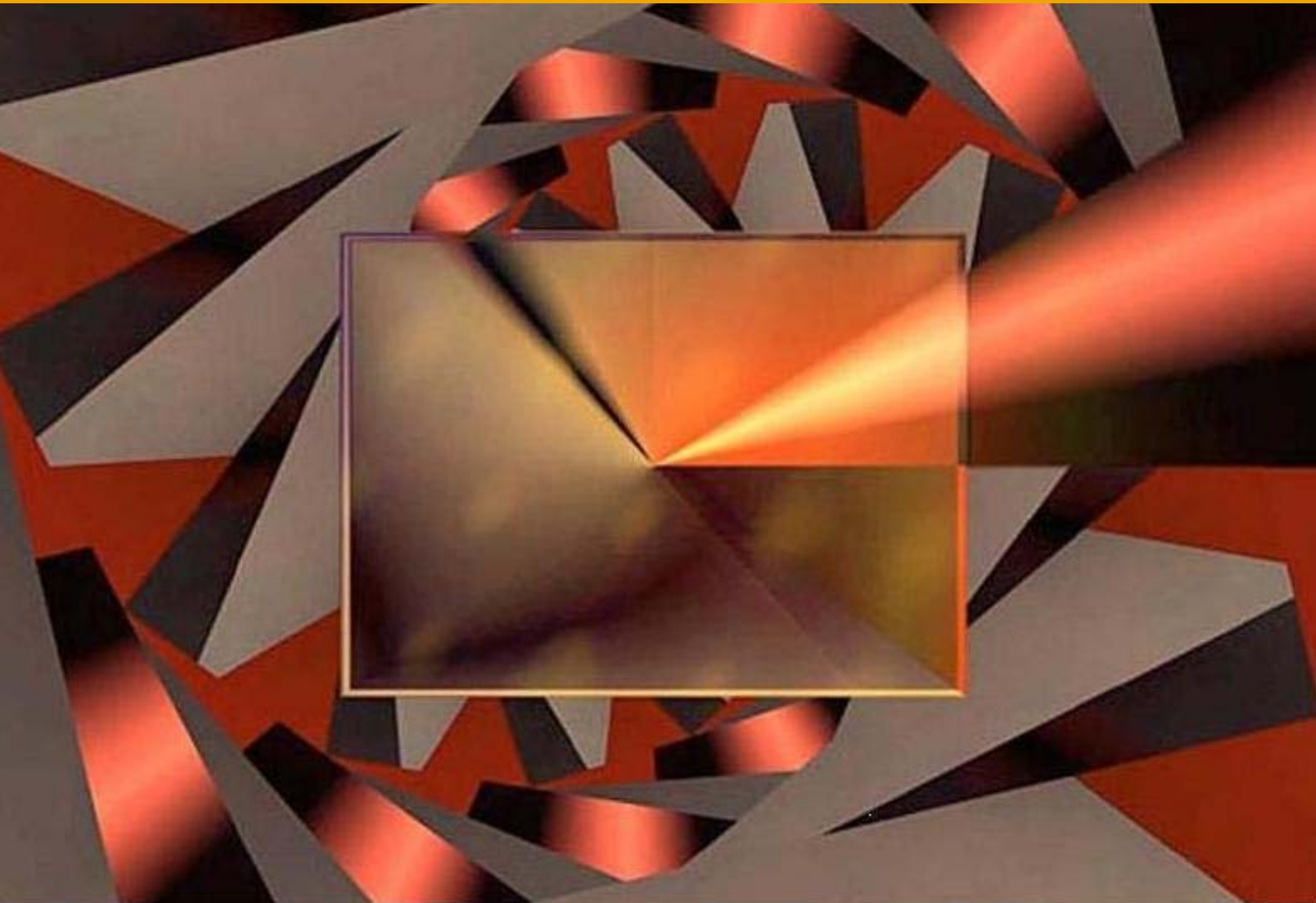


Business Case Guidance

Version: 4



Capacity Building Programme

Supported by Communities and Local Government

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Synopsis - The Capacity Building Programme

Communities and Local Government (CLG) and the Local Government Association (LGA) established the Capacity Building Programme in April 2003, as part of a three-year initiative to support improvement in local government. Additional funding secured in the Spending Review 2004 has extended the programme to 2008.

The emphasis is now on supporting Improvement partnerships either at a regional or sub-regional level. Improvement Partnerships provide a framework with which authorities can act collectively to address common challenges, share best practice and share resources.

The programme aims to enhance and develop councils' confidence, leadership and skills to advance improvement as well as developing their capacity to learn, innovate and share knowledge and expertise about what works and how. In addition, it provides support to local government to drive forward its own development. It can also help to respond to new priorities such as improving efficiency and the implementation of the pay and workforce strategy.

The project, programme and change management (ppm/cm) web content has been developed as part of the Capacity Building Programme and has been produced to help Local Authorities and other public sector organisations to establish a project and programme organisational culture and to increase their overall capacity to deliver change.

Executive Summary

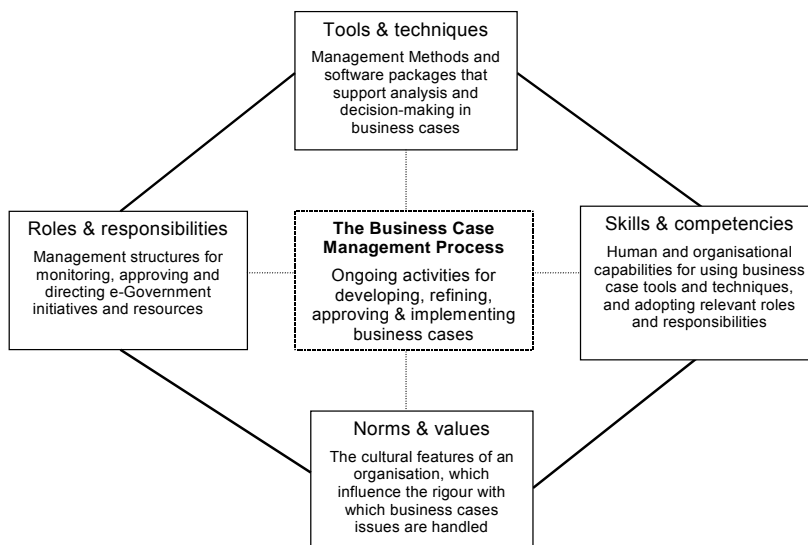
Context

This report forms part of the Capacity Building Programme sponsored by Communities and Local Government (CLG), formerly the Office of the Deputy Prime Minister (ODPM). It was preceded by the e-Government Programme and is intended to support English local authorities in building and managing the business case aspects of their e-Government related projects and programmes. It has been produced by IPF (the Institute of Public Finance) under the programme leadership of Knowsley Metropolitan Borough Council.

The guidance was developed through investigation and appraisal of a number of former local e-Government case studies and extensive literature and best practice review. (A write up of the case studies and literature review can be found online at the [Capacity Building website](#), where you can also find the *Advice to Auditors*, a report that accompanies the present guidance). The report addresses a wide range of issues bound up with the management of e-Government style business cases and is designed for use by a number of personnel within authorities. As a matter of course, many of the issues addressed apply to projects in general; however, much of the advice does focus on the particular challenges associated with IT and e-enabled initiatives.

Business case management: the products and processes

The report argues that business case building should be viewed as a “management process”, in which a range of individuals and groups will play important roles. The nature and quality of business case management will be impacted by the tools and techniques that are used, the skills and competencies employed, and the norms and values that are brought to the process (see diagram below).



The guidance has focused on advice about the essentials elements of the management process. The aim has been to support robust and sustainable decisions about investment, change and service improvement through the effective use of the technology available. The management of the business case is intended to ensure all levels of management are clear as to what is being done and why. In doing this, the report identifies three key business cases:

1. **The Strategic Business Case** – which helps to connect initiatives/project proposals to corporate and service strategies and priorities
2. **The Full business case** – which involves a full financial model and implementation plan for a preferred project option; and a
3. **The Final Business Case** – which confirms the detailed costs and revenues expected as a project goes forward.

Business Case Guidance

The format of the report involves a series of questions; these are intended to encourage decision-makers to challenge constructively the case that is being made for completeness and cohesion. At the centre is the requirement to ensure alignment with corporate and service objectives. The ultimate test is whether a business case is practically deliverable and whether the project demonstrates improved service value.

Audience: Who is the guidance for?

Effective business case management is bound up with the decision-making process along the life cycle of a potential project - from judgements about its strategic value, through to decisions about procurement and implementation. During this process a series of 'approvals' will be needed.

A suitable organisational structure must be in place, to ensure processes and decisions are properly governed. The guidance is therefore aimed at all managers and decision-makers who have responsibilities for developing and approving e-Government type business cases. These will include service managers and IT managers, as well as project and programme managers. The diagram below identifies the business case issues that different stakeholders will need to help address.

<i>Depending on your role in the authority, you will also have a part to play in addressing the following aspects of business case management</i>	Council Leader / Members	Chief Executive & Corporate Directors	E-Govt Champion / Programme Manager	Heads of Service	Business Change Managers	ICT Managers / Project Managers
Ensuring we have a well-managed business case for our e-Government Programme as a whole	X	X	X			X
Ensuring we have a sound business case for individual programmes & projects		X	X	X	X	X
Ensuring that our projects are appropriately prioritised	X	X	X	X	X	X
Ensuring that projects contribute to corporate aims and objectives	X	X	X	X	X	X
Ensuring that we balance benefits against the risks & opportunities			X		X	X
Ensuring that we demonstrate value & efficiency in projects & programmes			X	X	X	X
Ensuring we manage & update business cases through the project life-cycle			X			X
Ensuring that our business cases will satisfy the auditors	X	X	X	X	X	X

How to use the guidance

How you use this guidance will depend on the role you play. For those with particular responsibilities for managing, writing and approving e-Government type business cases, this report should be used very much as a handbook of questions to ask and be satisfied on at different points in the business case process, and to provide a check on your plans and actions. Other users may choose to familiarise themselves with the broad outline of the guidance – particularly the business case framework – and 'dip in and out', as their roles require.

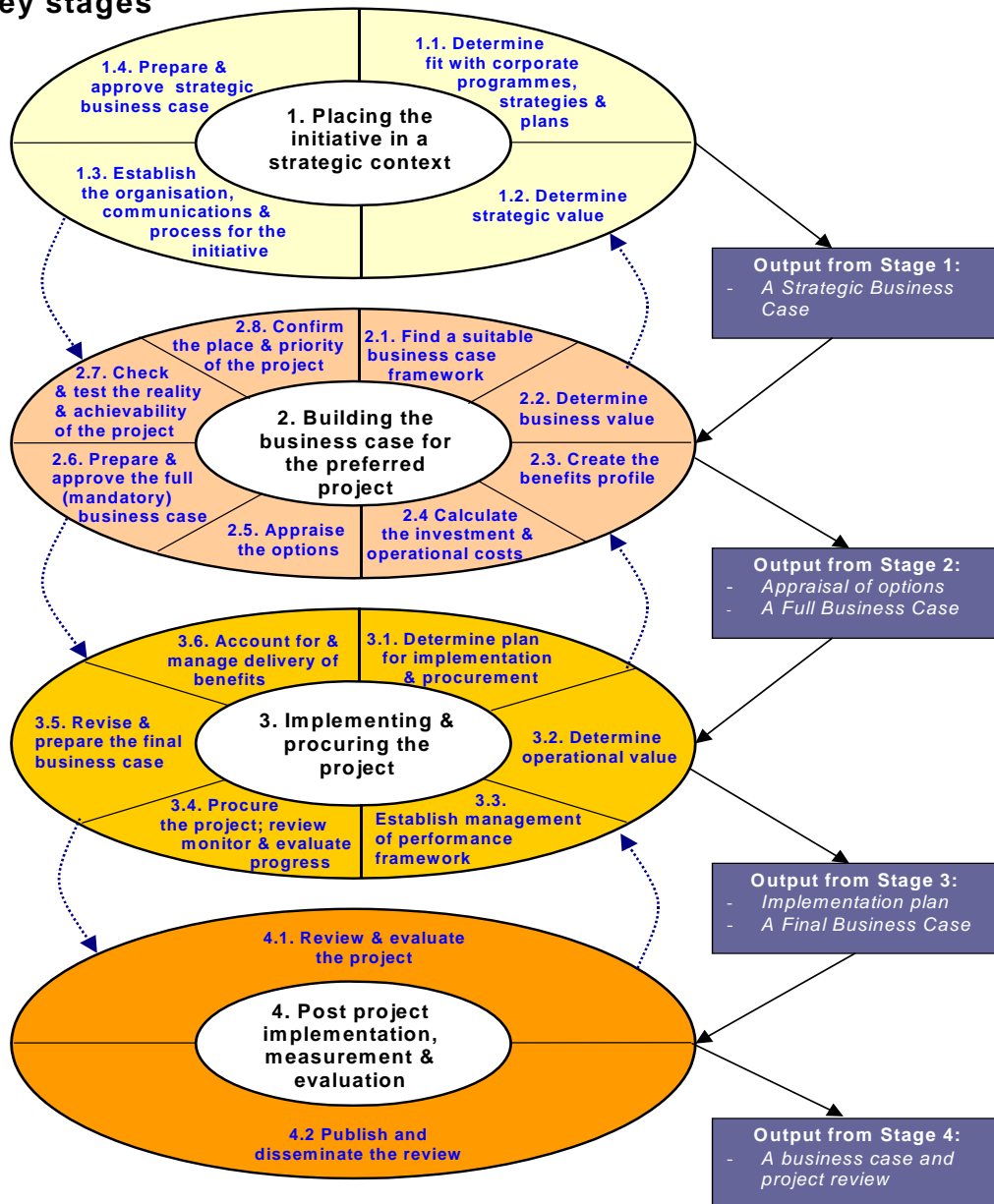
The questions asked can be used in a flexible way and are easily customised to supplement established (good) practice in your authority. The guidance has been written with cognisance to the

typical tools and methods that are used by local authorities and to build on established ways of doing things, while helping to provide greater rigour and insight in the business case building area.

Framework used in the guidance

The framework used – which mirrors the chapters and subsections that follow – is shown in the diagram below. There are four main stages, each with a range of activities, or sub-stages. It is important to note that the activities cited do not happen in a simple, linear way; hence, the framework (and the diagram) allow for a certain amount of iteration and parallel working.

Key stages



Acknowledgements

The authors of the report wish to particularly thank their colleagues in Knowsley Metropolitan Borough Council for sponsorship, leadership and provision of case study material. Similarly we are grateful to the members of the Stakeholder Board and the North-West User Group for invaluable assistance in maintaining our purpose and guiding our direction. The case study and literature research has depended on listening to and receiving help from individuals around the National Projects programme.

Finally we acknowledge and thank the case study material providers at London Borough of Brent, London Borough of Hillingdon, Leeds City Council, Leicestershire County Council, Lichfield District Council, Liverpool City Council, Norfolk County Council, Salford Metropolitan Borough Council, London Borough of Southwark, Staffordshire Moorlands District Council, and West Sussex County Council. Not all authorities' material has been published but all contributed to our understanding of the issues and how they have been dealt with.

Document History – Version 4

Changes incorporated 15 February 2007 include: presentation and format; updating to reflect changes in ownership and government organisation; a synopsis of the Capacity Building Programme and further information sections included; correction of typographical errors and contextual references to e-Government revised as the programme is now concluded

Document number assigned and included. File naming format amended and revised document published.

0. Introduction

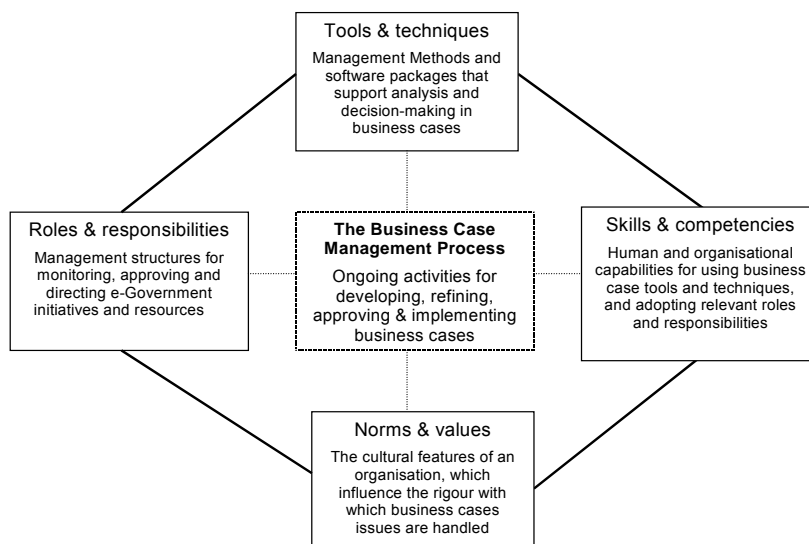
Welcome to business case guidance. This report brings together the research and analysis undertaken as part of the CLG’s capacity building activities in the area of e-Government. The chapters that follow take you through the key stages of the business case process and correspond with a methodological framework developed as part of the guidance.

This introduction gives you some background to the report, and how and why it was undertaken. It also provides an overview of the main findings and recommendations, together with a cut down version of the methodology in question.

0.1. What does the guidance cover?

The guidance addresses a wide range of issues bound up with the management of e-Government type business cases. As a matter of course, many of these issues will apply to projects in general; however, much of the guidance does focus on the particular challenges associated with IT and e-Government style initiatives.

The figure below describes four key elements of business case management. Organisations will maximise improvements where all four of these are addressed. The present guidance includes reference to *tools and techniques* and *roles and responsibilities*.¹ Skills and competencies, and norms and values, will be most reliant on HR and training initiatives.



Before we proceed, it is worth clarifying what we understand by "business case", as the term is often used to mean different things depending on the context.

0.2. What is a ‘business case’? - Some myths and meanings

Discussions about - and the practice of - business case management are not helped by the loose ways in which the term is sometimes employed. So let us first debunk a few myths and explain the approach adopted in this report.

0.2.1 Business cases are not just about money

Even if a hard-nosed financial calculation lies at the heart of an investment decision, the business case is always about more than just money. While it is true to say a good many business cases are built to maximise financial returns or efficiency savings, decisions to go ahead with a project - as well as where to rank it alongside

¹ See also Appendix 1, which also draws on the functions identified in the Competency Framework, developed as part of the Capacity Programme

other corporate initiatives - will reflect broader rationales, such as the strategic priorities of an authority.

The nature of public sector organisations commonly means that a range of factors - particularly the generation of public value and social inclusion - will be considered in determining the most appropriate use of resources, particularly those related to investment capital.

0.2.2 Business case issues are about *processes* as much as *products*

Business cases are easily conceived of in terms of tangible documents - the reports that present the analyses and recommendations. In this guidance we are more concerned with the overall *process* of business case management - the different stages and elements that go into decision-making and project management.

Where we do discuss products in this report, such as the "strategic business case" or "full business case", these should be viewed as "living documents". Business cases are managed dynamically through the whole life cycle of decision-making and change.

0.2.3 What business cases *are* about: supporting decision-making

Effective business case management is therefore bound up with the decision-making process along the life cycle of a potential project - from judgements about its strategic value, through to decisions about procurement and implementation. During this process (which could run for weeks, months – or even years) a series of "approvals" will be needed, as responsibilities are passed from one person or group to another (such as from executive managers down to an individual project manager and team).

During this process the issues involved need to be understood and addressed in appropriate ways. In doing this, a range of tools and techniques, skills and competencies, will need to be employed. Suitable organisational structures must be in place, to ensure processes and decisions are properly governed. It is this whole gamut of issues - and the range of approvals and responsibilities bound up with it - that this guidance is intended to address.

0.2.4 Business case management is about more than using *Prince2*

PRINCE² is a widely used project management methodology in public sector organisations. While Prince does indeed include business case elements, this guidance is concerned with the broader scope of business case issues and their systematic management across the whole life cycle of a project.

Initial business cases will therefore need to be developed prior to project definition and application of Prince2. The guidance below should therefore be seen as *complementing* and *augmenting* the ideas contained within Prince2. Whilst Prince is a valuable management method, this guidance takes the view that Prince alone will not lead to robust business cases.

0.3. Why do we need more guidance?

This report, and the broader project of which it is part, is an integral component in the CLG's Capacity Building Programme. Following consultation with key stakeholders, the Programme identified the need for specific guidance on the management of e-Government type business cases.

It was widely recognised that as grant income for e-Government type initiatives was scaled down from 2005, combined with the pressures brought by the Efficiency agenda, the *affordability* and *sustainability* of technology-related investments would demand more systematic management of business case issues.

² TMProjects in Controlled Environments, Office of Government Commerce

0.3.1 Who is the guidance for?

The guidance below is principally aimed at managers and decision-makers who have responsibilities for developing and approving business cases. These will include service managers and IT managers, as well as project and programme managers. A range of roles in any authority will have some involvement in the business case processes, from Procurement and Finance managers, to elected members and business analysts. Where appropriate, the guidance provides insights and advice for individuals in these roles.

