process use rational judgement in terms of the nature, scope and scale of the BC. The guidance is there to be followed but each proposal is different and may not require all, or some of the actions identified in the HMT guidance. Proportionate effort and a common sense approach should be applied to ensure the BC is reasonably robust to enable a decision to be made on a preferred option, thereby illustrating potential VfM and aiding expenditure decisions. If in doubt, seek advice from the relevant experts.

## Overview of Strategic Assessment

Case	Step Number and Description		Better Business Case Action and Description		<u>HMT</u> <u>Guidance</u> <u>Reference</u>	Checklist for Each Step
Strategic Case	1	Determining the strategic context	1	Ascertain strategic fit	P.17	<ul style="list-style-type: none"> <li>• Clear understanding of the SC for the project and how it fits with other projects and programmes within the strategic portfolio to achieve organisational goals.</li> <li>• Senior management and key stakeholders should now have a high degree of confidence that the project is required, deliverable and deserving of a supporting business case.</li> </ul>

## Overview of Strategic Outline Case (SOC)

Case	Step Number and Description		Better Business Case Action and Description		HMT Guidance Reference	Checklist for Each Step
Strategic Case	2	Making the Case for Change	2	Agree strategic context	P.19	<ul style="list-style-type: none"> <li>Spending objectives.</li> <li>Existing arrangements and related business needs.</li> <li>Potential scope and service requirement.</li> <li>Potential benefits, risks, constraints and dependencies.</li> </ul>
			3	Determine spending objectives, existing arrangements and business needs	P.20	
			4	Determine potential business scope and service requirements	p.22	
			5	Determine benefits, risks, constraints and dependencies	P.23	
<b>Workshop 1 – Case for Change (P.26)</b>						
Economic Case	3	Exploring the preferred way forward	6	Agree critical success factors (CSFs)	P.27	<ul style="list-style-type: none"> <li>Critical Success Factors (CSFs).</li> <li>Wide range of long list options.</li> <li>Preferred way forward.</li> <li>Shortlist of options (3-4) including BAU and do minimum, with indicative present costs.</li> </ul>
			7	Determine long-list options and SWOT analysis	P.28	
			8	Recommended preferred way forward	P.35	
<b>Workshop 2 – Identifying and assessing the options (P.39)</b>						
<p><u>Complete the SOC by providing an overview of the commercial, financial and management arrangements for the successful delivery of the project - see P.40</u></p>						

## Overview of Outline Business Case (OBC)

Case	Step Number and Description		Better Business Case Action and Description		HMT Guidance Reference	Checklist for Each Step
Strategic Case	4	Determining Value for Money (VfM)	9	Revisit the SOC and determine the short-list	P.43	<ul style="list-style-type: none"> <li>The economic appraisals (NPSVs) for the short-listed options – risk adjusted and applying optimism bias (£).</li> <li>An assessment of both the non-monetised (qualitative) benefits and risks.</li> <li>An assessment of the uncertainties (sensitivity analysis).</li> </ul>
Economic Case			10	Prepare the economic appraisals for shortlisted options	P.44	
			11	Undertake benefits appraisal	P.51	
			12	Undertake risk assessment/appraisal	P.52	
			13	Select preferred option and undertake sensitivity analysis	P.57	
<b>Workshop 3 – Assessing the Short-listed Options (P.60)</b>						
Commercial Case	5	Preparing for the potential Deal	14	Determine procurement strategy	P.61	<ul style="list-style-type: none"> <li>Procurement strategy and routes in accordance with the appropriate procurement legislation.</li> <li>Potential Deals and required services.</li> <li>Implementation timescales for potential projects.</li> <li>Supporting charging/payment mechanisms.</li> <li>Contract(s) to be used and the key contractual issues, including TUPE (where applicable).</li> <li>A procurement notice.</li> </ul>
			15	Determine service streams and required outputs	P.62	
			16	Outline potential risk apportionment	P.63	
			17	Outline potential payment mechanisms	P.64	
			18	Ascertain contractual issues and accountancy treatment	P.66	
<b>Workshop 4 – Developing the Deals (P.68)</b>						