0.3.2 How to use the guidance

How you use this guidance will very much depend on the role you play. For those with particular responsibilities for managing, writing and approving business cases, this report should be used very much as a handbook – something to turn to at different points in the business case process to look for ideas and advice, and to provide a check on your plans and actions. Other users may choose to familiarise themselves with the broad outline of the guidance – particularly the business case framework – and ‘dip in and out’, as their roles require.

It is important to recognise that the ideas contained in this report are not intended to be used in a highly prescriptive way, nor should they be seen as “yet more” government guidance on the management of projects. The ideas below can be used in a flexible way and are easily customised to supplement established (good) practice in your authority. Moreover, they have been written with cognisance to the typical tools and methods that are understood and used by local authorities. As such they are designed to build on established ways of doing things, while helping to provide greater rigour and insight in the business case building area.

0.4. How can business cases help deliver service improvements?

Although the state of the art has improved somewhat in recent years, there is still a disconnection in many people's minds between decisions about technology and the services that are delivered to the public. For some people, e-Government type programmes are still seen as “technical” matters and somehow divorced from issues of service quality and improvement.

In this report, technology is seen as an important “enabler” of service improvement, and thus a key means by which customer experiences can be enhanced. As we will see below, investments in technology (as well as organisational changes of which they are part) are viewed as offering intermediary benefits en route to delivering better organisational outcomes (either for internal customers or for citizens themselves). There are two important implications that flow from this stance.

0.4.1 Benefits to citizens should be central to any business case

In putting forward the case for any government project, the benefits to citizens will need to be considered. Of course, for many smaller projects (particularly technology upgrades) or back-office initiatives, there may be no obvious consequence so far as customer services are concerned. However, it is always advisable to explore and document potential contributions, even if they are only intermediate.

0.4.2 Service managers must engage in the business case process

Citizens and service improvements will be more effectively addressed where service managers themselves take an active role in business case management. By being close to the customer and the potential service outcomes of projects, such managers are well placed to judge the benefits that a given investment will achieve.

0.5. Key contemporary contexts for business case building

The nature of any business case – and its chances of success – will be shaped by a range of contextual factors (some more significant than others). These will influence the problems

and issues that are addressed, the way they are dealt with and the importance assigned to the projects proposed. Examples here include government policies (and associated targets), the political priorities of the council, and the need to control the level of council tax.

Put another way, such contexts provide the *drivers* for change, giving rise to new initiatives and modifying existing plans and programmes. Unlike the private sector, therefore, business case drivers in local authorities are often *political*. This does not mean that business case management ceases to be important, however (in the sense of 'we have to do this, so we might as well get on with it'). Even where councils are mandated to deliver particular outputs or outcomes, the way these are achieved, with what technologies, when and in what order, may still provide considerable discretion (and with varying levels of cost). Rigorous business case management is therefore still essential.

0.5.1 Government targets and Local Government Programmes

The 2005 targets for electronic service delivery (ESD), monitored by Best Value Performance Indicator 157, have been a key driver for local authorities, galvanising a host of programmes and projects in councils. These have been shaped by a series of former CLG initiatives, including the *National Strategy for Local e-Government*, the National e-Government Projects, funding for e-Government partnerships and capital grants in support of BVPI 157 (in return for annual Implementing e-Government Statements (IEGs)). More recently, of course, the Capacity Building Programme has been launched.

These initiatives have exerted a strong influence on how councils approached the concept of e-Government. In many cases, the requirement to meet stretching targets in a relatively short time frame led to a perception that business case management was, to an extent, a luxury. Indeed, the availability of grant income often meant that a short-term opportunity was the key criterion by which projects were approved.

Most funding came to an end during financial year 2005-06, and there is now closer attention to the sustainability of e-Government style investments, as well as their value vis-à-vis other council initiatives. Such investments will be judged more in terms of their 'business' contributions to corporate needs and programmes, with less emphasis likely to be placed on externally generated targets and performance indicators.

0.5.2 National priority outcomes

The National Priority Service and Transformation Outcomes (PSTOs) were developed by the CLG to give more weight to the results of the e-Government Programme in certain key areas (described in terms of 'required', 'good' (to be achieved by March 2006) and 'excellent' outcomes). In most cases, the outcomes in question are those that councils themselves would wish to achieve anyway, although the targets have no doubt provided added impetus and perhaps encouraged a reordering of council priorities.

For 2005-06 at least, the PSTOs were a key context-setter in determining which projects were proposed (and business cases built), as well as the place they should play as part of the council's programme. Beyond 2006, the desire to achieve 'excellent' outcomes may be a further determinant on future plans.

0.5.3 The Gershon Efficiency Review

In 2004, Sir Peter Gershon, commissioned by HM Treasury, delivered his report on the government Efficiency Review. This identified £20 billion of auditable and transparent efficiency gains that could be made across the public sector by 2007-08. The 2004 Spending Review translated this into an efficiency target of 2.5% across local government for the years 2005-06 to 2007-08 (with at least £6.45 billion of efficiency gains by year 3).

In response, the CLG has produced guidance requiring local authorities to plan for and report on delivery against these gains. This obliges councils to produce an Annual Efficiency Statement, explaining how and where 2.5% efficiency improvements will be made in the forthcoming financial year. At least half of these gains must be 'cashable' – meaning that resources are released, which can be redeployed in front-line services or used to keep the level of council tax down. 'Non cashable' gains, by contrast, are deemed to occur where improved performance leads to higher outputs (with proportionally less resource), or where higher quality results from using the same amount of resource. A 'backward' looking report will then set out what efficiencies the council has achieved in the previous year.

The efficiency agenda affects e-Government type business case management in a number of ways. For a start, it underlines the importance of careful resource planning, ensuring that resources are only released for investment where the cost-benefit analysis is robust and can be properly accounted for. Secondly, it is likely that projects involving the concept of e-Government and IT will themselves be seen as potential vehicles for delivering improvements in efficiency.

More generally, the requirement to achieve measurable efficiency gains will influence the content and priority of different projects. The ability to demonstrate either – or both – cashable or non-cashable gains will have a strong influence on decision-makers as they make judgements on the projects that should go forward (and the order they should take). This does not mean that efficiency is the 'only game in town', of course: other benefits (including intangible ones) may still be important. But it does provide another key context-setter to which those building business cases will need to be alert.

0.5.4 Community plans and customer focus

One final contemporary context – and one that will be shaped by more local imperatives – is the need to respond to community plans, as well as to improve customer focus. Elected members in particular will be keen to see a close alignment between e-Government related initiatives and improvements envisaged or promised in the community. This is also bound up with the need put the customer experience at the heart of improvement planning. Where projects identify specific benefits in these areas, it will add weight to the business case involved, as well as indicating where, within the council's general programme of initiatives the project should reside.

0.6. The concept of e-Government and its challenges for business case building

Much of the business case process for e-Government type initiatives will reflect that of projects generally. However, there are important characteristics that differentiate it in certain respects and are worth reflecting upon.

0.6.1 Modernisation and service transformation

The high priority given to improving public services, and the requirements to deliver efficiency savings, combine together to drive forward many public sector change programmes. Given the short history of e-Government, and the need to make progress against government targets, an *act of faith* was often necessary to allow organisations to get on with investing in e-Government style service improvement.

The goal of service transformation through e-enabled access to services cannot be achieved without a wider attempt at business process re-engineering and cultural change. OECD research into benefits realisation after development of e-Services suggests two key aspects here: first, providing access to and availability of services electronically; secondly, using this to deliver the total transformation of services. Transformational change has been found to have wider benefits too, affecting economic and business vitality.

E-Government type business cases should identify the parameters and issues here. The key challenges in doing so are often a lack of good information, presented in a consistent way, about the existing services and uncertainty as to what may be achieved after the change process.

0.6.2 The Bid Process – getting the funds

In gaining the resources for e-Government type initiatives, authorities will need to have commonly identifiable features in the way a given project or programme is managed and delivered. The organisation will not wish to commit valuable, skilled and specialist resources to ill-conceived or inappropriate courses of action. A strategic decision is therefore essential to agree to proceed with development activities.

The outcome of a successful bid is a well-understood business case for that commitment of resources, and a place in a planned programme. The programme can be seen as directed towards improvement or change. In general terms if the improvement or change is measurable then it can be included within a broader performance plan framework. Put another way, it is reasonable to plan for programmes or projects to deliver measurable benefits and changes in performance. Bidding enables the authority to prioritise with partners, corporately or at a service level for it wishes to achieve most.

The precise nature of the constraints around a project or programme is as important as identifying the risks that the course of action will have to manage. So any decision about justifying the expenditure of resources to achieve benefits must be assessed and evaluated in the context of the assumptions being made and the risks to be managed.

Resource planning has essentially two dimensions: time and money. Both constraints may be challenged by innovative exploration of possibilities for partnership and collaborative working or provision of finance. At the strategic bid stage, where applicable, some breadth of appreciation as to the practicalities around these possibilities should be examined and assessed.

0.6.3 What is different about e-Government type projects?

Like any initiative, the strategic value of an e-Government type project lies in the way it enables improvement in customer facing service delivery. E-Government projects, of course, make particular use of hardware and software assets. Such assets, while providing 'technical' benefits (such as improved processing time or better information provision) should also in turn produce a range of 'business' benefits (more efficient processes, higher quality services, and so on).

As with any investment, technology-related spend should lead to a range of measurable outcomes. In the context of e-Government, these could be highly technical, as well as (say) financial. The technical measures may need considerable interpretation and explanation for the lay audiences involved (such as those who are challenging, accepting and approving the business case).

For the impact of the project to be effective - and result in the realisation of benefits - process and procedural change (in addition to technical change) will normally take place. This will require its own structure for management and implementation. E-Government type projects and programmes therefore have to combine two complex chains of activities, which will be demanding in different ways. These are often seen as the "hard" (technical) and "soft" (organisational) activities and benefits. On the hard side, specialist technical skills will normally be required, to support the specification and delivery of projects. On the soft side, an understanding of the business/service context (as well as the organisational/cultural setting) may also be needed.

This duality sometimes encourages organisations to adopt a Programme Management approach to change, recognising that the different skill sets required will need to be combined and managed in a careful and conscious way.

An example here is Norfolk County Council, where HR skills were incorporated into the project team, as changed ways of working were seen as every bit as important as introducing transfer of services to a customer services centre.

As mentioned above, there is a methodology, accepted and developed by the CCTA³ (now owned by OGC⁴) that has been developed to improve programme and project delivery in this area. This uses PRINCE 2⁵ and Managing Successful Programmes (MSP) to standardise and establish good practice ways of working.

0.6.4 Types of e-Government projects and programmes

As stated above, e-Government type programmes will contain hardware, software and change management projects. Achieving a strategic fit of the programme with overall corporate and service objectives requires some projects that are very much business reorganisation, training, development and change based.

West Sussex County Council managed their E-Government Programme through 13 sub-programme boards: Access, Chief Executives, Community Engagement, County Secretary, e-Democracy, Education & the Arts, Enablers, Environment & development, Fire Brigade, Information Management, Organisation & Development, Social & Caring services, and Support Services Improvement.

The mix of Board titles indicates some focused on services and others on enabling actions. The total programme was divided down into almost 200 projects.

0.7. Roles and responsibilities in business case management

0.7.1 Governance

While much of this guidance is of a methodological nature, it also addresses issues of business case *governance*. Without systems in place to oversee the development and approval of business cases, as well as their revision during project implementation, the methods and skills employed – however refined they are - may have limited effect in ensuring rigorous decision-making.

Creating an infrastructure for approving and monitoring projects is therefore important. Three core models were identified during the research and are detailed in the Appendix. In outline, these involve:

- A regular service directorate configuration with an e-Government type programme through ICT who coordinate and supply support services, with major change programmes or projects overseen by a corporate Management Team
- A service directorate structure that has a parallel specialised directorate to deliver change and the programme. This has to coordinate and lead the change programme and cross cutting projects, drawing out resources and contributions from directorates
- A regular service directorate structure with the ICT services outsourced or provided through external arrangements such as an arms-length strategic partnership.

³ Central Computer and Telecommunications Agency

⁴ Office of Government Commerce

⁵ Projects In Controlled Environments

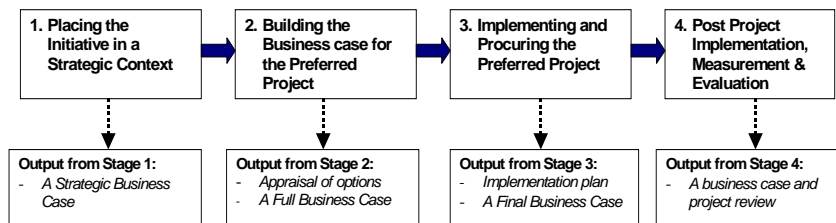
0.7.2 Individual roles and responsibilities

As part of the Capacity Building Programme, the Office of Public Management has developed a competency framework for the key roles. The intention is to update the present guidance, to address the implications for organisational roles in the business case management process. The roles that will be addressed will include:

- Councillors
- Executives
- Programme Managers
- Service Managers
- IT Managers
- Business Improvement Managers
- (e)Business Analyst
- Finance Managers
- Procurement Managers
- Auditors
- Business case owner
- Business case sponsor

0.8. Guidance structure

The guidance is structured into four main chapters, to reflect the key stages of the business case management process. Each stage results in a number of outputs (and written business case ‘products’), which are detailed in each chapter (see figure below).



0.8.1 Placing the initiative in a strategic context

The first of the stages is concerned with locating the issues covered by a potential project within a broader context, to make sure it is properly aligned with other initiatives and is effectively governed.

At this level, therefore, guidance is very much about linking potential e-Government type projects to broader corporate initiatives and priorities, and supporting the decision-making of senior managers and programme boards.

Key output from Stage 1: *The Strategic Business Case*

This sets out:

- The needs and purpose of the project
- Who the interested parties are
- The project scope and definition
- Its proposed organisation and communication structure
- Its benefits profile (and aims and objectives)
- The links to strategic and corporate programmes and plans

- The links to business and service improvement and change plans

0.8.2 Building the business case for the preferred project

At the second stage, clarity should have been achieved as to the strategic value and role of any project; the challenge now is to develop and refine the case for a preferred way of proceeding.

Guidance here is concerned with identifying and choosing between a set of options, and identifying the specific benefits and costs associated with the preferred way forward.

Key output from Stage 2: *The Full Business Case*

This sets out (in more detail than the strategic case):

- The benefits profile (and aims and objectives);
- Links to strategic and corporate programmes and plans
- Links to business and service improvement and change plans
- Operational costs and efficiency savings
- The risks involved – and how they can be managed
- Detailed costs, and criteria for evaluation and prioritisation
- Support from the financial model
- An implementation project plan and timetable
- Plans for procurement strategy development
- Milestones for business case revision

0.8.3 Implementing and procuring that the project

The third key stage in business case management concerns the implementation of the preferred project, for which a full and detailed business case would have been developed in stage two.

Here, we are concerned with guiding the user through the actual process of securing skills and technologies, and putting them into action along the lines described in a project plan. Of course, realities may differ slightly to those envisaged at the earlier stages of business case building; as such the 'final' business case – which is the outcome of this third stage - will very much reflect these realities.

Key output from Stage 3: *The Final Business Case*

- This is a revised version of the Full business case, which incorporates updates in project figures (including, where possible, tender prices)
- A series of reviews, updating the business case figures, will also be produced during Stage 3, which will map benefits and costs against those envisaged at the start of this stage.

0.8.4 Post project implementation, measurement and evaluation

Having completed and closed down a project, it is usually necessary to undertake a formal review. This will check the benefits delivered and costs involved and compare them against those that were envisaged or planned for them the 'full' and 'final' business case stages.

Guidance here suggests how this can be done, and the uses that can be made of such information in improving business case management and project implementation in future initiatives.

Key output from Stage 4: A *Business Case Review*

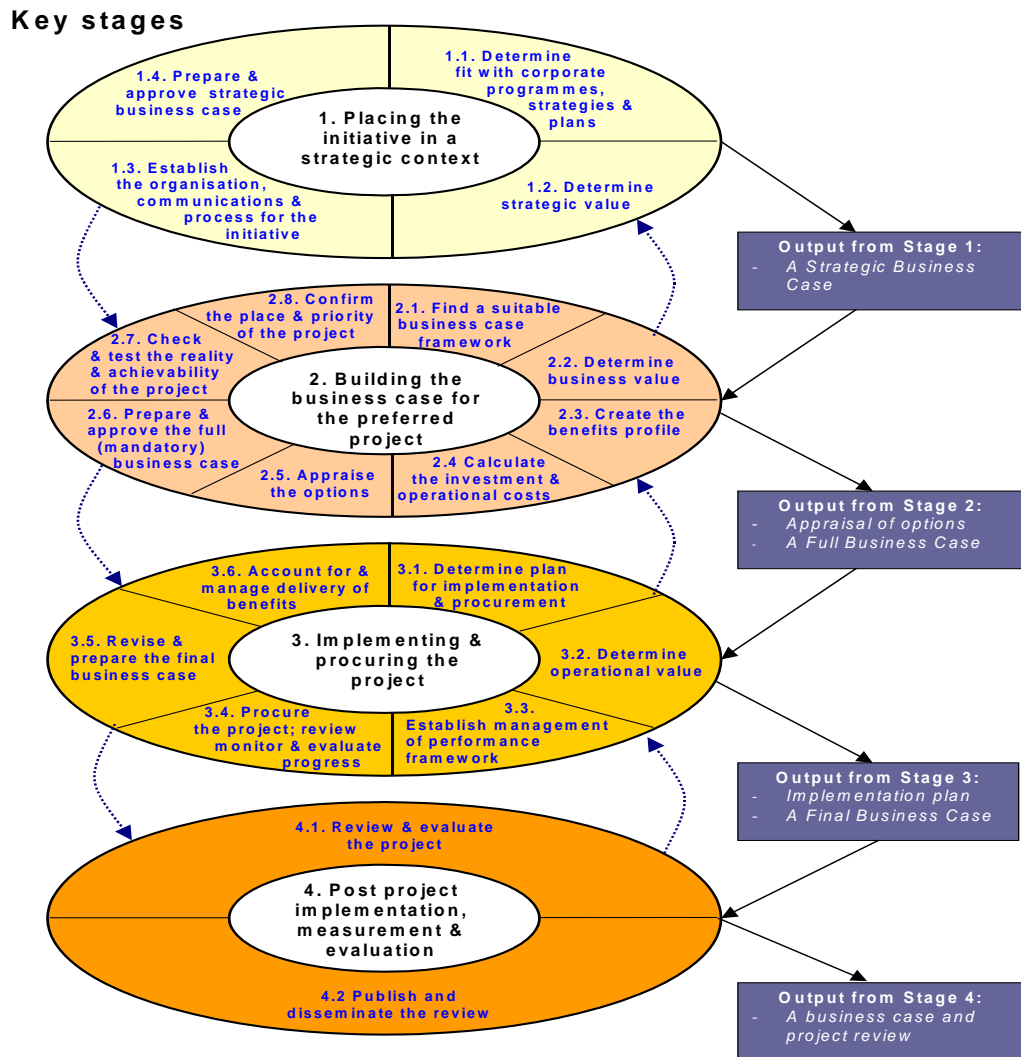
- This will document and disseminate the evaluation of the project, according to project agreements and corporate protocols.
- The review will compare actual figures and benefits against those envisaged in the Full and Final business cases, and provide feedback on lessons learned

0.8.5 Appendices

Further guidance and worked examples will be provided in the Appendices at the end of this report.

0.9. Framework used in the guidance

The framework used for this guidance – and which mirrors the chapters and subsections that follow – is shown in the diagram below. As already noted, there are four main stages to this process. It is important to recognise that the activities involved do not simply happen in a linear way (there may be iteration between different activities, for instance, and some tasks may be carried out concurrently).



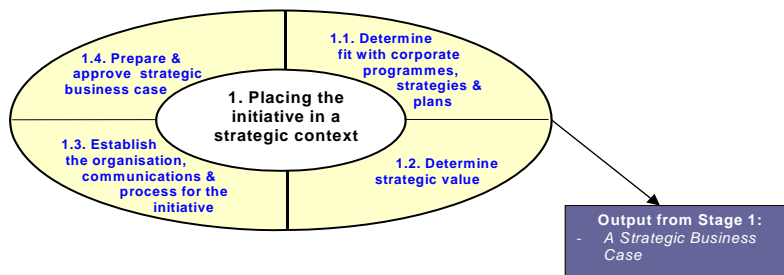
We will now turn to the chapters themselves, which provide the details and illustrations for the whole framework.

1. Placing the initiative in a strategic context

At stage 1 the key challenge is to locate the issues covered by a proposed initiative within a broader context, and to make sure it is properly aligned and managed.

At this stage, issues will be handled in a relatively high-level way. The focus here should be on identifying the strategic need for the initiative, the objectives it should achieve and the options available in taking it forward. An early risk assessment is also needed at this stage.

How these issues are handled will depend on the nature of the initiative in question, where the idea originates and the strategies, programmes and project management structures that are already in place. The point to remember is that the business case elements involved - and the actions and decisions that go with them - need to be carefully thought through and addressed (the methods used to do this may vary). The four key elements involved here are shown in the diagram below.



1.1. Determine fit with corporate programmes, strategies and plans

Depending on where a proposed initiative arises, the degree of "fit" with other corporate programmes, strategies and plans will be more-or-less straightforward. If it forms part of a pre-existing programme, the strategic drivers and objectives may be easy to enumerate; indeed, specific documents may already exist that spell these out. Moreover, the governance arrangements for approving and monitoring projects and their associated costs may also be in place.

Lichfield and Staffordshire Moorlands District Councils have, through their IEG statements, demonstrated a commitment and approach to address and invest in e-Government style programmes.

In order to achieve the aims, a business case was made at a corporate level to improve the ICT infrastructure. The case study examined the Councils' decision in 2002 to undertake a full options appraisal for the delivery of IT services, resulting in a partnership with the private sector.

The case study is a good example of where 2 smaller local authorities have been able to attract a sizeable private sector player to achieve economies of scale.

By combining their resources both Councils have made dramatic savings both in the procurement process as well as the pricing of the service. The project involved the establishment of a contractual commitment by both councils and the partner to achieve upper quartile performance against industry standard SOCITM performance indicators.

In some cases, of course, the proposed project may be relatively minor and have only operational significance; in which case, structures are likely to exist that enable a relatively straightforward approval process (such as by delegated authority).

Useful documents that may be available at this stage could include:

- e-Government type and IT strategies of the council
- Council modernisation plans
- Government strategies and priorities
- CPA reports

- Corporate improvement plans
- Community strategies
- E-Government type programme and project documents.

In determining the fit with corporate plans, strategies and priorities, there are five key sets of actions and decisions that have to be understood in the business case, as sections 1.1.1 to 1.1.5 show.

Outputs from Stage 1.1

- A clear statement as to the scale, nature and cost of the proposed project, particularly its e-Government style dimensions
- A description of the stakeholders affected by it
- A description of which programmes and plans the project best relates to (in terms of aims and objectives)
- A statement as to which body and/or programme should be responsible for it (at least in terms of strategic assessment)
- A statement about commitments by stakeholders to provide the time and resource needed to undertake the project.

1.1.1 Assess the nature and scope of need, and the fit with the e-Government concept and modernisation agenda

- Is the proposed project limited to one department or service, or does it involve several?
- Are external partners involved?
- Who are the main stakeholders affected by the project?
- To what extent is the project concerned with IT or e-enabled services?
- What are its links to the modernisation agenda?
- What are the likely timescales for the project, including approval, procurement and implementation?
- How much is the project likely to cost?
- What are the main risks involved in taking it forward?

1.1.2 Identify level of decision (approval) needed - whether it is corporate, service, or delegated to an operational unit

- Given the nature and scope of the project, is approval required at a *corporate* level? If so, which body would take the decision?
- If approval would be more appropriate at a *service* level, which service manager or decision-making body would be involved?
- If approval can be taken via delegated authority, which operational unit and/or individual would make the decision?

1.1.3 Review relevant programmes and plans – and their aims and objectives - in relation to those of the proposed initiative

- In strategic terms, what would the aims and objectives of the proposed project be?
- With which programmes and plans are these aims and objectives most consistent?
- How should the aims and objectives of the project be articulated to make a clearer fit?
- Which specific parts of the relevant programmes and plans will be highlighted in setting out the strategic business case?

- Are there any risks affecting the fit of this project with the corporate plans, strategies and programmes?

Formation of a Strategic Brief in **the Lichfield and Staffordshire Moorlands** Case Study was driven in part by the need for an overview of ICT and for a focus on Customers' expectations.

The brief examined:

- *Information strategy.* The review would need to identify the Council's approach to the treatment and use of information, the way in which information would be managed, the identification and prioritisation of strategic business needs to achieve corporate objectives and consider the implication of the modernising and e-Government agendas.

- *Applications/systems.* The applications and systems would need to deliver efficiencies and decision support information within the Council. The systems would need to support both existing as well as future service expectations.

- *Technical Infrastructure.* The technical infrastructure would need to support the above.

- *Management arrangements.* How to control ICT and ensure projects are bought in on time and in budget.

- *ICT services delivery.* To examine how services could best be delivered, possibly through outsourcing, PFI, contract management or through possible partnerships with other local authorities.

1.1.4 Agree programme or budget accountability

- Which programme or budget is most appropriate to take this project forward?
- Who will need to be approached, when and through what channel in order to make this happen?
- Is the commitment and support in place to achieve the project objectives?

1.1.5 Be clear about the scope of the decision in starting a project. Clarify how much of the guidance you need to get involved in.

- Having assessed the scope of the project and the likely stakeholders affected, are you clear that you've identified the appropriate approval level for the project?
- If there appears to be an ongoing programme with which the project fits, have you checked to make sure that other programmes or sub-programmes are not more appropriate?
- If the project appears to be an initiative outside of current programmes and plans, have you identified the most appropriate decision-making structure to consider its initiation?

West Sussex CC through its IEG statements demonstrated a commitment and approach from the Corporate Centre to address and invest in an e-Government style programme. They now offer a number of online services (See <http://www.westsussex.gov.uk/>)

The business case was made at a corporate level to invest in the concept of e-Government and to manage it as a coordinated programme. The services have identified initiatives and projects in their areas that will improve service delivery. There are almost 200 projects being managed in the programme.

The Corporate Business Case was made for investment in the programme, and the programme structure, processes and procedures were created to deliver the benefits and outcomes.

Outcomes are focused on better services to the community through improved access, availability and design.

The creation of the overarching business case for the E-Government style programme in WSCC as a means to achieve "Better Access to Better Services" ensures the Boards have a high level test for any opportunity that presents itself. The Member with Cabinet responsibility for Information Services would be available as e-Government Champion if political guidance were required.

1.2. Determine strategic value

While the proposed project may fit well with corporate strategies and programmes, the fact that resources are only finite, combined with competition from other initiatives, means that it will only proceed if it is expected to make a real *impact*. In other words, it is necessary not only to demonstrate that the project can be aligned with current plans and initiatives; it must also add significant value to them.

At this stage in the business case process there is a need for that value to be spelled out in *strategic* terms. This is particularly important with larger projects, where decisions to proceed will not simply be made by delegated authority, and where the financial implications may be considerable (and will also vary as the project is developed).

It is also here that we need to balance the benefits of proceeding against the risks involved. At the same time, the implications of sticking with the status quo will also need to be considered. At this stage, of course, thinking is still at an early stage; hence there maybe a range of options available in pursuing the project, some of which will offer more risks - and benefits - than others.

Outputs from Stage 1.2

- A description of the current way of working, and the costs involved in doing this
- A description of the improvements the project would make, and the indicators of success
- A description of the benefits the project would bring to relevant strategies, plans and programmes
- A statement about the risks of not proceeding with the project
- A statement about the risks associated with the project (and how these would be managed).

1.2.1 Establish high level base-line (where we are now in big picture terms) and what would be the key success factors for the initiative

- What current ways of working are employed (in terms of technologies, organisational roles and responsibilities, and work processes), which the proposed project seeks to change?
- How much does the current arrangement cost to operate?
- What impacts will the proposed project make?
- What sort of indicators would demonstrate if these impacts had been achieved in a satisfactory way?
- What would be the critical success factors for the initiative?

1.2.2 Assess and agree potential contribution to National Priority Outcomes, Efficiency Savings, and Corporate, Service and operational benefits

- How would the project contribute to the achievement of National Priority Outcomes?
- What contributions would it make in terms of efficiency savings?
- What improvements at a corporate level would the project deliver?
- What services benefits would the project produce?
- What operational benefits would be produced?
- What would the likely costs be of the project - both in terms of the change itself and ongoing operational expenditure?

1.2.3 Determine fit and contribution to relevant strategies, plans and programmes

- With which strategies and plans are the aims and objectives of the project most closely aligned?
- Which specific benefits would be delivered against these strategies and plans?
- Which stakeholders would be most affected - and in what ways?
- To which existing programmes would the project most contribute?
- Which specific benefits would be delivered to each?

1.2.4 Outline implications of the option/risk of doing nothing

- What would the consequences be of continuing with the status quo in the short term (say, up to two years)?
- What would the consequences be if the status quo remained in the medium to longer term (say, three to five years)?
- What specific risks are presented by the status quo (including technical, reputation, political and financial, as well the effects on the customer experience)?
- What risks will be obviated or ameliorated by the project?

London Borough of Southwark

This case study reviewed how issues of practical achievability and the development of a financial model may be combined, starting by establishing an understanding of the baseline.

Achievability:

To begin, the purpose of the BPR team, together with its processes and workshops, are explained. Assumptions and constraints, and related initiatives and interfaces, are then identified. A baseline of the present situation is then set out, that is, what is currently done, the processes and data used, the organisational structures and systems employed (including accommodation and contractors), and the metrics and performance management methods that are involved.

Themes and issues are then outlined. A cost analysis is provided at the level of current roles and activities. The future vision is then developed, which starts by recognising other key initiatives and changes that are taking place and proposed. This is used to scope the scale of potential savings, but also to describe phases for quick wins, as well as the fuller implementation.

Financial Model:

The business case then provides a structured approach to “opportunity assessment” and a high level Cost-Benefit Analysis. The opportunity assessment tabulates the ‘current situation’, the ‘improvement opportunity’, ‘customer benefits’, ‘Southwark benefits’, and ‘likely impact & implementation requirements’. The high level Cost-Benefit Analysis summarises, in a ‘business requirement statement’, the annualised costs and savings as a result of the proposed business change process. For completeness, the investment costs are considered separately.

1.2.5 Assess potential impact of risks, scope management of risk and establish a risk register

- What risks does the project itself present?
- What is the likelihood of these happening - and the consequences if they do?
- What measures can be taken to manage the risks in question?
- What experience do you have in managing similar risks?
- What system will you employ to record and review potential risks - and assign responsibility for them?

Base lining e-Government style projects

Issues for strategic assessment

The issue for the strategic assessment will be how the assumptions and the range of estimates affect the justification of the programme or project. The judgement will be whether the information is presented with sufficient robustness and certainty to justify the investment. Perhaps more dangerous is the limiting of development with incomplete or uncertain data. The issue is to determine, first, whether to proceed, and then whether the future appraisal and development process should be widened to ensure an optimum solution is not overlooked.

1.3. Establish the organisation, communications and process for the initiative

Before any initiative can be formally scrutinised – and, if successful, approved for consideration at the “full” business case stage - the proposed project will need to be discussed and decided upon by appropriate decision-making bodies. However compelling the merits of the project may be, unless the necessary processes have been followed, and structures engaged with, it might not be possible to obtain the formal mandate to proceed. (Of course, this is particularly important in local authorities, where judgements are being made about the value for money use of public resources.)

LB Hillingdon established an organisation and communications structure for implementation of the Hillingdon Improvement Programme (HIP).

The HIP organisation structure is shown in full in the Case Study. The principal features are:

Directing: A steering group and programme director

Guiding: A continuous improvement group and HIP champions

Delivering: Under the programme director there is a programme office and three programme managers responsible for delivering the strategic sub-programmes, viz *“Leadership and Managerial Impact, Better Use of resources, and Service Improvement”*

At this stage in the business case, therefore, the appropriate decision-making bodies need to be identified and engaged with, and protocols followed whereby formal consideration of the project can take place. (For more details here, see Governance section in the guidance annex.)

Outputs from Stage 1.3

- A statement explaining the decision-making structures the proposed project will need to go through to receive approval
- A description of the key stakeholders affected by the project, and how they will be involved in the business case for it
- A statement on who will sponsor the project at its strategic approval stage, and who will lead the business case for it
- Agreement on which decision-making body (or bodies) will examine the case for the project (including the constitution of such a body, where necessary)
- A statement as to the decisions expected from these bodies, including the criteria that should inform their judgments.

1.3.1 Evaluate where you are now (custom and practice) by reviewing your existing structure, decision processes and environment for the initiative

- Have you understood the systems and structures that exist in your authority to approve coordinate and oversee e-Government style projects?
- If they exist, have you reviewed documents that explain the relevant protocols in taking proposed projects forward?
- Given the nature and scope of the proposed project and its likely contribution to corporate strategies, plans and programmes – with which decision-making bodies will you need to engage?
- Have you discussed with colleagues and managers how the proposed project would best be dealt with?

Organisational arrangements for the planning process at **Leicestershire County Council** involve a two-stage process in recognition that demand for ICT staffing resources is likely to exceed demand. The two stages are:

1. Submit initial Business Cases containing basic justification for the project estimates of costs and timescales
2. Submit final Business Cases containing a more thorough appraisal of the benefits anticipated from the proposed investment, together with risk management and refined cost estimates and timescales.

1.3.2 Agree stakeholder relationships, consultation and communication arrangements, and roles and responsibilities

- Have you identified an initial sponsor for the project?

- Have you clarified who will take the lead on building and presenting the business case?
- Have you identified the key internal stakeholders for the project?
- Have you determined the appropriate channels through which to take discussions forward?
- Have you identified the appropriate decision-makers/decision-making bodies with which to engage?
- Have you discussed the project with them and sought their advice on how to proceed?

1.3.3 Where appropriate, approve membership of project and programme boards

- If a project or programme board needs to be convened in order to discuss and approve the strategic case for the project, who will be responsible for pulling this together?
- What protocols will need to be followed in convening the board?
- How should membership of the board be determined?
- Which individuals or bodies/departments will be invited to provide representatives for the board?
- What roles/contributions will they be expected to play/make (and how will this be communicated to them)?
- Who will issue the invitation to them?
- How will you ensure that the board is properly constituted, and has the necessary mandate to oversee approval of the project?

1.3.4 Provide briefing material on the strategic business case and advise on questions to ask

- Given this stage in the approval of the project, has the decision-making body been properly briefed on the project - as well as the decisions needed about it?
- Have the criteria that should govern their decisions been established in relation to project definition and strategic need?
- Have these criteria been clearly communicated?
- Have you considered easy-to-use devices, such as checklists, to aid decision-makers in approving the project at this stage?
- Have you checked that the criteria employed, and the means by which they have been communicated, are consistent with established protocols?

1.4. Prepare and approve strategic business case

Strategic Business Cases are particularly important for larger projects, whose dimensions may be far reaching and have a critical impact on corporate performance. Smaller projects may be easier to locate within existing programmes structures, or areas of operational responsibility. In such cases, less detail may be needed, although strategic rationales should still be considered and understood.

Knowsley MBC case study

Detailed requirements, templates and guidance are in place to help apply a tailored project and programme method to the start-up and management of projects (with all documents available via the council's intranet). This includes allocating responsibilities for elements in the project life cycle. The Enterprise Workflow National Project Toolkit and the SPRINT methodology also provide a framework for business process transformation, which is linked to process mapping techniques and organisational change methods.

Business Case Guidance

For major projects the method required for the business case process is most likely to involve the following:

- Initial scoping of project – what is included and what is not included
- Determining the objectives and rationale
- Undertaking baseline surveys and benchmarking
- Development of the costs and benefits
- Discussing the options
- Identifying the risks, detailing the contingencies and reviewing the sensitivities
- Production of implementation and monitoring plans
- Provision of a forward strategy

Guidance notes that business case documents are required to be in a 'suitable format' for presenting to Thematic Groups or Cabinet member(s) for approval of funding and / or to commence the project."

LB Southwark Business Case Template

Business Case templates are used at both the strategic and at the project level for key decisions in moving projects forward. The headings for completion are:

Background: Why the Business case and the nature of the problem

Objectives: What will be achieved by approval at this stage?

Scope: The Constraints & boundaries of the project/ study/ development work

Benefits: The positive reasons for and value expected at this stage

Council priorities: Impact or contribution to wider objectives

Critical success factors: Deliverables, milestones, outcomes and outputs

Cost Benefit Analysis: Valued and quantified "one-off" and operational amounts

Risks and Issues: What has to be managed to achieve benefits

Assumptions and constraints - specified as far as practical

Costs, Milestones and Timescales for the project

Authorisation and Sign Off for the Business Case.

Southwark uses its intranet to provide tools for standardisation and management of projects by a common approach. Relevant to the former e-Government programme are Project Planning toolkits. This is supported by centralised help and guidance for project and programme management.

The recommended elements of a strategic business case are set out in the box below:

Recommended main elements of the Strategic Business Case

Needs and Purpose of the project

Who benefits?

Interested Parties

Project Scope and Definition

Organisation and Communication Structure

Benefits Profile (Aims and Objectives)

Strategic and Corporate programmes and plans

Business and Service improvement and change plans

Risks particular to these plans

External risks to the project

Outline Costs, and criteria for evaluation and prioritisation

Appraisal and Development Remit

Outline Project Plan and Timetable

Next Steps/ Actions

This is the final part of the first (strategic) stage in the business case process. A formal decision will be made here to allow the project to proceed to a full business case, or to ask for the case to be rethought and resubmitted. Following this, initial resources will be committed and formal responsibilities allocated. A decision will also be made as to the priority that should be assigned to the project.

Outputs from Stage 1.4

- A fully completed strategic business case, submitted according to formal guidelines and documentation
- A decision, including rationales and supporting advice, on how the project should proceed
- Where appropriate, agreement on the resources that will support the next stage of the project
- Agreement on where the project will formally be located, together with communication to provide information about this
- A decision about the priority of the project, which will be formally recorded, explained and communicated.

1.4.1 Prepare and complete the appropriate documentation for a Strategic Business Case and submit to the decision-making body for a decision to proceed

- Have you obtained the documentation you will need to complete to submit the strategic business case (such as templates or guidelines on format and content)?
- Have you checked to make sure you have the right documentation and/or guidance, given the nature and scope of the proposed project?
- Have you obtained the information (based on the key action points above) that will go into the business case?

- Have you checked that all necessary communications and protocols have been followed to allow you to draw up and submit the strategic business case documentation?
- Have you made sure that the case you have put forward and the documents you have completed, have been checked with any necessary colleagues and managers?

1.4.2 Approve the (Strategic) Business Case and decision to proceed

- If you are part of a decision-making body that scrutinises strategic business cases, have you understood your role and responsibility at this stage in the process?
- Are you familiar with the contextual issues and documents (such as corporate strategies and programmes, or departmental plans) that are referred to in the Strategic Business Case?
- Have you familiarised yourself with the criteria to be used in approving the business case before you?
- Are you familiar with the decision choices, short of approval, and the basis on which you would exercise these?
- Are you aware of sources of advice and support to deal with any questions you may have about the business case (particularly its more technical elements)?
- Have you ensured that appropriate communications channels exist to allow you to question the people who have sponsored and developed the business case in question?

1.4.3 Approve development /appraisal remit

- Having reviewed the business case and accompanying decision criteria, should the proposed project be allowed to proceed to the next business case stage?
- If not, will you be encouraging the project to be rethought and submitted (if so, what specific feedback will you provide in supporting this)?
- If the proposed project is to be turned down, what reasons will you give for your decision?
- If the project is to be approved, what conditions are to be placed on its development?
- Which particular programme would make the best home for the project?
- Are you satisfied that the constraints and range of alternatives (project options) to be developed are practical and deliverable?
- What further recommendations will you be making as the project is carried forward?

1.4.4 Allocate resources for the next stage of the project

- Are resource needs identified in the strategic business case clear, and adequate to take the project to its next stage?
- Do the bodies/departments/people involved in approving such resources agree with these needs?
- If not, what steps will be taken to negotiate alternative resources?
- If resource needs have not been identified, what resources should be allocated for the next stage?

1.4.5 Approve Scheme Priority (place in the programme)

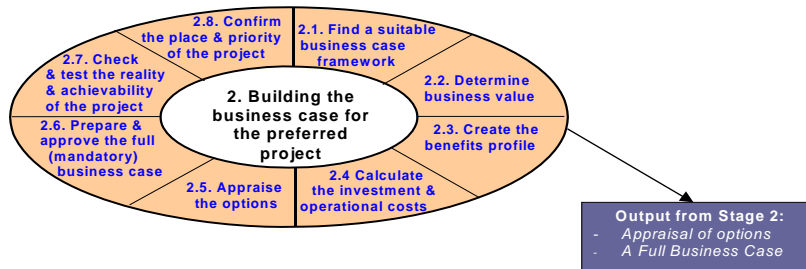
- In approving the strategic business case for the project, have you clarified its expected contribution to corporate strategies, plans and programmes?
- Has formal communication and agreement occurred, which will place the project in a particular programme or plan of activity?
- Have you identified criteria by which the importance of the project among other initiatives should be judged?
- Given this, have you decided on the priority that should be attached to the project (and communicated this accordingly)?
- Has information about programmes and plans been updated to include details of the project?