Case	Step Number and Description		Better Business Case Action and Description		HMT Guidance Reference	Checklist for Each Step
Financial Case	6	Ascertaining affordability and funding requirement	19	Prepare financial model and financial appraisals	P.68	<ul style="list-style-type: none"> <li>The capital and revenue implications of the project.</li> <li>The impact on the income and expenditure account of the organisation's charged for services (if applicable).</li> <li>The impact on the budget, other sources of funding available and any shortfalls.</li> <li>The impact of the project on the organisation's balance sheet.</li> <li>Written evidence of commissioner/stakeholder support (where applicable).</li> </ul>
Management Case	7	Planning for successful delivery	20	Plan project management	P.75	<ul style="list-style-type: none"> <li>Project management and governance arrangements.</li> <li>Project plan.</li> <li>Change management arrangements.</li> <li>Benefits realisation arrangements, including an attached benefits register;</li> <li>Risk management arrangements, including an attached risk register;</li> <li>Project assurance arrangements; and</li> <li>Post project evaluation arrangements.</li> </ul>
			21	Plan change management	P.77	
			22	Plan benefits realisation	P.78	
			23	Plan risk management	P.79	
			24	Plan Post-Project Evaluation	P.81	
<b>Workshop 5 – Successful Delivery Arrangements (P.83)</b>						



## Overview of Full Business Case (FBC)

Case	Step Number and Description		Better Business Case Action and Description		<u>HMT</u> <u>Guidance</u> <u>Reference</u>	Checklist for Each Step
Strategic Case	8	Procuring the VfM solution	25	Revisit the case for change	P.85	<ul style="list-style-type: none"> <li>Any changes to the strategic context and the case for change.</li> <li>The procurement process and the service providers' offers.</li> <li>How the selection of the service provider was made on the basis of an updated PSC (if applicable but usually only when assessing PFI/PPP) and the investment appraisal, including the benchmark VfM, using HM Treasury Green Book rules.</li> </ul>
Economic Case			26	Revisit the OBC options, including the PSC	P.86	
			27	Detail procurement process and evaluation of best and final offers (BAFOs) (in £s)	P.87	
Commercial Case	9	Contracting for the Deal	28	Set out the negotiated Deal and contractual arrangements	P.88	<ul style="list-style-type: none"> <li>The financial implications of the proposed deal, both in terms of the organisations contractual obligations and associated spend in support of the required services.</li> </ul>
Financial Case			29	Set out the financial implications of the Deal	P.89	
Management Case	10	Ensuring successful delivery	30	Finalise project management arrangements and plans	P.90	<ul style="list-style-type: none"> <li>How the Project will be managed.</li> <li>How change within the organisation will be implemented.</li> <li>How the benefits will be realised.</li> <li>How the business and service risks will be mitigated and managed.</li> <li>How major contract change will be handled over the long term.</li> <li>How the project will be reviewed periodically.</li> <li>The contingency plans in event of a service failure.</li> </ul>
			31	Finalise change management arrangements and plans	P.90	
			32	Finalise benefits realisation arrangements and plans	P.91	
			33	Finalise risk management arrangements and plans	P.91	
			34	Finalise contract management arrangements and plans	P.92	
			35	Finalise Post-Project Evaluation arrangements and plans	P.92	

## The Role of Workshops within the Five Case Model

HMT Guidance for the Five Case Model outlines why the use of workshops is recommended at various stages of the BC process. The workshop approach is suggested so that the key stakeholders are engaged earlier on, and can challenge and assist in shaping the direction of the project.

The five workshops and where to find information on them in [HMT Guidance](#) have been listed below. The guidance covers the objectives of the workshop, key participants and outputs.

Workshop 1 – Case for Change (P.26)

Workshop 2 – Identifying and assessing the options (P.39)

Workshop 3 – Assessing the Short-listed Options (P.60)

Workshop 4 – Developing the Deals (P.68)

Workshop 5 – Successful Delivery Arrangements (P.83)

The requirement for workshops should be undertaken with proportionate effort in mind and it may not be necessary to hold formal workshops as this could take the form of meetings with stakeholders. However, it is always important to engage stakeholders early in the process and document this, as described in the HMT guidance, to ensure the BC is as robust as possible.