Output from Stage 1	
<i>The Needs and Purpose of the project</i>	<ul style="list-style-type: none"> ■ A clear statement of why the project is required and what it will achieve: 1.1
<i>The Project Scope and Definition</i>	<ul style="list-style-type: none"> ■ A clear statement as to the scale, nature and cost of the proposed project, particularly its e-Government style dimensions: 1.1
<i>The Strategic Business Case</i>	<ul style="list-style-type: none"> ■ A description of the stakeholders affected by the project and how they will be involved in the business case for it: 1.1, 1.3 ■ A statement about commitments by stakeholders to provide the time and resource needed to undertake the project: 1.1
<i>The Proposed Organisation and Communication Structure</i>	<ul style="list-style-type: none"> ■ A statement as to which body and/or programme should be responsible for it (at least in terms of strategic assessment): 1.1 ■ A statement explaining the decision-making structures the proposed project will need to go through to receive approval: 1.3 ■ A statement on who will sponsor the project at its strategic approval stage, and who will lead the business case for it: 1.3 ■ Agreement on which decision-making body (or bodies) will examine the case for the project (including the constitution of such a body, where necessary): 1.3
<i>The Benefits Profile (Aims and Objectives)</i>	<ul style="list-style-type: none"> ■ A description of the benefits the project would bring to relevant strategies, plans and programmes: 1.2 ■ A description of the improvements the project would make, and the indicators of success: 1.2
<i>The Link to Strategic and Corporate programmes and plans; and to Business and Service improvement and change plans</i>	<ul style="list-style-type: none"> ■ A description of which programmes and plans the project best relates to (in terms of aims and objectives): 1.1
<i>Risks particular to these plans & External risks to the project</i>	<ul style="list-style-type: none"> ■ A statement about the risks associated with the project (and how these would be managed): 1.2 ■ A statement about risks of not proceeding with project: 1.2
<i>Outline Costs, and criteria for evaluation and prioritisation</i>	<ul style="list-style-type: none"> ■ A description of the current way of working, and the costs involved in doing this: 1.2 ■ A statement as to the decisions expected from these bodies, including the criteria that should inform their judgments: 1.3 ■ A decision about the priority of the project, which will be formally recorded, explained and communicated: 1.4
<i>Appraisal and Development Remit</i>	<ul style="list-style-type: none"> ■ Where appropriate, agreement on the resources that will support the next stage of the project: 1.4
<i>Outline Project Plan and Timetable</i>	<ul style="list-style-type: none"> ■ Agreement on where the project will formally be located, together with communication to provide information about this: 1.4
<i>Next Steps/ Actions</i>	<ul style="list-style-type: none"> ■ A decision, including rationales and supporting advice, on how the project should proceed: 1.4
COMPLETE OUTPUT OF STAGE 1: 1.1	
<i>A fully completed strategic business case, submitted according to formal guidelines</i>	

2. Building the business case for the preferred project

The business case stage will have clarified our commitment to and the importance of the project in question. We should also know where a particular project would fit in with other initiatives and plans. The challenge at this (second) stage is to identify the preferred way forward, the specific benefits this would bring, and the likely costs, risks and revenues involved.

This is the most important stage in the business case process, with eight key elements (see figure below). As such, it will also demand the most time and attention. The key output of this stage will be a detailed case for a particular project option. This will initially involve a feasibility study and appraisal of viable options, resulting in a justified preference. Once approved, this will be used to drive forward the procurement and implementation of that option.



2.1. Finding a suitable business case framework

The first step needed at the second stage of the business case process is to determine a suitable framework for the development of a given business case. By 'framework' here, we are referring to a set of methods that determine how the analysis, feasibility studies, options appraisal, planning and reporting of the full business case is to be carried out.

In addition, the approach to service transformation and change management will also be identified. In most authorities, Prince 2, Gateway Review processes and ideas contained in OGC's Managing Successful Programmes, will underpin the principles and methods used here.

Outputs from 2.1	
-	A development plan, including project management and planning methods, which is deemed most appropriate for the project in question
-	An agreed approach to the conduct of feasibility studies and options appraisal
-	An agreed approach to managing the service transformation and change management dimensions of the project

2.1.1 Agree a development plan appropriate to the scale and range of the project

- Given the scale and range of the project, is there corporate guidance on how such an initiative should be carried forward (steps to be taken, information sought, forms completed, etc.)?
- Are milestones and decision points well-defined?
- Are there specific methods that must be adopted?
- Has the preferred approach been agreed with managers involved?
- Are there special circumstances (such as urgency, or priority) that require a "lighter touch" so far as planning, form-filling and reporting are concerned?
- If so, has agreement been sought or protocols followed to ensure this is done in an approved way?
- If external expertise is necessary, are the timescales for procurement of services achievable?

LB Hillingdon developed a 3-stage process to build the business case for e-modernisation and transformational projects. This recognises Stage 1, the strategic business case and expands on a framework for Stage 2.

Stage 1: Assess the Strategic Planning context:

This stage identifies the modernisation drivers.

Stage 2: Building the modernising business case:

This consists of 5 main steps, which will be discussed in greater detail below:

Step 1: *Benefit Identification*

Step 2: *The Modernisation Diagnostic*. Identifies opportunities, benefits and risks of modernising working practices, e-delivery and citizen contact

Step 3: *Reality Check*. Reviews the diagnostic against the benefits identified - were they as expected?

Step 4: *Completing the Business Case*. Develops a fully costed return on investment case for implementing the priority benefits derived from the diagnostic

Step 5: *Prioritising the Business Case*. Evaluates each part of the business case using consistently applied criteria. Hillingdon has developed an e-Services Prioritisation Model which is used to rank e-service projects seeking IEG funding

Stage 3: Implementing modernisation initiatives

LB Hillingdon's approach in Housing was to pilot a series of service delivery, organisational and enabling technologies that underpinned the original Modernisation Business Case. These are briefly referred to in the case study.

2.1.2 Agree proposals for feasibility studies, options appraisal and development of the preferred option

- Has a range of stakeholders (including technical experts and service professionals) been consulted and appointed to explore the options available in pursuing the project?
- Has a workshop or consultation exercise taken place where an agreed short list of options has been drawn up?
- Is a process in place to determine and agree the relevant selection criteria?
- Has an approach been decided upon that will examine and report on the feasibility of these options?
- Has a communication system/workshop been organised - together with the key stakeholders and appropriate decision-makers - that will examine the feasibility studies?
- Have appropriate option appraisal techniques been chosen?

West Sussex CC case study

WSCC has adopted the Gateway framework of OGC to define the Review, Decision and Project Assurance stages in the project life cycle.

Projects in the programmes have now progressed through Gateway 0 to the later gateways at 6 for closure and 7 for post project evaluation. Proposals are in hand to provide further guidance for what should happen at these later stages of review.

The gateway review decisions are:

- | | |
|---|--|
| 0 | Inclusion in the Programme – Strategic Business case |
| 1 | Approach and Business Case Approval – Outline Business Case |
| 2 | Approve Detail Design Approach / Specification |
| 3 | Investment – Full Business Case review |
| 4 | Proceed – revised business case |
| 5 | Handover – move to Production Environment |
| 6 | Closure - project closure |
| 7 | Benefits Review |

At each gateway, the framework shows what will be reviewed, by whom, who will prepare the submission, the nature of the decision, and something about the range of actions following on.

2.1.3 Agree the approach to service transformation and change management, where appropriate

- Are there business improvements, service transformation and change management dimensions to the options involved with the project?
- Have the implications of these been explored with the stakeholders involved?
- Have specialist skills been sought to provide advice on how these should be addressed?
- Have the key stakeholders and decision-makers met to agree a preferred approach to transformation and change?
- Has this been communicated to relevant service, project and programme managers?

2.2. Determine business value

Having adopted a framework with which to approach general business case management, we are now concerned with translating the issues that were developed (in a relatively high level way) in the strategic business case into something more detailed. In 2.2 this involves the issue of *business value* – the improvements to business capabilities and service outputs that are the typical focus of corporate and service strategies, plans and programmes.

There are two challenges here for business case managers. Firstly, the business value expected from proposed project options needs to be clearly spelled out; secondly, explicit links need to be made to wider strategies, plans and programmes (particularly those that would have featured in discussions and documents at the Strategic Business Case stage).

Outputs from 2.2

- A statement of the business value that each of the options under study is expected to contribute to corporate strategies, plans and programmes
- A statement as to the way each of the options fit with corporate strategies and service plans
- A statement of the key success factors and performance measures associated with each of the options in supporting corporate strategies and service plans
- A statement of the links between the strategic business case and the business value that each option is expected to deliver.

2.2.1 Clarify the Business Value that will be provided by the project

- Has a benefits profile been identified with which to explore the business value of the project (and the options involved in it)?
- Is this consistent with corporate guidance and/or does it include frameworks mandated by any protocols?
- Have the organisational strategies, plans and programmes been thoroughly examined to ascertain what business value is contributing towards?
- Has the business value of each of option been analysed using the benefits profile in question?
- Have the results of this analysis been communicated in an appropriate way to the key stakeholders and decision-makers?

The Norfolk CC case study demonstrates how, through a triangle of influence - Service Improvement, the E-team, and the ICT managers - the organisational, technological and service transformational benefits may be balanced. A structured benefits profile, with a balanced scorecard, financial estimates and risk assessment is employed consistently across Norfolk. This is possible because of some central management and setting of framework policies to evaluate how benefits will be realised.

Business Process Re-engineering techniques have been piloted to baseline, appraise and develop options for evaluation. The business case is then made at a high level for service transformation.

Templates are used, which focus on a systems approach to achieving business/service benefits whilst containing the costs. Efficiency savings are sought through Cost Benefit analysis, and comparison where possible of baseline operating costs with the future expected estimates.

PRINCE 2 methodology is used, and particular value has been gained from end stage reviews.

Benefits Realisation methods are regarded as a key to future improvement and delivery of the business cases. The dynamics of implementation and changes to business processes in transformation activities are recognised as presenting challenges for benefits realisation.

2.2.2 Confirm the fit with strategies and service plans, the key success factors and performance measures to assess delivery

- Has specific analysis taken place as to the business value each option would contribute to relevant strategies and service plans?
- Have the key success factors for each of the options been identified, so far as these contributions are concerned?
- For each of these success factors, have performance measures been identified to check that the key success factors have been achieved?
- Has information about the fit, success factors and performance measures been communicated in an appropriate way to the key stakeholders and decision-makers?

2.2.3 Identify links between strategic case and business value

- Has the strategic business case been revisited to clarify the expected or implied business value that the project will generate?
- Has the business value analysis for each of the options explored been examined in relation to these?
- Has a statement been produced, which clarifies the links between the strategic case and the business value of each of the options?
- Has the relationship between the strategic objectives, business value, performance measures and service impact been suitably specified to inform the benefits profile?
- Has this been communicated to decision makers/recorded for future use as appropriate?

2.3. Create the benefits profile

At this point in the process we need to look in more detail at the range of benefits a particular project option is likely to generate. These might well be conceived of as 'intermediate benefits', which feed into the more general business value issues that were explored in 2.2.

Development of the profile will usually also mean a careful mapping of dependencies between benefits, both within the proposed project, as well as with other projects (perhaps as part of the programme). The benefits profile is also important in preparing for the process of *active benefits realisation* that will be needed if and when implementation takes place (where responsibilities for delivering specific benefits will be assigned and monitored).

Outputs from 2.3

- A detailed description and categorisation of the benefits profile for the project (and the options involved), including the mapping of dependencies and the links between benefits and business and service outcomes
- A statement of performance baselines, including historic information and data sources for new measurements
- A statement on how the delivery of the benefits identified are expected to impact on performance measures and indicators.

2.3.1 Agree the business and service benefits that are deliverable (categorised as appropriate – e.g. financial, measurable etc)

- What methods will be used to examine and describe the detailed benefits associated with the project (and its various options)?
- Do these include techniques that might be mandated by organisational protocols?
- Has the benefit profile been work-shopped with relevant stakeholders to confirm the appropriate categories to be used?
- Have dependencies between benefits been mapped - and the implications of such dependencies explored?
- Are there clear links between benefits and business and service outcomes?
- Where appropriate, have the benefit dependencies between different projects been mapped and explored (for example, by using programme management techniques)?

As part of their methodology, **Hillingdon** has used a 'traffic light' approach to the benefits identification, with

Red signifying hard, tangible benefits

Orange signifying productivity improvements, and

Green being those benefits that cannot be converted with any degree of reliability into cash or productivity gains (e.g.: building organisational capacity or raising the council's profile with key stakeholders).

This approach means that the Council examines not only the non-tangible project benefits, but also demonstrates (through the Return on Investment (ROI) model) the financial benefits of modernisation and e-Government.

An example is summarised in the Case Study and identifies project benefits as:

Red: reduced premises costs; reduced ICT costs; flexible working methods; recruitment costs; reduced facilities management costs; restructuring.

Orange: reduce commuting time; greater productivity; better use of specialists; reduced staff turnover.

Green: Community leadership; reputation; improved work/life balance; staff motivation.

2.3.2 Where appropriate and feasible, establish the base-line for each benefit

- What information already exists about existing performance, against which the project is expected to deliver improvements?
- Has such information been sourced and collated?
- If new measurements have to be taken, has agreement been reached on how the information will be collected, and the criteria that would determine when this should take place?
- Given this, has agreement taken place as to where measurements should occur?
- Has all the relevant measurement data been properly recorded, to inform subsequent steps in the business case process?

Base lining e-Government style projects

Understanding existing cost structures and Cost-Benefit analysis

A key difficulty in e-Government type projects is that the existing service information is unlikely to be complete, accurate or configured in the same way as will be required for establishment of the base case. The former e-Government project wanted to consider the service in a different way and that meant the budget and cost structure had to be broken down and reassembled with assumptions. Jobs and activities did not always map across without interpretation of information and detailed analysis in the service area.

2.3.3 Agree the expected impacts on performance measures and indicators

- Have relevant performance measures and indicators been identified and understood?
- Have relevant stakeholders been consulted - or a workshop taken place - to identify and agree the potential impacts that the benefits profile is likely to make against the baseline?
- Has agreement been reached on what these impacts will mean in terms of performance measures and indicators?
- Have these been properly documented and communicated as part of the business case process?

West Sussex CC case study

The cornerstone of the WSCC approach is management of the Benefits Profile. This sets out in the business case what it is expected to achieve, where the impact will be on services, what savings can be made, and what other opportunities can be developed. Although attribution may not always be clear, sufficient information is available to enable accounting and management decisions to be made about allocation and measurement of the expected changes.

Essentially the Benefits Profile, when “properly” written and formulated, enables discussion and transparency of any judgements being made. The method and spreadsheets used do provide the framework for this balance to be considered. Similarly they establish the basis for monitoring, change and review of progress and ultimately operational impact.

2.4. Calculate the investment and operational costs and benefits

A crucial part of any business case is, of course, the financial model for the proposed project. This consists of a number of parts, including the expenditure costs at both investment and operational levels. This is often thought to be one of the most difficult parts of business case management - and not just because it demands the use of accounting skills and techniques. The ability to construct a financial model also requires the user to populate that model with accurate data about processes, activities, transactions, staffing levels, current costs, expenditure and income, and those likely in the near and longer term if the project goes ahead.

For these reasons, considerable effort will be needed in obtaining accurate assessments of the current baseline and likely future costs. Moreover, assumptions need to be made about operational issues and such matters as efficiency savings and staff redeployment - assumptions that will need to be discussed with a range of stakeholders.

Outputs from 2.4

A formal financial model for appraisal and evaluation of the project options, including:

- A statement of the (“one off”) investment costs and benefits associated with project options
- A statement of the revenue costs and savings associated with the project options
- A statement of the (agreed) assumptions and interpretation underlying the financial model.

2.4.1 Approve the estimates of “one-off” costs and benefits, as well as the and operational revenue and cost implications

- Have corporate guidelines been consulted on how the costs and revenues associated with the project should be calculated and accounted for?
- Has information been garnered on the resources, software and equipment needed to implement and operate the options in question?
- Have the project options being examined in terms of the impact the benefits profile will make on costs and revenues?
- Have the one-off costs and benefits for each option been calculated, as agreed by managers and corporate guidelines?
- Have the revenue and operational cost implications similarly been calculated?
- Have these estimates been checked with and approved by appropriate managers and or decision-making bodies?

LB Hillingdon Case Study

To complete the business case, a Return On Investment (ROI) model was built to scrutinise the costs and savings associated with each of the red/orange benefits identified. The original model was developed internally by Hillingdon and validated by CISCO Systems, their trusted advisors, using its own ROI analysis model.

In the case study, Housing developed a number of different scenarios to model against associated benefits and costs. Red benefits were estimated in terms of monetary value, orange were modelled in two ways: in terms of their monetary value (time saved = salaries saved) and in terms of extra value add services that could be carried out as a consequence. Green benefits were not modelled against ROI.

The business case for modernised working practices showed a payback of just over 3 years on a cash flow basis (ignoring any benefits of changes to capital). Total cost, on both capital and operating expenditure over 4 years, was estimated at approximately £1.8 million. By the end of this period net benefits of approximately £435-£480K were estimated with up to an additional 17k hours per annum of value added service time released.

2.4.2 Agree the underlying assumptions and assessments of staff and operational savings to be made

- What assumptions have been made about the staff and operational savings the project will achieve?
- Have these been agreed with appropriate managers and stakeholders?
- Have assessment techniques been agreed, to validate these assumptions?

2.4.3 Assess the achievability of staff redeployment, release, training and development assumed in project options

- What assumptions have been made in the options process that involves redeploying or releasing staff from the (cost) unit affected by the project?
- Do stakeholders agree on the achievability of such redeployments/releases?
- What assumptions have been made in the options requiring the training and development of staff?
- Do stakeholders agree on the achievability of such training and development?

2.4.4 Agree the completeness and accuracy of the information assembled

- Have you checked to make sure that you have all the information and analysis needed to build a financial model for each of the project options?
- Have you determined the accuracy of this information (for example, by referring to alternative sources)?
- Have you agreed with relevant managers and stakeholders that the information put forward is complete and accurate?

West Sussex contact centre case study

Financial Model:

The Business case is largely dependent on the construction and formulation of a spreadsheet that details a cost-benefit analysis, calculates the pay back period, net present value (discount rate of 10%) and calculates an internal rate of return. The calculations are for a ten-year period and include a level of capital reinvestment (refresh) in year 6. The case relies on the achievement of productivity gains in call handling, and response times.

The spreadsheets have the capacity to carry out scenario testing and sensitivity analysis. The ultimate value of the business case will depend on the quality of the assumptions and information used to populate the spreadsheet. The structure is simple - calculating capital and operating costs for comparison with benefits realisation. Benefits in this case are FTEs saved.

The business case spreadsheets provide an Action Log and Risk Log to make clear the areas to be managed for successful realisation of benefits. The business process re-engineering assumptions are specified, so service managers as sponsors see where and how transformation of operations will take place.

2.4.5 Develop a financial model for examination of the options

- Have you identified relevant guidance or documentation from which to complete the formal financial model for appraisal and sensitivity testing of the options?
- Have you checked to make sure that you have all necessary information in order to complete this documentation?
- Have you checked the accuracy of the models, to make sure that data has been entered correctly?
- Have you provided a formal account of the model, explaining the assumptions and data that lie behind it?

2.5. Appraise the options

Having assembled the benefits profile, together with information and analyses pertaining to each of the project options, it is now necessary to appraise the options put on the table and recommend a preferred way forward - one which will be developed into the Full business case.

The business case development at this stage will pull together the various threads in order to produce an appraisal report for the relevant decision-makers. This will provide interpretation and analysis of data, recommendations, explanation and justification of the preferred option.

Output from 2.5

- An appraisal report for the project options, including a preferred option
- A statement of the criteria to be used in evaluating the appraisal report
- Formal approval to proceed to a full business case for a preferred option, including suggestions and recommendations from the appropriate decision-making body.

2.5.1 Agree the evaluation criteria for the project

- Given the nature and scale of the project, the framework used to develop it, and the benefits profile and financial model involved, what specific criteria should inform the evaluation of the project options?
- What additional criteria will need to be considered, given organisational protocols and procedures?
- What further criteria may be important, particularly given the plans or programme to which the project is contributing?

Business Case Guidance

- Have relevant stakeholders and decision-makers agreed on these criteria?
- Have the risks been identified, assessed and evaluated for each option?

In the **Lichfield and Staffordshire Moorlands** Case Study, options were appraised to:

Develop existing in-house capability and devolve IT to services/departments within the councils for:

- External provision from the public sector (e.g.: partnership with County or larger district or borough council) to support the existing staff
- As above, but the IT staff would be transferred
- Commercial Provision- to supplement and support the existing staff
- Commercial provision- transfer the existing staff, relationship would be that of client/contractor

2.5.2 Approve the appraisal report

- Has analysis taken place, which pulls together feasibility studies and options appraisal?
- Have the agreed evaluation criteria been used as part of this analysis?
- Has a report been produced (on a formal appraisal form, where appropriate), which details the appraisal of the options using these criteria?
- Does this recommend a preferred project (including arguments explaining this preference)?
- Has this recommendation been agreed with key stakeholders?
- Has the report been presented, together with supporting documentation, to the appropriate decision-making body for approval?
- Have they been informed of the decision they are expected to take and the options available to them?
- Has the approval and accompanying statements and recommendations been formally lodged and communicated to relevant stakeholders?

West Sussex Customer Contact Case Study

A broad business case was made to the Chief Executive's Board at a strategic level, which set out the options for location, partnership involvement and general vision. The more detailed business cases were then developed for the Release stages of the Customer Centre. The planned phased programme for migration and implementation was established based on the practicalities of service arrangements and the needs of customers. The project initiation document (PID) sets out clearly the scope of the project, its objectives, organisation and stages for development through procurement and implementation. The approach links corporate objectives to project deliverables, outputs and specific products.

The business case here covers: Facilities, Technology, Interfaces, Business Process Re-engineering, Staff, Communications and Organisational Change. The constraints and resources related to budget and personnel are also presented, together with a statement of the assumptions made.

The Business case describes the extent of the sampling, piloting and comparison of assessments around alternative contact strategies, which provide a foundation to the solution proposed. Benefits realisation is understood to be the responsibility of operational and service areas; therefore, the project concentrates on success factors and performance indicators as a means to achieve the benefits. This requires a detailed organisation structure, with specified roles and responsibilities to manage information and evaluate progress. The importance of Service Heads and Business Change Managers is particularly recognised in the business case itself, as well as the methodology employed.

2.6. Prepare and approve the full (mandatory) business case

Even the smallest and most non-strategic of projects will require some kind of business case. Hence, for all projects, 2.6 is a mandatory step. At this point in the process a preferred way forward has been approved. The issue now is to assemble arguments and supporting data into a form that will result in a formal mandate to proceed to implementation, as well as the approval of resources to support this.

The full business case will cover (in depth and detail as appropriate) similar areas to those listed at 1.4 above (excepting the Appraisal and Development Remit):

Structure of the full business case	
-	<i>The Benefits Profile (and Aims and Objectives)</i>
-	<i>Relevance to strategic/corporate programmes and plans</i>
-	<i>Relevance to business and service improvement and change plans</i>
-	<i>Expected operational levels and efficiency savings</i>
-	<i>Associated risks:</i>
	<i>External to the project</i>
	<i>Project risk events</i>
-	<i>Detailed Costs</i>
-	<i>Criteria for evaluation and prioritisation</i>
-	<i>Support from the financial model</i>
-	<i>An Implementation Project Plan and Timetable, Including:</i>
	<i>Procurement strategy development)</i>
	<i>Milestones for Business case revision</i>

It is likely that formal documents/templates will need to be completed in preparing the full business case. Other supporting documentation will also need to be collated and presented.

Outputs from 2.6	
-	A completed Full business case, submitted according to formal guidelines and documentation
-	A decision on whether to proceed to implement and procure the project (together with requirements and recommendations)
-	The communication of the approval (and its implications for resources and other plans and programmes) to relevant stakeholders.

2.6.1 Prepare the appropriate documentation for a Full Business Case and submit to the decision-making body for approval

- Has the information garnered for the options appraisal been reviewed?
- Has the appraisal report for the preferred options – together with the decision, suggestions and recommendations of the decision-making body – been reviewed?
- Has further data gathering (including consultation with stakeholders) taken place, as required or implied by this?
- Has corporate guidance and/or documentation for completing a Full Business Case been obtained and reviewed?
- Has a Full Business Case been completed accordingly?
- Have the features and factors evaluated in the financial model been interpreted and presented appropriately?

- Has this been checked informally with colleagues, managers and other stakeholders, as appropriate?
- Has this been submitted to the appropriate decision-making body for approval?

2.6.2 Approve the full business case of the preferred solution

- Has the decision-making body been supplied with a Full Business Case and all supporting documentation?
- Has their role in the decision-making process been clarified?
- Have their options, short of full approval, been clarified?
- Have the criteria by which they will arrive at a decision and recommendations been clarified?
- Where necessary, has input/clarification been sought from the sponsor and/or lead on the Business Case?
- Has the decision-making body assessed and agreed the interpretation of the information and data available?
- Has a decision been reached in accordance with corporate protocols?
- Have the resource implications of this been understood and recorded?
- Has information about the decision (and its implications for resources) been communicated to project stakeholders, together with supporting requirements and recommendations?
- Have other stakeholders been informed (including programme managers of related projects)?

The cornerstone of the **LB Hillingdon** modernisation business case, which is now used as the basis of HIP e-delivery and flexible working projects, is identification and management of benefits. This sets out, at every stage of the process, what the project seeks to achieve both in relation to soft as well as hard, and tangible financial benefits. The completion of the business case stage sets out exactly what benefits will be achieved and establishes a ROI case for them.

Sufficient information is certainly available to enable accounting and management decisions to be made about resource requirements and measurement of expected changes.

The interesting point of the Hillingdon approach is that it examines projects both from a financial as well as a non-financial point of view. Through stages 1-3, the emphasis is on identifying all benefits of carrying through the programme - it is only at step 4 - "**completing the business case**" that the focus is on creating a full cost –benefit analysis or ROI case.

2.7. Check and test the reality and achievability of the project

With the Full business case approved, project managers now have the sanction to discuss with stakeholders what the project will mean - and to check that they have the commitments of resources in order to support delivery. From this point on, project managers' plans and assumption will come up against practical issues, which may require plans to be rethought and updated. The approval of the full business case may have made judgements and decisions at the margins that require further development to confirm validation of the case.

Outputs from 2.7

- Agreement reached with partners, sponsors, suppliers and providers as to their resource commitments to the project in the timescale proposed
- Approved updates to project plans and documents.

2.7.1 Agree with partners, sponsors, suppliers and providers their commitments of resources in the time frame proposed

- Given the approval of the full business case, which partners, sponsors and providers will need to be informed?
- Have the implications for them in terms of resource commitments been explained?
- Have project assumptions been clarified with each?
- Has agreement been reached on how they will meet these commitments in the proposed time frame?
- Has remedial action taken place, where necessary, to ensure the project is still achievable?

2.7.2 Agree any necessary changes to project plans and (project initiation) documents

- Given discussions with - and agreed commitments from - partners, sponsors, suppliers and providers, what changes may need to be made to project plans and documents?
- Have these been approved by (Programme) managers?
- Have update to documents been properly version controlled, and logged/circulated?
- Have changes been reviewed and their impact on the business case evaluated?

Factors Behind LB Hillingdon's Success were summarised as:

- Securing executive support from councillors as well as officers
- Retaining focus on the benefits realisation throughout the process
- Using pilot projects to develop the momentum for change
- Combining clear corporate mandate with local discretion
- Attention to implementation planning.

2.8. Confirm the place and priority of the project

By now, assumptions will have been tested, commitments confirmed and the project plan revised accordingly. It is now necessary to move towards formal implementation and procurement, for which appropriate plans will need to be developed and approved. In doing this, there will also be a requirement to check that the project is properly located within a given programme or plan of work and that its priority has been checked and approved.

Outputs from 2.8

- An approved implementation plan for the project
- Agreement on the priority of the project vis-à-vis other projects.

2.8.1 Approve the project implementation plan

- Given updates in plans and resource commitments, have the implications for project implementation been ascertained?
- Has an implementation plan been agreed with relevant stakeholders?
- Has this been approved by Service, Business Change/Improvement, Programme managers?

2.8.2 Agree priorities vis-à-vis other projects

- Has the contribution of the project to strategies, plans and programmes been re-visited since the Full Business Case was updated?
- Has the priority of the project vis-à-vis other ones been assessed?
- Where necessary, has formal approval been sought/or decisions made to re-prioritise the project?
- Has the results of this been properly logged/communicated to appropriate service and programme managers?
- Have project managers discussed any new implications of this with them?

LB Hillingdon developed an e-services prioritisation model, to rank the different e-services initiatives seeking IEG funding. The prioritisation criteria for projects are shown in the supporting case study (using an example from the Housing Services online repairs reporting initiative for council tenants).

The methodology provides Hillingdon with a structured way to identify the benefits of a particular transformation project, the opportunity and risks involved, a quantitative ROI analysis and finally, through the e-services prioritisation model, a way to establish which initiatives are the most important from the point of view of corporate objectives, efficiency gains and enhanced service to the public. The prioritisation model offers a very useful 'challenge' function, in that it pits projects against each other for limited funding.

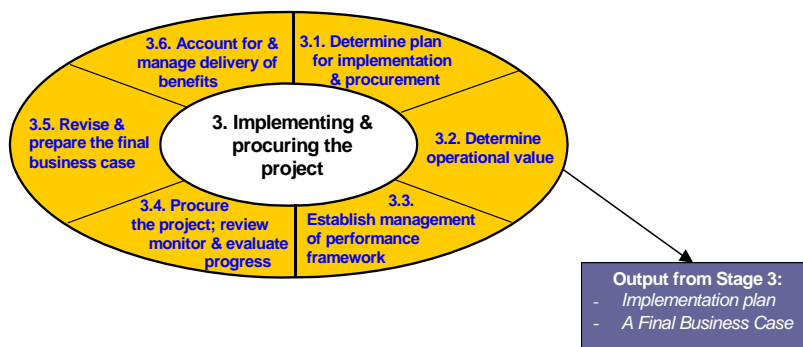
Outputs from Stage 2	
Initial plan for Stage 2 following completion and approval of the Strategic Business Case	<ul style="list-style-type: none"> ■ A development plan, including project management and planning methods, which is deemed most appropriate for the project in question: 2.1 ■ An agreed approach to the conduct of feasibility studies and options appraisal: 2.1 ■ An agreed approach to managing the service transformation and change management dimensions of the project: 2.1
Outputs for the Appraisal, Evaluation & Selection of the preferred Option	<ul style="list-style-type: none"> ■ A statement of the business value that each of the options under study is expected to contribute to corporate strategies, plans and programmes: 2.2 ■ A statement as to the way each of the options fit with corporate strategies and service plans: 2.2 ■ A statement as to the way each of the options fit with corporate strategies and service plans: 2.2 ■ A statement of the key success factors and performance measures associated with each of the options in supporting corporate strategies and service plans: 2.2 ■ A statement of the links between the strategic business case and the business value that each option is expected to deliver: 2.2 ■ A formal financial model for appraisal and evaluation of the project options: 2.4 ■ A statement of the criteria to be used in evaluating the appraisal report: 2.5 ■ An appraisal report for the project options, including a preferred option: 2.5 ■ Formal approval to proceed to a full business case for a preferred option, including suggestions and recommendations from the appropriate decision-making body: 2.5
The Full Business Case	<ul style="list-style-type: none"> ■ A completed Full business case, submitted according to formal guidelines and documentation: 2.6 ■ A decision on whether to proceed to implement and procure the project (together with requirements and recommendations): 2.6 ■ The communication of the approval (and its implications for resources and other plans and programmes) to relevant stakeholders: 2.6
The headings of the Strategic Business Case provide the initial framework and in particular here the following areas will be strengthened:	
The Benefits Profile (Aims and Objectives)	<ul style="list-style-type: none"> ■ A detailed description and categorisations of the benefits profile for the project (and the options involved), including the mapping of dependencies and the links between benefits and business and service outcomes: 2.3 ■ A statement on how the delivery of the benefits identified are expected to impact on performance measures and indicators: 2.3
Affirmation of links to strategic and corporate programmes and plans, business and service improvement and change plans:	
The Operational costs and efficiency savings:	<ul style="list-style-type: none"> ■ A statement of performance baselines, including historic information and data sources for new measurements: 2.3
The Risks involved – and how they can be managed	<ul style="list-style-type: none"> ■ A statement of external to the project & project risk event
Detailed costs, and criteria for evaluation and prioritisation	<ul style="list-style-type: none"> ■ Support from the financial model ■ A statement of the (“one off”) investment costs and benefits associated with project options: 2.4 ■ A statement of the revenue costs and savings associated with the project options: 2.4 ■ A statement of the (agreed) assumptions and interpretation underlying the financial model: 2.4
An implementation project plan and timetable	<ul style="list-style-type: none"> ■ Plans for procurement strategy development ■ The Milestones for business case revision ■ Agreement reached with partners, sponsors, suppliers and providers as to their resource commitments to the project in the timescale proposed: 2.7 ■ Approved updates to project plans and documents: 2.7 ■ An approved implementation plan for the project: 2.8 ■ Agreement on the priority of the project vis-à-vis other projects: 2.8

3. Implementing & procuring the project

This forms the third stage of a project. Here, the project set out in the Full business case (and Project Initiation Document) is taken forward. The business case remains a 'live document' at this stage, as real costs will be incurred and need to be accounted for. Benefits set out in the business case will also need active management (to ensure 'realisation'). Risk management will also now become more physical as plans are implemented.

The activities and outcomes relevant to the business case in this phase of the project life cycle will vary. Essentially this will depend on the quality and stage of development reached when the full business case is submitted. Important factors will be the complexity of the project, the risks that have to be managed, the changes that arise, and the amount and type of procurement necessary to deliver it. How the scheme develops will determine whether a revised business case or final business case is required. Reporting and monitoring of the project development and progress is essential through this stage.

As the figure below shows, there are six key elements to this third stage in the process:



3.1. Determine plan for implementation & procurement

Following approval of the final business case in the previous stage, an implementation plan should have been drafted – typically in a Project Initiation Document (PID) – which will now need to be enacted. In taking this forward, specific responsibilities will have to be allocated, and details of project milestones, risks and monitoring arrangements clarified and confirmed. It will also be important here to agree decision points and protocols in relation to procurement.

Outputs from 3.1	
-	An agreed plan - containing roles and responsibilities, monitoring and reporting procedures, and milestones and review points – for initiating procurement and implementation
-	Agreement on the procurement procedures and timelines to be followed in sourcing, reviewing and deciding upon contract awards.

3.1.1 Approve and agree the plan for firming up details of the project

- Are the risk management plans compatible with the timetable for further decisions about - and refinement of - the project?
- Are there clear roles and responsibilities in proceeding to the design, specification and procurement of services and equipment?
- Are the proposals for monitoring, reporting and supervision appropriate?
- Are the products and milestones clearly identified and specified?
- Are there identifiable requirements that will lead to review and revision of the business case?
-

The Leicestershire CC case study links the Full Business Case, through challenge, to an implementation plan:

A further evaluation of the final Business Cases will then be undertaken and the BASIS Group will recommend to Corporate Management Team (CMT) the projects that should be included in the BABS and ICT Work Programmes for 2005/06. In consultation with the relevant Cabinet Lead Members, CMT will then establish provisional Work Programmes.

It is expected that Chief Officers and the appropriate Cabinet Lead Member for each service area will be consulted on submissions from departments. For BABS and corporate ICT submissions, BABS Programme Directors and Cabinet Lead Members for BABS and ICT should be consulted as appropriate. In reality some departments consult with Cabinet Lead Members, but it is not common practice as yet. What is more important is to obtain ownership of e-Government style projects at the planning stage.

3.1.2 Agree key decision points in relation to the procurement strategy and contract awards

- Are the procurement packages and their interdependencies accommodated in the plan?
- Are there market and supply chain uncertainties that have to be tested in advance of procurement?
- Are the procurement procedures and authority levels deliverable within the plan and its timeframe?
- Have the necessary Panels, Boards and Cabinet meetings included in the plan been alerted to the project?

Lichfield & Staffordshire Moorlands District Council Case Study showed how the stages for implementation may be defined and a Project Management approach adapted and applied.

The project was managed using a sub-set of PRINCE 2 as the project management delivery method, with key deliverables to be formally signed off when completed and quality assured, and all decisions regarding project resourcing to be formally recorded in the project documentation. There were 3 key stages:

Stage 1: Defining initial requirements, exposing those requirements to the market and short listing potential partners who could demonstrate the ability to meet those requirements.

Stage 2: Detailed investigation of the partners proposed approaches, refinement and development of the detailed specification of the project and inviting tenders from the final shortlist of partners.

Stage 3: Contract preparation between the councils and the selected partners, and planning implementation.

An internally adapted review framework was put in place as checks for governance of the programme. This involves a simplified version of the OGC approach.

3.2. Determine operational value

In stage three of the business case process we move from the drawing board into the real world. In so doing, we are forced to engage with practical realities, and our actions will lead to substantive change. (It is also here that our assumptions are materially tested.) 3.2, therefore, requires us to look at the operational consequences of the envisaged project, particularly around the benefits it will generate. A number of checks will need to be made here, not simply to validate existing plans and financial models but also to make sure that steps have been taken, and systems put in place, to support the delivery of operational benefits as set out in the Full business case.

Outputs from stage 3.2

- A statement on the expected operational savings – as well as plans for transition, and staff redeployment and training to support them
- An updated statement on the expected impacts (and risks) that the delivery of the benefits profile will make on operations
- An updated statement on how the project will interface with other projects and services
- A statement on how lessons gleaned from the project will be fed into other stages of the project, other projects and related quality plans.

3.2.1 Agree detail of operational savings, transition, redeployment programme, training and development plans

- Has the process for business improvement and change management been agreed?
- Is this consistent with corporate and/ or service guidance and policy?
- Has the staff consultation and management of operational matters confirmed the detailed costs and savings in the financial model?
- Are the appropriate skills and capacity available to operate the services on completion of the project?
- Have the transition, training and staff development plans and costs been included or excluded from this project?

3.2.2 Confirm impact of detailed development on benefits profile

- Has anything happened to affect what can be delivered at the operational level?
- Have the impact of the operational arrangements on the benefits profile been reassessed?
- Has the risk register been maintained and reviewed?

LB Southwark and Salford MBC reviewed their approach to the concept of e-Government, ICT and business/service improvement initiatives and saw the application of a Benefits Realisation Method as essential for successful project delivery.

3.2.3 Confirm interfaces with other projects and operational activities

- Has the project detail led to any operational changes, or affected the broader programme or other projects?
- Have Service, Business Improvement/Change, Programme managers confirmed how the project interfaces with other activities?
- Are there any service level agreements, partnering or joint working arrangements, and facilities-sharing issues that have to be resolved?

3.2.4 Recognise the project may be staged or repeated - and that lessons may need to be captured and quality plans updated

- Have the lessons learnt been evaluated and communicated at the programme, service and corporate levels?
- Have the assessments and evaluations of this project contributed to demonstration of Quality Assurance and standards development?
- Will these factors affect future business cases, the achievement of benefits, efficiency savings and performance improvements?

Norfolk CC Case Study – Better Ways of Working / Business Process Re-engineering guides through this phase:

- Detailed project development, through specifications, contractor's offers, transition and transfer planning will define how future operations will be managed, supervised and delivered. This will lead to substantiation and variation to the previous business cases. It will also produce operational agreements on ways of working and confirm or amend efficiency gains for example.
- The working through of the detail during implementation, tendering, and receipt of contract offers and details will lead to clarification and understanding as to what can be delivered in practice.

3.3. Establish management of performance framework

In delivering the strategic and operational value set out in business case documents, it is important for any project to engage with the appropriate frameworks through which corporate and service performance are managed. By binding project outcomes with those at operational and service levels, the process of benefits realisation should be more effectively handled.

Outputs from 3.3

- A statement of how targets and performance indicators, as employed to manage corporate and service performance, link in with those used to manage the delivery of project benefits
- A statement of how the project will be managed – in terms of assessed milestones and measurable benefits – to ensure the realisation of benefits at operational, service and corporate levels.

3.3.1 Ensure appropriate links are made to corporate, service and customer expectations for performance

- Are there specific operational indicators and targets, that link to the corporate, service and customer expectations?
- Are there measures in the implementation of the project that map onto the performance framework
- Have the decision-makers, and project and programme board members, agreed to the relationship of the project success factors to the performance framework?

3.3.2 Agree specific objectives, targets and indicators of achievement in relation to project deliverables

- Are there clear and specific deliverables that will ensure benefits realisation?
- Are project deliverables specified in relation to milestones?
- Where practical, have indicators and measures been set, which should be attained during project delivery and (post project) service operation?

3.4. Procure the project; review monitor & evaluate progress

By this stage a process needs to be set in train to specify and procure the specific skills, services and technologies needed to implement the project. The tenders and resource requests involved here will need to be carefully aligned with the benefits profile and delivery milestones set out in project plans and business case documents.

Outputs from 3.4

- A set of approved contracts for delivering the services and technologies, as set out in the procurement plans and specifications
- A set of updates on the progress of the project, including explanation of any variations on earlier plans.

3.4.1 Approve scope of contracts, agreements, specifications, submissions for funding, tender evaluations, appointments, and award of contracts

- Are there clear processes with which to involve and manage the interaction of the project with procurement specialists and business/service managers?
- Has the scope and contents of contracts, specifications, supplier lists and tender process been independently reviewed and quality assured?
- Have the criteria and evaluation frameworks been created and agreed to inform the award of contracts?
- Has an assessment and review been carried out against the business case before the award of contracts?

3.4.2 Implement project in line with objectives and targets

- Has the risk management review led to changes in perception of what might be achieved?
- Have decision-makers and business/service managers received and accepted progress reports?
- Have the changes and variations been reported and reviewed to verify the validity of the business case?

The approach of **Norfolk CC** is to include in the business case a template for Benefits tracking. This builds on the benefits profile created to identify indicators and put in place actions to ensure measurement can and will be done. The framework exists for auditors to see how the authority plans and executes projects in the programme. The templates are there for reality testing of assumptions, figures and objectives. The reporting and monitoring of performance is a part of the management framework.

3.5. Revise and prepare the final business case

Once procurement and implementation is under way, more information will be available on the likely cost to be incurred, as well as a more refined statement of benefits and risks. It is important that these are captured and that the business case is updated to reflect them - and, where appropriate, reported to managers who have responsibility for monitoring project progress, delivery and spend.

A revised and final business case will incorporate contract prices and outstanding detailed estimates prior to final commitment to major investment. The revised and more accurate running of the financial model will enable confirmation of the expenditure profile and the place of the project in the financial budgets and plans. The structure and features will be similar to that used for the Full Business Case.

Outputs from 3.5

- An agreed Final business case, which incorporates updates in project figures (including, where possible, tender prices)
- A (series of) reviews, updating the business case figures, which maps benefits and costs against those envisaged at the start of this stage.

3.5.1 Approve and accept the full business case as revised, to incorporate the detail and accuracy of estimates as tender prices become available

- Have the revised figures been used in the financial model to confirm the business case?
- Are any changes or variations of a substantial nature to require a resubmission of the Final Business Case?

3.5.2 Undertake review, on an iterative basis, of benefits delivered and costs incurred (perhaps using a quality plan to link benefits management)

- Have the Benefits Profile and Risk Registers been reviewed and evaluated to confirm currency of the business case?
- Have the financial and resource plans been examined to confirm the capacity to meet the timescale and delivery dates for the project?
- Has anything changed at the corporate or service levels to change the priority and importance of the project?

3.6. Account for and manage delivery of benefits

Once implementation is under way, and benefits start to come on stream, arrangements will need to be in place for measuring, monitoring and reporting on the benefits being delivered. This is a key part of the benefits management process, of course; but it is also a key component in the rigorous handling of the financial model that underpins a given project. In particular, transparency around cost accruals and efficiency returns will be essential.

Outputs from 3.6

- A statement that explains how costs and efficiency gains will be accounted for and measured
- Ongoing reports on project progress.

3.6.1 Agree with finance managers how to account for the costs and measure the efficiency savings achieved

- Does the project have identifiable efficiency savings and/or productivity gains that will be accounted for visibly by finance managers?
- Are there established (corporate) measurements and measurement methods for doing this?
- If new measurements and methods will be needed, are these understood by and agreed with the parties involved?

Norfolk CC case study

The focus on service improvement, estimates of staff efficiency and operating cost gains does yield information that can be used to account for the effects of projects and programmes. Experience has shown that the fundamental weakness in business cases tends to be the accuracy and availability of the baseline information.

3.6.2 Approve highlight, progress and exception reports comparing actual benefits achieved with the business case

- Have highlight, progress and exception reports been submitted to record the actual benefits achieved by the project?
- Have these been reviewed and approved vis-à-vis the business case?
- Have any divergences been highlighted and addressed?
- Has the project progress and benefits profile been reflected in emerging business/service and financial plans?

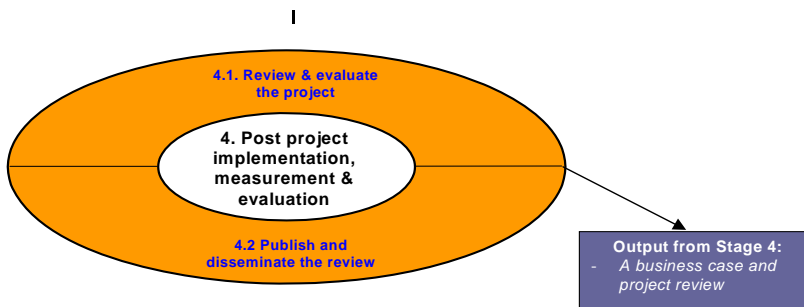
West Sussex CC case study

An important element of programme management is to be able to link the service specific projects with the wider more corporate projects. The interdependencies have to be effectively mapped, listed or identified for this to work in practice. Checklists exist and pro-formas are used to make information accessible by being consistent and recognisable. From an audit perspective the steps, gateway reviews, and processes are sufficiently clear for evidence to be available of the actions taken and decisions made on each project.

Outputs from Stage 3	
<i>An agreed plan - containing</i>	<ul style="list-style-type: none"> ■ Roles and responsibilities, monitoring and reporting procedures, and milestones and review points – for initiating procurement and implementation: 3.1 ■ Agreement on the procurement procedures and timelines to be followed in sourcing, reviewing and deciding upon contract awards: 3.1 ■ A set of approved contracts for delivering the services and technologies, as set out in the procurement plans and specifications: 3.4 ■ A set of updates on the progress of the project, including explanation of any variations on earlier plans: 3.4 ■ Ongoing reports on project progress: 3.6
<i>A revised version of the Full Business Case</i>	<ul style="list-style-type: none"> ■ Updates in project figures (including, where possible, tender and contract prices) ■ A series of reviews, updating the business case figures, will also be produced during Stage 3, which map benefits and costs against those envisaged at the start of this stage: 3.5 ■ A statement of how targets and performance indicators, as employed to manage corporate and service performance, link in with those used to manage the delivery of project benefits: 3.3 ■ A statement on the expected operational savings – as well as plans for transition, and staff redeployment and training to support them: 3.2 ■ An updated statement on the expected impacts (and risks) the delivery of the benefits profile will make on operations: 3.2 ■ An updated statement on how the project will interface with other projects and services: 3.2 ■ A statement of how the project will be managed – in terms of assessed milestones and measurable benefits – to ensure the realisation of benefits at operational, service and corporate levels: 3.3 ■ A statement on how lessons gleaned from the project will be fed into other stages of the project, other projects and related quality plans: 3.2 ■ An agreed Final business case, which incorporates updates in project figures (including, where possible, tender prices): 3.5 ■ A statement that explains how costs and efficiency gains will be accounted for and measured: 3.6

4. Post project implementation, measurement & evaluation

This is the final (or post project) part of stage 3. Here, a formal review takes place, to check costs and benefits against those set out in the Full and Final Business Cases. Lessons learned are fed back for future projects. Finally, the project is 'signed off'.



4.1. Review & evaluate the project

Depending on the size and scope of a project, the number and timing evaluations will vary. In some cases, these may be written into project plan; for all projects though, a review of the project against the final business case will need to take place.

4.1.1 Approve - at an appropriately determined date - a full review and evaluation against the full business case of the project

- Has the financial model, business case or project plan indicated key future dates when an appropriate review and evaluation of the project should take place?
- Have issues been identified and reported on that might inform future projects and development programmes?
- Given this, when and how should the review be conducted?

4.1.2 Check the extent to which the business case has meshed with reality

- Has the review demonstrated realisation of the benefits and effectiveness of the business case justification for the project?
- How have the risks impacted on the business case?
- How do the costs incurred measure up against those envisaged in earlier financial models?
- Have the lessons learnt been incorporated into later business cases?

LB Hillingdon have used their Stage 3 to evaluate pilots and improve future decisions.

Stage 3: *Implementing modernisation initiatives*

Building the modernisation business case focused attention on the important issues, and the risks and costs of each initiative. The final stage identified which initiatives were the most important. The approach was to pilot the key service methods, organisational changes and enabling technologies that underpin modernisation. The outcomes of the pilots were evaluated against the benefits (financial and non-financial) of the business case in order to determine the most appropriate future course of action.

4.2. Publish and disseminate the review

Once a review has taken place, its findings will need to be formally documented and promulgated, with dissemination taking place via appropriate decision-makers and communications channels. The key point here is that stakeholders now and in the future will have ready access to its findings and will be able - or even compelled - to act on them.

- Has a format been agreed, to complete and submit the project review?
- Has this been approved by decision-makers and programme managers?
- Has this been submitted to/logged with key service managers, programme boards and other record keepers as appropriate?

Outputs from Stage 4	
<i>An agreed project review plan</i>	<ul style="list-style-type: none"> ■ A plan for evaluating and reporting on the results of the project vis-à-vis the business case
<i>A formally completed and disseminated review</i>	<ul style="list-style-type: none"> ■ A documented and disseminated review, undertaken according to project agreements and corporate protocols, which evaluates the project: 4.1 ■ A comparison (contained in the review) that draws together actual figures and benefits against those envisaged in the Full and Final business cases, and provides feedback on lessons learned: 4.1, 4.2

5. APPENDIX 1: Governance Models, Roles & Responsibilities

This Appendix shares our findings from the literature review and case studies in relation to governance, roles and responsibilities in business case management. In setting about this, we were conscious to recognise the functions identified by CLG under the Capacity Building Programme as critical for implementation and delivery of local e-Government style projects and programmes; these are:

- Member e-Championship
- Officer e-Championship
- Service Managers
- Programme Managers
- Customer Service Managers and
- ICT managers

5.1. Other roles at a strategic/corporate level

The business case guidance makes clear the importance of addressing the *strategic* issues and ensuring the Authority knows, from a *corporate* perspective, why it is doing a given project or programme. In doing this, in addition to the above list, we also need to add functional areas of:

- Corporate management
- Financial Management and
- Change Management

Such roles are important, at least in the initial phase of “Placing the Project in its Strategic Context”.

5.2. Additional organisational roles identified by the research

The above functional roles become relevant and useful once the strategic decision has provided the context, ascertained the validity of the proposal and established its priority in the strategic plan. Subsequent to this, other roles will also have an important part to play in the business case process. These include:

- Finance Managers
- Procurement Managers
- Auditors
- Business Improvement Managers

Business Improvement Managers were identified in particular because of the alignment of so many local e-Government style programmes and projects with the change management and operational development of the authority. In some cases this might be the Customer Service Management function; however, in larger organisations these may operate separately from the Change Managers.

In Norfolk County Council, for example, there is a triangle of influence between ICT, Service Improvement and e-Government managers. The Service Improvement managers are the project managers and responsible for working with departmental service managers and change managers to make the projects and programmes customer focused.

5.3. Additional business case specific roles

Closely allied with both the change process and the business case management requirements, the following roles also emerged from our review of good practice:

- Business Analysis
- Business case owner
- Business case sponsor

The key business case roles within the project *team* are then the Project Manager and the Business Analyst. Their key relationship is with the Business Case Sponsor – usually a Service or ICT manager – and the business case owner (the more ‘remote’ manager, who looks forward to the outcomes and is accountable for the investment).

5.4. The importance of clarity around roles and responsibilities

The key to effective business case management is to be clear about who holds the different roles and responsibilities, and what these mean in terms of delivering any given programme or project.

Roles and responsibilities will be allocated according to the requirements of the programme or project. They will also be different between authorities, as organisational structures, programme and project management approaches vary. Whether roles and responsibilities are shared, and where they are created, will also depend on the business case, the resources available, and the decision-making framework employed.

(As we will see shortly, one outcome of this review is an outline of three models, which can be used to suggest how an organisational structure might be mapped onto the roles in question.)

5.5. Establishing the organisation, communication & process for a project or programme

According to the culture, management and governance structure of the authority, different functions, roles and responsibilities will be important. In looking at how to manage the business cases – and the projects and programmes of which they are part - it will be necessary to:

- Evaluate where you are now (custom and practice) by reviewing your existing structure, decision processes, and the environment for the initiative
- Agree stakeholder relationships and consultation and communication arrangements
- Decide on the roles and responsibilities that will need to be discharged
- Where appropriate, approve membership of project and programme boards (which could also mean outlining the key questions they should ask at given points, and the criteria that should govern decision-making);

5.6. Core models for business case governance

Three core models have been identified as part of the research for this report:

5.6.1 An e-Government style programme through the ICT Department (the traditional approach)

This would coordinate major e-Government style change programmes or projects and supply the support services needed. A Corporate Management Team would oversee all major initiatives. Here, the local programme is delegated down and operates within a regular service directorate configuration.

5.6.2 A specialised directorate that delivers major change, including e-Government style programmes (the organisational development approach)

This would run in parallel to a service directorate structure and would coordinate and lead the e-Government style change programme and cross cutting projects, drawing out resources and contributions from directorates.

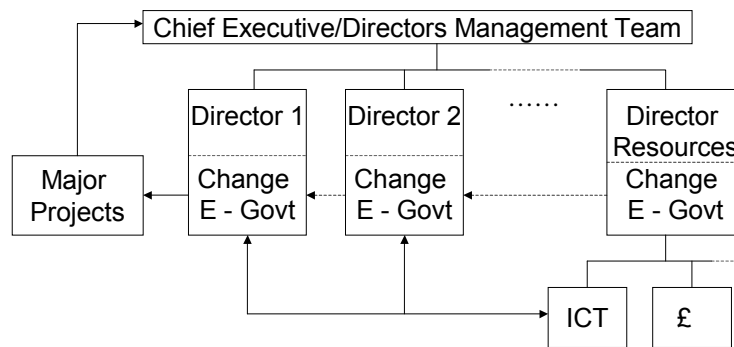
5.6.3 Outsourced delivery of e-Government style programmes and ICT services (the partnering approach)

Here, a regular service directorate structure would oversee arrangements where ICT services and e-Government style programmes would be delivered by external parties, or provided through external arrangements, such as an arms-length strategic partnership.

5.7. Model 1: An e-Government style programme through the ICT Department

This model may be appropriate for an authority with few capital projects, programmes or cross cutting initiatives. The implication is that change and investment is managed within directorates. A few initiatives will warrant attention by the corporate management team.

Model 1: The traditional approach

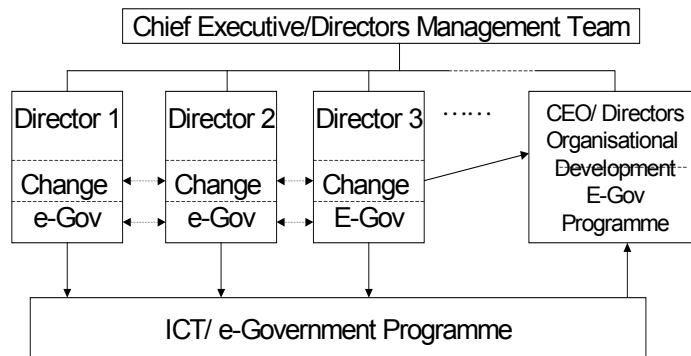


Advantages	Disadvantages
Critical Projects are identified	Resource Management can be compartmental
High Profile projects will have corporate/ strategic support	E- Government is service driven
Service delivery managed by frontline providers	May be difficult to transform services
No programme bureaucracy created	Customer focus depends on existing relationships

5.8. Model 2: A specialised directorate that delivers major change, including e-Government style programmes

Here, there are clear e-Government style programmes that are dealt with as part of a corporate organisational change process. The change and e-Government type projects are managed at the centre through an integrated programme.

Model 2: The organisational development approach

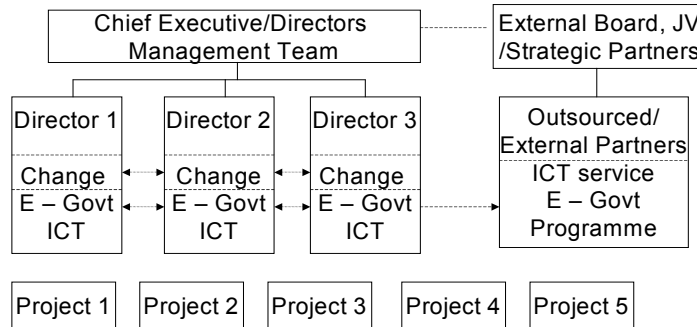


Advantages	Disadvantages
Produces coordinated and prioritised Corporate e-Government type Programmes, which are cross service and theme based	Loss of service directorate control of customer focus
More efficient resource commitments via improved corporate coordination	Bureaucratic assembly of many projects
Customer focus, workflow and channel approach facilitated	Linkage to investment and change has to be managed
	E-Government type initiatives may dominate change and service improvement

5.9. Model 3: Outsourced delivery of e-Government type programmes and ICT services

In this model the authority has entered into a partnership, contract or arrangement with others. The authority has therefore to determine the most effective way of structuring its inputs and coordination with the external boards and programmes.

Model 3: The partnering approach



Advantages	Disadvantages
External suppliers may provide added flexibility in meeting capacity needs	Loss of council control of e-Government type services
Reduced internal commitments	Service specification has to be fuller and clearer
Investment moved to supplier	Customer focus displaced through Service Heads
Specialists can do what they do best	Coordination may be challenging across services

5.10. Functions, Roles and Responsibilities

In order to assign responsibilities to particular roles and functions, a number of tools - such as a RACI matrix (Responsible, Accountable, Consultation and Information) - can be used. These help to clarify, allocate and indicate who and how roles and responsibilities are to be filled in any given project or programme.

The example below suggests roles and responsibilities against the functional managers. These may change through project life cycle stages. In this case we have completed the matrix with our view of which parts and sections of the Business Case Guidance may be of use to managers involved in a local programme or significant change project, such as a customer contact centre.

5.10.1 Links to other parts of the Capacity Programme

In setting about this, we have considered how this works with other guidance in the Capacity Building Programme – particularly the required competencies for local e-Government type projects. In this respect, there is a general matching between our assessment of accountability, responsibility, consultation and information with the notions of “Critical for success”, “Very Important” and “Important”, as employed elsewhere in the Capacity Building Programme.

5.10.2 Using the RACI Matrix

The matrix shows, for example, that in some cases it might be the IT Manager that is responsible for developing the business case and acting as the Project Manager; in others it might be the Business Improvement Manager. In Stage 3, Implementation and Procurement, the Project Manager might be the Procurement Manager.

These are fairly arbitrary allocations in this case. This is because the tool is intended to show how it is possible all functional managers may be expected to contribute to ensuring the business case is effectively integrated into the strategic and operational plans.

It is recommended to use and review tools like this as a project and/or programme progresses. The matrix identifies the possible relationship that managers in functional areas may have to the project /programme for which the business case is prepared. Such tools can be used to summarise and clarify the roles and responsibilities in completing each stage of the management of the business case.

5.11. Simple illustration of Functions and Programme/Project Roles

The example shows potential functional areas from which the roles may be filled according to the local e-Government style project and/or programme, and the organisational and governance structure of the authority.

Functional Area Project Team	Councillors (Member e-Champion)	Executives/ Corporate Management	Programme Managers (e-Gov Manager)	Service Managers/ Customer Service Managers	IT Managers	Business Improvement Managers	Finance Managers	Procurement Managers
Programme Manager	I	C	A	C	C	C	I	I
Project Manager	I	C	C	C	A	C	I	C
Project Sponsor	I	C	C	A	I	C	C	I
Responsible Owner	I	A	C	C	C	I	C	I
Business Analyst	I	I	I	C	I	A	C	I

5.12. Example of applying a RACI Matrix for allocation of Roles and Responsibilities to the Business Case Guidance:

In the example below the intention is to illustrate who may be required to take on roles and responsibilities in relation to the preparation and management of a business case for a local e-Government style project or programme. The understanding of the strategic context and the customer focus of the business case may help to inform and guide the decision-makers to agree the make-up of any programme or project boards established. The underlying principle is that the project or programme only has purpose if it delivers added value to the organisation and the services it provides. The emphasis in managing the business case is therefore to maintain the high level roles and responsibilities for making the necessary decisions.

1. Placing the initiative in a strategic context

Responsible ↘ For ↙	Councillors (Member e-Champion)	Executives (Senior Responsible Owner)	Programme Managers (e-Gov Programme Manager)	Service Managers (Business Case Sponsor)	IT Managers (Project Manager)	Business Improvement Managers (Project Team)	Business Analysts (Project Team)	Finance Managers	Procurement Managers (Project Team)
1.1 Fit with Programmes, Strategies & Plans	R	A	A	R	R	R	R	C	C
1.2 Strategic Value	C	R	A	R	R	A	R	I	I
1.3 Organisation, Communications & Process	C	R	A	R	R	A	R	R	R
1.4 Strategic Business Case	I	A	R	R	R	R	R	C	C

2. Building the business case for the preferred project									
Responsible For	Councillors (Member e- Champion)	Executives (Senior Responsible Owner)	Programme Managers (e-Gov Programme Manager)	Service Managers (Business Case Sponsor)	IT Managers (Project Manager)	Business Improvement Managers (Project Team)	Business Analysts (Project Team)	Finance Managers	Procurement Managers (Project Team)
2.1 Business Case Framework	I	R	A	R	R	R	R	C	C
2.2 Business Value	C	A	A	A	R	A	R	R	C
2.3 Benefits Profile	C	R	A	A	A	R	R	R	I
2.4 Calculate Investment & Operational costs	C	C	R	R	R	R	A	R	C
2.5 Options Appraisal	C	R	A	A	A	R	R	R	R
2.6 Full Business Case	C	A	R	R	R	R	R	R	C
2.7 Reality & Achievability Test			A	R	R	C	C	C	R
2.8 Place & Priority	R	A	R	R	R			R	

3. Implementing & procuring the project

Responsible For	Councillors (Member e- Champion)	Executives (Senior Responsible Owner)	Programme Managers (e-Gov Programme Manager)	Service Managers (Business Case Sponsor)	IT Managers (Project Manager)	Business Improvement Managers (Project Team)	Business Analysts (Project Team)	Finance Managers	Procurement Managers (Project Team)
3.1 Implementation & Procurement Plan	I	I	A	C	R	C	I	C	A
3.2 Operational Value	I	R	R	A	A	A	R	R	R
3.3 Management of Performance	C	A	A	R	R	R	R	R	R
3.4 Procurement, Monitoring & Reporting	I	C	A	R	R	R	C	C	A
3.5 Revised Final Business Case	C	A	R	R	R	R	R	R	C
3.6 Delivery of Benefits	A	A	A	A	R	R	C	C	C

4. Post project implementation, measurement & evaluation

Responsible For	Councillors (Member e- Champion)	Executives (Senior Responsible Owner)	Programme Managers (e-Gov Programme Manager)	Service Managers (Business Case Sponsor)	IT Managers (Project Manager)	Business Improvement Managers (Project Team)	Business Analysts (Project Team)	Finance Managers	Procurement Managers (Project Team)
4.1 Project Evaluation	C	A	R	C	C	R	C	R	R
4.2 Lessons Learned	C	A	C	R	R	R	C	C	R

6. APPENDIX 2: The Business Case Toolkit

This part of the guidance provides a range of tools, methods and general advice on dealing with various parts of business case management, as discussed in the main Guidance Framework. Our intention here is to provide a resource that users can 'dip in and out of', as required.

6.1. Understanding Business Cases: what they are and are not

The production of business cases involves a range of management issues, which in part explains the scope of the issues covered in the current guidance. It is therefore important to recognise what business cases are and are not.

Sir Ian Byatt, in presenting key messages about "Delivering Better Services to Citizens", spoke about the importance of the Business Case to:

- "Identify desired Outcomes
- Focus on Deliverables (what service users want)
- Examine methods of delivery (compare life-time costings and relative effectiveness)
- Identify scope for big changes (and manage big risks)
- Use IT as a tool, not a solution."

6.1.1 Issues to consider in managing business cases

There are a number of things to consider – and potential problems to confront – in dealing with business cases.

- **They are the key means by which we justify what we do** – e.g. why a particular project should be funded and/or why it deserves to be given priority over other initiatives
- **Business case decisions will often reflect wider issues and/or political interests** – especially in local authorities (given their political governance), we need to recognise that the business case process is not just a rational/bureaucratic exercise
- **A business case should not be seen as a complex financial calculation** – it is not necessarily complicated nor is the financial element the main basis for decision-making:

Multi-coloured, whizzy spreadsheets - with clever formulae in support – will be a useful aid, but they are only a tool in a much broader management process

The timings and volumes of financial returns and cash flows can always be *made* to give the 'right' answer (and given an even greater air of credibility when spreadsheet calculators are employed)

While there are often 'technical' elements to many business cases – capital and revenue accounting, and cash flow, discounting, and rate of return calculations – the greater part of the process will involve input and support from *business* and *service* personnel (those who are best placed to identify and deliver the benefits cited in any business case)

- **A business case is the answer to 'WHY'?** It responds to the need to inform and validate why the organisation is prepared to invest time and resources in pursuit of a particular initiative. It therefore sets out the rationale and case for action, or approval of a course of action (including a programme or project). In doing this it also establishes how the information available is interpreted and evaluated to justify a decision to proceed further.

6.1.2 Issues to consider in taking business case decisions

As a business case proceeds, there is a series of decisions that may need to be taken, with a range of potential options available. The nature of the decision must be carefully understood at each step (which may itself raise questions about the support needed for the decision-makers involved):

- Is it a Yes/No decision?
- What are the implications of saying yes or no?
- What are the alternatives to saying yes or no?
- Is it about priorities and what best meets our requirements?
- Is it about the shape and amendment of a proposed solution?

6.1.3 What role do the financial parts of a business case play

If a business case is more than just the financial case, what role do the financial aspects play? To answer this, we need to consider the following:

- The financial case for a project (typically contained within a 'financial model') provides the interpretation and evaluation of the quantifiable financial benefits, as well as the costs of proceeding with it. It therefore has to contain all the available information on "where we are now" and "where we could be" (in financial terms), if we proceed with the project.
- As the project is developed and implemented, the financial model should be managed and refined to inform such judgements as Gateway Reviews and further decisions to proceed.
- As well as a detailed description of financial benefits and costs, a business case should also include a clear statement as to the assumptions that underlie the financial model involved.
- Any calculations - and application of tools and techniques - are only valid if they are interpreted, evaluated and challenged in proportion to their influence on the decision.
- The core output of any financial analysis will be a cost-benefit analysis of the "before and after" situation. This will need to be provided in detail, year by year, with assumptions and summary calculation of, perhaps, Net Present Value (NPV), Payback, Break Even Analysis, Return on Investment (ROI) and Internal Rate of Return (IRR), as relevant.
- As there may be a variety of solutions that will meet the need of the project in question, a number of potential options may need to be evaluated and compared.
- In addition to the financial case, the business case will include other measurable non-financial benefits and outputs, such as impact on performance indicators, and relevant un-quantifiable benefits.

6.1.4 Fundamental Business Case Principles

More generally, it is also worth ensuring that the following principles are used to drive forward the management of business cases:

- Public standards for probity, accountability and compliance with Regulations are met.
- It is effective, targeted and proportionate in responding to the nature and context of the decisions to be made.
- Issues arising, variations, risks and uncertainties may escalate the requirements and levels of authorisation required.
- Good practice, guidance and standards as set by OGC, HMT Treasury, Audit Commission and the Council are followed.

6.2. The Strategic Business Case (or Initial Proposal)

At the start of any initiative, when a case is being made to proceed to a Full Business Case stage, the following issues should be considered:

- An initial proposal or Strategic Business Case will be needed to explain the opportunity/problem at hand. This will also justify why the proposed initiative should be placed in a given programme (whether it is e-Government style, Service Improvement, Business Transformation, or addresses revenue budget or capital strategy). The proposal therefore explains why the project is necessary and sets out what appraisal is needed.
- The key output at this stage is a Project Brief and/or an Appraisal Remit for investing resources to develop and identify the preferred project and course of action to be taken. In many cases in local government, because of financial and operating constraints, there may be a strong case for pursuit of a single option with variants, even at this initial strategic assessment. The issue then to be managed is the challenge and testing of the case through the development and implementation plan.
- In general, the practical options are constrained by financial, social and political reality. In some cases this will restrict what is feasible and limit the options for development. The important issue is to make the strategic decision transparently, with clarity provided about the information and assumptions on which it is based. Valuation and interpretation of the information will affect that judgement. The business case should be able to show and justify proceedings so that if circumstances change or risks manifest themselves, revision and reconsideration of the business case is possible.
- The “Prepare and Plan the Options Appraisal” contains steps to:
 - i. Set the context
 - ii. Establish Objectives, Benefits and Performance Indicators
 - iii. Provide an initial Risk Assessment
 - iv. Outline stakeholder interests, communication framework, and organisation of the development team
 - v. Prepare a Strategic Business Case for strategic assessment, and to justify action
 - vi. Approve the Project Brief and Appraisal Remit.
- The initial proposal is strategic in that it is at a high level; as such it:
 - Indicates the nature of the benefits to be gained and when they will be achieved
 - Identifies the key stakeholders
 - Provides a global estimate of the scale of the initiative
 - Identifies and assesses the key risks and issues involved, and
 - Determines the priority of the actions required, based on the importance of the principal objectives.
- At this stage, the authorising body will have to make the following judgements as to how the project goes forward:
 - The key decision points that should be observed, and at which they wish to receive reports on progress
 - Nomination of the Project/Options Appraisal Manager
 - Timing of the Appraisal
 - Budget and resource allocation, and
 - Any appropriate conditions.
- The terms of reference for the development phase and Options Appraisal will be set out in an approved Project Brief or Appraisal Remit. The Brief will set the Appraisal in the strategic context of the Council’s vision and objectives, Community Strategies and

Service Plans. It will identify the relevant objectives, features and principal benefits to be considered in the Options Appraisal that relate to the wider corporate and programme aims and objectives of the Council.

- The format of the Options Appraisal /Project Brief may be:

Options Appraisal/Project Brief

- Project Definition
- Communication Matrix – which explains
 - The Project Client(s)
 - The Appraisal Team (both internal and external)
 - The Appraisal roles and responsibilities
- Initial Risk Assessment
- Benefits Profile/ Objectives
 - What is essential
 - What is desirable
- Requirements
 - Resource and time demands
 - Decision making requirements
- Appraisal Plan
- Scope of Appraisal
 - Boundaries and depth
 - Assumptions
 - Stakeholders (and their contributions & expectations)
 - Available funding
- Information currently known
- Constraints
- Next Steps

6.3. Project Appraisal

The following points draw on the various texts listed in the bibliography to this guidance and provide further elaboration on the Project Appraisal proposal.

6.3.1 The nature of Project Appraisal

First of all, it is important to understand what the substance of Appraisal involves:

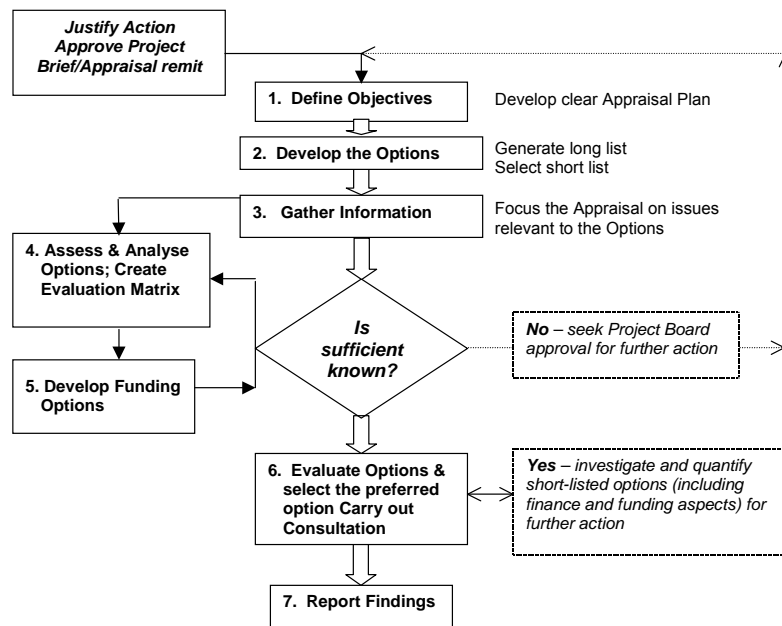
- The Strategic Business Case answers the key question: “why should we be investing in this programme or project”, or any other combination of activities or projects directed towards a specified purpose. Project (or Investment) Appraisal is an integral part of preparing the project business case.
- Resources - especially finance and skilled personnel - are scarce; good management is about deploying them effectively to achieve citizen, business or council objectives. Appraisal collects information about the baseline situation and evaluates the practical options for addressing an opportunity.
- Appraisal of Options provides decision-makers with the information they require to make their decisions effectively. In theory, the range of options will start from a clear statement and description of the existing or baseline position from which

improvement is sought. In practice, many business cases start from knowledge that something has to be done. The value of the baseline information therefore is to measure how much is achievable in each of the various options available.

- Before embarking on the Options Appraisal activity it is prudent to have assessed an *initial* Strategic Business Case for committing resources to what might be extensive investigations and feasibility studies. The Strategic Business Case will, if accepted, be the means for establishing the terms of reference and remit for a fuller development and Options Appraisal evaluation.
- The strategic framework of the project, the principal drivers for change, the early benefits profile and the initial risk assessment, will determine the exact route for development of the options and the nature of the outline business case that can be presented to justify a future course of action to manage the preferred option as a defined and mandated project.
- The project appraisal will explain how limited options were taken forward and how impractical alternatives were discarded. It is important that a practical reference case is constructed against which the options, their costs and potential benefits may be compared. This is often the “do minimum” rather than the “do nothing”, as even to maintain a steady state, some investment is likely to be required.
- Of particular importance is the extent of service activities included, the constraints and condition of infrastructure, and the availability of relevant data. A difficulty will always be that the activities have not been separated out or managed in resource terms before in the reference configuration. Budget and expenditure data will in some situations be hard to find and accurately attributed. This can be managed by estimating ranges of accuracy and testing the sensitivity of the appraisal analysis against variations in the range.

6.3.2 The Options Appraisal Process

An example of an Options Appraisal Flowchart is set out below:



- The above flow chart begins

Here, the Appraisal process starts with a long list of options, which might include one or two that are considered impractical. These options may have constraints that require at least some challenge before limiting the scope of the Appraisal evaluation to the acceptable practical options. A key part of this early process is to determine what information will help - or is necessary to distinguish between and enable - evaluation of the options. The eventual short list may also contain options with sub-variants.

Other points to consider include the following:

- It is normally the case that a considerable amount of non-financial information is available to assess options. Some will be easily quantified; some will be much “softer”. The non-financial information for each option should be set out in a consistent format, to enable easy comparisons through scoring and weighting.
- The output from the Options Appraisal is a clear understanding as to which option should be pursued. The Appraisal report supplies the information for the Outline or Strategic Business Case that justifies a particularly detailed development and project implementation plan. There may or may not be sufficient information available for this to be *the* Business Case.
- It is likely that as time passes, further detailed development work is done, such as engagement with suppliers and contractors, which allows for the achievability of benefits to be tested and associated risks to be managed. As more information becomes available, revision of the business case may be necessary as an ongoing or dynamic process. The Project Board therefore has to be able to manage the emerging value of the project and assess whether the investment remains justified.

6.4. Tools and Techniques

Although we have said that business case management is about more than just the identification of financial costs and returns, we have also underlined the importance of building both a benefits profile for a preferred project option and a financial model to underpin the Full Business Case.

In this part of the Toolkit we therefore focus on tools and techniques that can support business case managers in balancing financial and non-financial benefit calculations.

6.4.1 Background to tools and calculations

Before we begin, it is important to reflect on some of the issues that underpin financial calculations.

- From a purely financial perspective, the investment of capital in a solution will only be justifiable if there are benefits that deliver greater value on an operating basis. The appropriate calculation for local government here is financial cost benefit analysis, where as far as possible benefits are measured in monetary terms. In doing this, the time value of the costs and benefits has to be matched between options and alternative opportunities for deployment of resources.
- Time value of money is accounted for by using discounted cash flow techniques. Three of the most commonly used and applied in the public sector are Net Present Value (NPV), Internal Rate of Return (IRR) and Payback Period.
- The evidence of good practice, as identified as part of this study, suggests that information on costs and benefits - whether financial, measurable or not - is assembled on a spreadsheet file. Typically, such spreadsheets are developed and adapted to suit the needs of a particular authority and/or its programme of projects. (In some cases, such tools have been produced in partnership with consultants.)
- Spreadsheet tools such as these will often be described as “Business Case” or “Return on Investment (ROI)” calculators. The present guidance regards such calculators as specialised tools designed and developed to support the decision-making process by providing standardisation and consistency in the way information is assembled and processed.
- A robust business case may then be developed and managed as a control on future decisions, accommodating change and variation. It will also provide a foundation for auditing the programme, project and management decisions made.

Knowsley's CRM Guide

A good example here is Knowsley's experience of the "Benefits Realisation and Return on Investment Guide", developed for its CRM Proof of Concept work.

Knowsley's Guide contains process models of before and after the CRM project, for both Revenues and Benefits, and Council Wide Bookings services. These are used to develop the information for analysing the costs and benefits for the business case.

The "return on investment" model uses worksheets to assemble data and information under five headings:

Variables: to assess the amount of benefit achievable through the change

Underlying assumptions: to be clear about the quality and context

Key data: to provide estimates of all quantifiable factors

Process comparisons: to show the differences in time and cost of the 'before' and 'after'

Summary: to aggregate and calculate the overall totals, to identify operating costs, savings and required "one-off" investment.

The processes that are subject to analysis/change here are labelled as "Unchanged, Eliminated, Automated, Improved, Combined, or New", according to the planned intervention. The benefits that are expected to flow from this are then derived, based on the estimated impact of "E", "A", "I", or "C".

This approach enables a robust cost benefit analysis, and identifies the strength of the potential cost savings and productivity gains, and provides key information for the business case.

6.4.2 Benefits Profile and Realisation

In this section we look at the need to identify and manage project benefits. It is important that any business case develops a balanced profile of benefits (rather, for instance, than simply considering financial factors, or others that can be easily measured). Developing a benefits profile is also an important step in the process of Benefits Realisation Management (BRM), as we will see below.

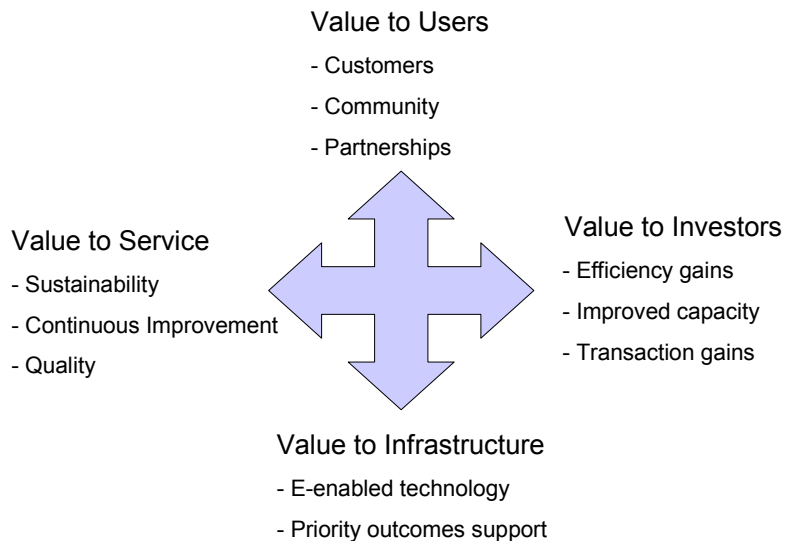
- To begin with, care needs to be taken as to how benefits are profiled. This may be done in hierarchical terms, and to reflect the way benefits link with strategic, business and operational issues. A benefits profile can also be focused towards target groups of beneficiaries - for example, users, partners, investors, staff or services.
- There are now a number of templates and tools to help structure the benefits profile according to the circumstances and situation in which the e-Government type project is being delivered. Examples of these have been provided in the case studies.
- A benefits profile will normally involve financial and non-financial, elements, which may include both quantifiable and non-quantifiable aspects. The templates used in most authorities adopt a matrix structure, which identifies the objectives of the council, the benefits targeted and indicators as to whether they are being achieved.

Hillingdon's Benefit Categories

In their business case methodology, the London Borough of Hillingdon has used a simple, intuitive approach to record and evaluating information on benefits. To assess whether the impact is financial and/or measurable, three questions are asked. The answers allows for benefits to be described using traffic light colours:

- Does it deliver quantifiable financial returns (either revenue gains or efficiency savings)? **(Red)**
- Does it deliver productivity savings that could be converted into cash equivalents **(Amber)**
- Does it produce real value, but which is difficult to measure? **(Green)**

- A balanced scorecard is a widely accepted tool that can be adapted and used for this purpose. The advantage of this profile approach is that it sets quantifiable and non-quantifiable benefits alongside each other. The following balanced scorecard outline summarises how an authority might establish a framework for the benefits it wishes to focus on:



- Of course, the financial elements here will have to be extracted and considered in more detail in a separate (financial) spreadsheet model. This may also contain information for the non-financial judgements. (Such tools have been created in several e-Government National Projects, such as the e-Payments Project - see the Brent case study).
- IPF has developed techniques for Benefits Realisation Management with authorities, to help them standardise their approach to the management of projects. The IPF method is a simplified approach that employs best project management practice as applied in Local Government. BRM and Risk Management are two of the key processes employed, the third being Communications Management.
- The IPF approach identifies the following 'essential features' of BRM and the details that are needed in a 'benefits profile'. Four 'critical tests' are then used to examine each of the benefits in turn.

- **The essential features of Benefits Realisation Management** involve:
 - Defining the business benefits expected from the project. The nature of those benefits must be clearly understood and accepted by all those responsible for them and involved in delivering them
 - Understanding the off-set of benefits against the costs of achieving them
 - Planning how the benefits will be achieved and measured
 - Allocating responsibility for successful delivery of benefits
 - Monitoring the achievement of benefits
 - Monitoring the achievement of benefits as systematically as the tracking of costs.
- **A benefits profile** is drawn up, which details:
 - A description of each benefit or disbenefit
 - How the measurement or test of the benefit will be carried out
 - Projected changes from current business processes and operations
 - Inter-dependencies with other benefits
 - Key performance indicators, BVPI's now and for the future and current or baseline performance levels
 - Explicit linkages between projects and benefits
 - Dependencies on risks and/or other projects
 - Financial valuations of the benefit wherever possible
 - When the benefit is expected to occur and over what time period will realisation take place
- A definition of the benefit must pass **four critical tests**:
 - **Description** - what precisely is this benefit?
 - **Observation** - what differences should be noticeable between the pre and post implementation of the change
 - **Attribution** - where in the future business operations does the benefit arise?
 - **Measurement** - how will the benefit and the achievement of the benefit be measured?
- To realise the benefits it is essential that BRM is positively managed from the start, which means building it into operational activities so that it becomes 'business as usual'.

6.4.3 Benefit Reviews

A key part of the BRM method developed by IPF involves the review of the benefits achieved. There is often a tendency to be over-optimistic about the scope and range of benefits that will derive from the delivery of a project. Unfortunately, over-optimistic expectations can inhibit the buy-in and commitment from staff. In the process of reviewing what benefits were actually realised, this can even lead to a witch-hunt, involving the naming, blaming and shaming of the 'guilty parties'. The latest Treasury "Green Book" in part addresses this issue by introducing "Optimism Bias" into the options appraisal and evaluation process.

- The following questions provide a broad framework or model for a Benefits Realisation Review:
 - Which planned benefits have been achieved? If they have been achieved, were the targets correct or should they have been increased?
 - Which planned benefits have not been achieved? Why were they not achieved? Can remedial action be taken to achieve them or has the opportunity been lost?
 - Is there a pattern to the success/failure that can be used to inform future change initiatives?
 - Were the assumptions on which the realisation of benefits was based correct?
 - Were there any unexpected benefits that have resulted? If so, how can these be maximised still further?
 - Have the dies-benefits been managed and minimised?
 - Were there any unexpected disbenefits? If so how can these be managed and minimised?
 - Are there any further potential benefits?
- As the above shows, Benefits Management is something you do at the very beginning of a project; it is not something you 'hope' will occur as a result of the changes. In using the present guidance, such actions need to be visible at the Strategic Assessment stage, or at Gateway 0 in the OGC process.
- When applied properly, Benefits Management will enable the business case to:
 - Identify the changes required if services are to improve
 - Describe the changes that are needed (in terms of corporate vision and aims, project objectives, business and operational gains, and improvements in performance indicators etc.)
 - Name the benefits that will arise from the project
 - Look at the options for delivering change that can generate the maximum benefits and least disbenefits.

6.4.4 Methods for 'discounting' the value of costs and benefits

When comparing options, it is likely that you will find differences in the timing of expenditure or income. You will need to be able to take these timing differences into account when considering your options. This will include both the initial capital outlay and the on-going capital and revenue costs of the scheme, plus any income that may be generated over the life cycle.

- In general terms, it is more attractive to delay expenditure, but to receive income as soon as possible. To take account for such factors, you may need to employ **discounting** methods, which will allow you to calculate future costs and income in terms of current values.
- The impact of discounting will increase the longer the lifetime of the scheme and the bigger the variations in timing between your options. For small scale and short duration schemes, it may not be necessary to use discounting to make appropriate comparisons.
- A discount rate is used to reduce the value of expected future costs and benefits to their values today – their Present Value. The normal discount rate used for public sector projects in the UK is 3.5%.⁶ Hence, the discount rate is used to

⁶ Taken from the revised version of the HM Treasury 'Green Book' which became effective from 1 April 2003 and reduced the previous discount rate of 6% down to 3.5%.

calculate a discount factor which, when multiplied by the future expenditure or income, will give its present value.

- The formula to calculate the present value at the middle of the base year (Year 0) of a payment in the middle of Year n is:

$$D_n = 1/(1+r)^n$$

D_n is the discount factor for year n

r is the discount rate, expressed as a decimal

For example, using a discount rate of 3.5%, a payment of £100,000 at the middle of year 5 has a present value of:

$$£100,000 / (1.035)^5 = £84,197$$

- The term Net Present Value is used to describe the sum of the discounted future costs minus the discounted future income of an option⁷. Net Present Value calculations and analysis attempt to look at whole-life costing of the investment. The magnitude of the project NPVs today easily shows financially where the most is to be gained at today's price level. The further forward the analysis looks, the less certainty is attached to the costs and benefits. They tend therefore to be projected without a real knowledge as to what will happen in, say, five years' time.
- The financial model of the DCF will make clear when the value is being gained and when further investment is expected to be required. This enables better medium to long term financial planning and is compatible with the approach to affordability and sustainability set out within the Local Government Prudential Code regime.
- In the case of ICT projects, another uncertainty will be the pace of change in technology and the impact this can have on expected standards of service. The Return on Investment and Payback models are often favoured by the private sector as they focus on when the investment will break even, how it affects business performance in relation to the capital employed in the business and how much value will be returned in, say, the next three to five years.
- These methods do not attempt to examine the reinvestment or replacement investment that may be necessary just over the time horizon selected. The implication is that there may be affordability and sustainability considerations to take into account in the timeframe beyond the immediate analysis period. (Such short-term calculations on their own conflict, of course, with recent approaches to whole life costing and procurement.)

6.5. "Relative Financial Merits"

- The financial analysis will eventually lead to a profile of outlays and receipts. These will vary across options and over time. They will need to be compared across options relative to both business targets and available funds.
- Various techniques of financial analysis are available to help in the interpretation of the financial consequences of a project:
 - Payback
 - Accounting Rate of Return
 - Net Present Value
 - Discounted payback period
 - Internal rate of return

⁷ HM Treasury 'Green Book' includes more detailed guidance on discounting and describes a range of different ways in which discounting can be used in appraisals.

We reproduce below the Relative Financial Merits and Summary of the alternative calculations, as set out in CIPFA's "Making the Right Choices".

6.5.1 Payback

- The payback approach calculates the length of time taken by a project's net cash inflows to equal (i.e. pay back) the initial outlay.
- It is a very simple method and easily understood. By setting a short payback period, an organisation ensures that the cost of an initial investment is quickly recovered, and hence minimises any liquidity problems associated with the project. Its major weakness is that it ignores any net inflows arising after the payback period, as well as the timing and size of net inflows even during the payback period. (It also ignores the time value of money.)
- A key problem of the payback method is that of deciding when to commence the measurement of outlays. Should it be when the project begins or when it is completed? To address this question the appraisal team should:
 - Ensure internal *consistency* between setting the target payback period, the start date, and the period over which positive cash flows will arise
 - Consider the *rate* of funds outflow for the project - the more front laden the outflow, the stronger the case for using the commencement date
 - Consider the *scale* of the funds outflow relative to normal cash movements - the more significant the outflow, the stronger the case for using the commencement date
 - Consider the *duration* of the project – the longer the duration the stronger the case for using the commencement date
 - Consider whether or not it wishes to use the payback period as a "hidden" mechanism for ensuring the project is completed expeditiously.

6.5.2 Accounting Rate of Return

- The second method is to calculate the **accounting rate of return** – the return on capital employed (ROCE). The test uses financial information which parallels that which would appear in a set of accounts – i.e. net income and capital employed after charging depreciation. (Alternatively the rate of return can be calculated by dealing with net inflows and capital employed before depreciation adjustments.) The rate of return can be calculated for each year or calculated over the project's useful life.
- This approach has the attraction of relating to the ROCE financial measure within an organisation and as a result is seen to provide a closer link between the decision on the project and the impact on the business. As with the payback method the timing of the cash flow is ignored, as is the absolute level of the cash transactions.

6.5.3 Net Present Value

- Net Present Value (NPV) techniques are used to overcome the shortcomings of the previous two methods since they look at absolute cash flows and their timing. NPV assumes that an organisation /individual places a value on receiving cash today in preference to cash in the future. The price attached to this value is the discount rate.
- To use the NPV approach, all relevant future cash flows are quantified and discounted to a present day value. For an organisation orientated to improving its overall net worth, schemes with positive NPVs can proceed as they add to organisational value. In organisations where the recurring cash flows are negative, the scheme with the lowest NPV or 'net present cost' proceeds, as this minimises the impact on the resources at the disposal of the organisation.

- The attraction of NPV is that it reflects the timing and level of the cash flows. As the discount represents the cost of capital to the organisation, it also shows how net worth will increase, although as the figures calculated are notional they bear no relationship to how the project will be reported in any financial statements. This distortion can be confusing in an organisation where some controls may focus on annual cash flows.

6.5.4 Discounted Payback Period

- When choosing between schemes via the NPV method, the decision focuses on the overall NPV. As the time horizon for many projects may exceed the resource allocation, budgeting and performance target horizons, it may be appropriate to combine the need for early payback with the concept of present value.
- This merger produces a measure called the **discounted payback period**. Cash flows are discounted using NPV techniques before the payback period is calculated. As such, this discounting approach is superior to the standard payback method as it seeks to reflect the timing of cash flows.⁸ However, unlike the “full” NPV approach it excludes cash flows arising after the payback period.

6.5.5 Internal Rate of Return

- Another approach to overcoming this problem is to calculate the **internal rate of return** (IRR) of a project. This is the discount rate that produces a net present value of zero. It shows the maximum value that the cost of capital can reach before the project becomes non-viable.
- The IRR highlights the vulnerability of the project to interest rate changes but does not inform the decision maker about the absolute levels of net cash flows.

6.5.6 Summary of the relative merits

- The different financial appraisal methods give different result. Only the NPV technique takes account of both size and timing of future cash flows. The Payback method gives an indication of how long a project will require financing, and the Accounting Rate of Return provides guidance about the ROCE. IRR indicates the value that the cost of capital can reach before a project becomes non-viable.
- No one test is the most appropriate and it is not unusual for organisations to require projects to satisfy a series of such tests.

6.5.7 Further developments

- Indeed, these financial techniques can be developed further in circumstances where investment funds may be limited or alternative courses of action have different life spans.
- One approach is to work out the **ratio of net present value to the initial outlay** – sometimes known as the “capital efficiency index”. The scheme with the highest ratio would proceed in an organisation oriented towards generating future net cash inflows, whilst in an organisation incurring future costs as a consequence of the project the option with the lowest ratio would proceed. If projects (options) have different life spans, the **average annual NPV** could be calculated and used as the basis for ranking projects.
- The priorities and ranking generated by NPV and other techniques have to be tempered by considerations of **resource constraints**. As well as calculating relative financial merits, annual cash flows may have to be linked to budget and spending approval capacities. These constraints can frustrate the pursuit of the

⁸ To avoid extensive debate about the appropriate discount rate, a practical course of action is to use a range of rates to test whether or not they make any difference to relative priorities. The current treasury discount rate is 3.5% plus an additional element to allow for “Optimism Bias”.)

most advantageous project. This situation arises quite simply where those granting the financial approvals have no discretion with regard to resource capacity. The appraisal team therefore has to link the analysis of financial merits to the organisation's resourcing capacity.

6.5.8 Return on Investment

- A common measure calculated in e-Government type projects is the "Return on Investment". (In some cases, though, this is actually the "Internal Rate of Return", as defined above.)
- The expectation would normally be that a return on investment is anchored in the amount of investment made, value employed or costs incurred. Put simply, it is a measure of income or profit divided by the investment required or value committed to help obtain the income or profit:

$$\frac{\text{Income}}{\text{Invested Capital}} \times 100$$

$$\frac{\text{Savings}}{\text{Invested Capital}} \times 100$$

- An issue for Local Government is how they measure and value the investment. Investment is normally dependent on the source of the grant or borrowing. Historically, the money is often not available unless the case can be made for the project, although the Prudential Code may assist in this respect.
- Financial risk assessment, sensitivity analysis, and challenge of the underlying assumptions, will establish the decision basis of the business case being made. They may also have implications for the financing and procurement strategy leading in some cases to PFI/PPP solutions.

6.6. Scoring and weighting options and objectives

In trying to balance quantitative and qualitative factors when appraising projects, it may be necessary to employ a system that allows for different criteria to be brought together and compared. The following use of scores and weightings is one such approach

6.6.1 Scoring

- To be able to compare the information that is not easily valued and is essentially qualitative, the commonest approach is to agree a set of criteria and score each option on its contribution towards the objectives. In other words, you are rating each option against the extent to which they deliver what you are seeking to achieve.
- The scale that you use to score your options should be wide enough to reflect the differences between the different options, even if they are quite small. A '0-10' scale will usually be appropriate, where a rating of '0' is a complete failure to deliver an objective, whilst '10' would indicate that an option delivers an objective in full. Within the Benefits Profile of the project, 'Must Have' and 'threshold' values might be set against some criteria and objectives.

6.6.2 Weighting

- It is unlikely that all the objectives set will be equally important. You may regard achievement of some of the objectives as being absolutely essential, whilst others might be less important and be seen merely as a "nice to have".
- Once all the non-financial elements have been scored, you can then apply weighting factors based on the relative importance of each objective. These weightings help to ensure that the most important factors have the greatest influence on the outcome of the appraisal. Using a weighting of 1-5 for each

objective will usually be sufficient to ensure that the appropriate result is achieved. The illustration below shows how scoring and weighting of non-financial factors can be applied by setting out the options against the objectives in a table.

	Weighting Factor	Option 1		Option 2		Option 3	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Objective 1:	5	8	40	3	15	10	50
Objective 2:	2	5	10	10	20	3	6
TOTALS		13	50	13	35	13	56

Options 1, 2 and 3 all yield the same total score (13), but Option 3 has the highest weighted score (56), reflecting its maximum rating against Objective 1, which has the highest weighting factor.

- If you choose to use a scoring and weighting approach, you must make sure that this does not discourage people from using their judgement in considering the different options. What is essential is that all the influencing factors are taken into account in order to identify a preferred option on the basis of sound reasoning.

6.6.3 Combining Financial and Non-Financial Factors

The final stage of the analysis is to combine the financial and non-financial factors to help identify your preferred option. Possible approaches to this include:

- Applying *weighting factors* to the results of your financial assessment, or
- Combining the weighted scores for non-financial factors with the Net Present Value⁹ of each option, to develop a *value for money rating*
- Or just looking at them separately and considering a more subjective approach as to which is preferred.

The Weighting factors approach - In the example above, the weighted scores of non-financial factors are out of a total possible score of 70. To combine the non-financial and financial factors, you will need to decide on their relative importance.

- For example, you may decide that achievement of the overall project objectives (non-financial factors) is twice as important as selecting the option with the lowest cost.
- In this case, where the weighted scores of the non-financial factors are out of a total of 70, the financial factors of each option would be scored out of 35, with the lowest cost option being given the highest score.
- The preferred option would be the one that yields the highest combined score.

Value for Money Rating - Once the total weighted score has been calculated for each option, this figure is divided by the total financial cost. The project with the highest value for money rating would be the preferred option.

- Drawing together the financial and non-financial elements will help you to choose between options that have very similar cost levels, or deliver similar levels of benefits. The steps needed are therefore to:
 - Evaluate and score the options

⁹ The capitalised value of future costs or benefits - see paragraph 5.42.

- Determine priority by using selection criteria and weightings, after considering and applying the appropriate criteria
- Rank option scores and submit summary
- Examine, using a sensitivity analysis, whether there are any factors that would alter the ranking order of the options if practical variations were to occur within the range of values considered.
- Complete the evaluation matrix scoring against agreed criteria
- Select preferred option(s).
- Review objectives, scope, and context of project option to validate options or recommend amendment to analysis.

Carry out Consultation – Once data has been produced and analysed, it is important to test the conclusions/recommendations with key stakeholders, including funding agencies and planning authorities, where relevant. Agreement needs to be reached on the on-going basis for reality checking and testing of what is acceptable as project deliverables. This initiates the review and achievability examination of the preferred option.

6.7. Building the appraisal report into the Business Case

The outcome of the report on the appraisal stage of development will explain why this preferred option has been selected and will help form the Business Case for taking forward the project. It should therefore also indicate what resources and investment is immediately necessary to implement recommendations.

- The report should present what has been done, the analysis and recommendations against the objectives:
 1. The rationale for the planned activity
 2. The specific objectives you are seeking to achieve
 3. Descriptions of the options and how they were identified
 4. Summaries of the relative costs and benefits of each option
 5. Discussion of risks and sensitivities
 6. The analysis of the options
 7. A description of the preferred option, including the preferred funding route and procurement approach.
- The report should contain an outline of any underpinning assumptions and a clear description of any weighting that has been used to decide on the preferred option.
- The aim in producing the report should be to ensure that it includes sufficient detail to support the preferred option. If at any point it is not clear from the report why a particular choice has been selected, then you should include further information. However, you should avoid including information for the sake of it.
- The report should aim to get the key messages across to the readers as clearly as possible. An executive summary should be included, recognising that some people will only have time to read it quickly, whilst others will want to go into more detail. Where appendices are used, there should be clear references to them in the main text.
- The style and format are important in making it a useful aid to the decision-making process. Different ways of presenting data can be used to benchmark the performance indicators. This can help in identifying priority areas and informing the appraisal process.

- The recommendations should provide a clear:
 - Assessment of the importance of the option in delivering the Corporate and Service benefits profiled
 - Programme/action plan for taking forward recommendations
 - Outline of the proposed procurement strategy
- In addition, it should also set out:
 - What will happen if nothing is done
 - What will happen if the minimum is done
 - What the risk management implications are for the strategic programme, the project, and the application of sensitivity analysis.

6.8. Sources of Funding¹⁰

In generating an effective e-Government style Business Case, Authorities will need to identify the main initial sources of funding for their project, in addition to having a clear understanding of the nature of costs to be incurred and benefits to be generated throughout the project lifecycle.

Where outsourcing arrangements are not in place and major items of hardware/software are not leased, it is likely that the majority of capital costs for projects will be incurred up-front - e.g. development costs, hardware and implementation, which will require capital budgets to be in place from the outset of the project. In terms of identifying initial capital funding sources for the project, these can be evaluated under 5 main categories:

6.8.1 Borrowing

Under the previous capital finance system, Authorities were constrained by the extent to which they could undertake borrowing to fund capital expenditure through the dependency upon Credit Approvals. The Prudential Code, however, offers authorities the opportunity to undertake borrowing for capital purposes subject to this borrowing being affordable, prudent, sustainable and based upon sound treasury management strategy.

No additional revenue funding will be available to support the capital financing costs of this additional Prudential borrowing. Therefore projects where there is an expectation of future revenue benefits that could cover these additional borrowing costs may be favoured.

6.8.2 Capital Receipts

The use of the proceeds from sales of assets can be significant and, subject to requirements for elements to be set-aside (e.g. Right to Buy receipts), offer Authorities a prospective source of funding for their project. Clearly, caution must be exercised where future potential capital expenditure requirements for the project are predicated on the income generated from future capital receipts, due to the inherent level of uncertainty involved.

6.8.3 Capital Grants

The availability of specific grants, such as IEG funding, provides a further source of funding in relation to specific projects.

6.8.4 Contributions

Joint funding arrangements, for example, consortia between counties and districts, can provide an opportunity to share the financial costs (and benefits) of the project.

¹⁰ Material adapted from IPF's work on the CRM National Project

6.8.5 Revenue

Subject to constraints over the level of available revenue resources, direct revenue financing of capital expenditure is a further funding option. There may also be an assumption of revenue budget savings to be achieved following implementation of the project, which could fund future capital requirements.

6.9. Accounting Treatment

Project budgets will have to be established and this will often involve the transfer of budgets from a number of sources, e.g. partners/departments and will require their use to be properly accounted for. There will need to be a clear split between capital and revenue expenditure for budgeting and accounting purposes as discussed below.

- The key broad expenditure categories of relevance to projects are likely to be development costs, set up and implementation costs, hardware, software, support/maintenance and staffing costs.
- The CIPFA “Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice”, details categories of expenditure eligible for capitalisation. In addition to fixed assets e.g. hardware, this includes incidental costs relating to capital projects e.g. project team staff time and professional fees (except where such costs are deemed to be abortive and the project does not go ahead). Expenditure on the acquisition of a software programme (if it is used over a period of greater than one year) may also be capitalised.
- It is therefore likely that the key items of expenditure to be classed as revenue, where the project is undertaken in-house, will relate to staffing costs e.g. number of seats and future support and maintenance, whilst outsourcing arrangements will involve the payment of an ongoing revenue stream for all aspects of the project.
- Authorities may also acquire hardware and software under leasing arrangements, rather than direct purchase, and this could be achieved via the operating or finance lease route (assets owned by the lessor and lessee respectively). The classification of the arrangement as an operating or finance lease will define the accounting treatment (revenue and capital expenditure respectively).

6.10. Activity Based Costing (ABC)

A key determinant in the financial viability of a project will be the savings in operational costs arising as a result of the project. This requires the base position to be identified and quantified, where possible, for comparative purposes. The use of Activity Based Costing (ABC) can assist in accurately identifying the costs involved in an “end-to-end” process.

- ABC is a method of measuring the cost and performance of activities and assigns costs to activities based upon their use of resources. It fits well with the business process re-engineering approach taken in service transformation.
- ABC may be carried out as part of Business Process Re-engineering (BPR) work, identifying the processes involved in an activity (and ways of improving the process). As an illustration, identifying the savings in transaction costs relating to a Contact Centre could involve undertaking workflow activity sampling, identifying, for example, averages for the time taken to answer calls, duration of calls and “wrap” time (e.g. processing details of the call following its completion).
- From identifying the volume of calls and average time taken to deal with a call from start to finish, the total resources in terms of staff time required can be calculated. Based upon staff grading levels and numbers of staff, total staff costs can be determined for the activity of call handling. When combined with other costs, such as overheads relating to the Contact Centre (apportioned according to the relevant cost driver e.g. floor area for buildings recharges), this will determine the total budget required.
- In the case of a Contact Centre, the transaction cost per call can then be determined and this can be compared with the base position (if known). The key saving in this

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example is likely to be expressed in terms of the opportunity benefits of staff time saved, which can be used to deal with other calls and increase performance by meeting unmet demand.

- The principal service challenge is to quantify any productivity gains and indicate in the benefits profile what may be achieved to improve service delivery by redeployment of professional and skilled personnel. Any associated retraining and development costs should be shown in the business case.

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- Joint e-Government/IT-CAN Event 28/04/2004: SOCITM/ CIPFA/ IPF.
- Creating the Business Case for CRM: An Approach that works: Akibia.

8. Further Information

In all cases your regional director of local government practice is your first point of contact, except for fire and rescue authorities who should contact their business change manager. IDeA regional associates may also be able to help to broker partnerships, help authorities share experiences and to find information. Contact information is also available on the [Capacity Building website](#).

