



Business Case

A business case, both as a product and a process, provides decision makers, stakeholders and the public with a management tool for evidence based and transparent decision making. Business cases should be developed over time. It is an iterative process, with further detail added at each phase.

Five Case Model

The Five Case Model is a framework for “thinking” about how interventions can be best delivered. It is relevant to the development of policies and strategies in terms of three basic questions:

- Where are we now?
- Where do we want to be?
- How are we going to get there?

The business case must evidence:

- The intervention is supported by a compelling **case for change** – the “*strategic case*”;
- The intervention represents best **public value** – the “*economic case*”;
- The proposed deal is attractive to the market, can be procured and is **commercially viable** – the “*commercial case*”;
- The proposed spend is **affordable** – the “*financial case*”; and
- What is required from all stakeholders is **achievable** – the “*management case*”.

The Five Case Model can be used for the development of:

- **Strategic Outline Case (SOC)** - to be used in support of an investment which has been identified within a strategy and/or its supporting programme/project. It makes the case for change and refines the long list of options into a shortlist.
- **Outline Business Case (OBC)** - to be used in support of an investment. This builds on the SOC, which should have been completed and approved, to confirm the solution which offers optimal value for money.
- **Full Business Case (FBC)** - to be used in support of an investment. This builds on the OBC, which should have been completed and approved, and takes the chosen option through procurement putting in place delivery plans and providing the final detailed costing.

These three key phases in the development of the business case constitute milestones when approval may be needed to go further. During its infancy, the key deliverable is the SOC, in its adolescence, the OBC; and finally, when the solution has reached maturity, the FBC.

Who contributes to the Business Case?

- **Strategic case** – Senior Responsible Owner (SRO)
- **Economic case** – Analytical Service Division / Office of the Chief Economic Adviser
- **Commercial case** – Procurement Business Partner
- **Financial case** – Finance Business Partner
- **Management case** – Project Manager / PPM-CoE

Useful links:

- [The Green Book \(Revised guidance 2015\)](#)
- [The Scottish Public Finance Manual](#)
- [The Scottish Capital Investment Manual](#)
- [The Scottish Government ICT Assurance Framework](#)

Contacts

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Initiation – build the case

Strategic Outline Case

Strategic	Economic	Commercial	Financial	Management
Key Step 1: Ascertain the strategic fit. Key Step 2: Make the case for change	Key Step 3: Develop a long list of options and agree a shortlist.	Outline the procurement strategy.	Estimate costs (revenue and capital) for shortlisted options.	Proposed management arrangements

Gateway 1

Business Justification

Outline Business Case

Strategic	Economic	Commercial	Financial	Management
Review any significant changes and implications	Key Step 4: Determine Value for Money	Key Step 5: Prepare for the potential deal.	Key step 6: Confirm Funding and Affordability	Key Step 7: Plan for Successful Delivery

Gateway 2

Delivery Strategy

Full Business Case

Strategic	Economic	Commercial	Financial	Management
Review any minor changes & implications.	Confirm Value for Money	Key step 8: Procuring the solution. Key Step 9: Contracting for the deal.	Confirm financial implications and financing.	Key step 10: Ensuring successful delivery (i.e. comprehensive Delivery Plan)

Gateway 3

Decision to Invest

Implementation - monitor against plan in business case

Gateway 4 / Readiness for Service

Closure and transition – evaluate against criteria in business case

Gateway 5 / Operations Review & Benefits Realisation

Strategic Outline Case (SOC)

Phase 1 - Scoping

The purpose of the Strategic Outline Case (SOC) is to:

- establish the case for change and the need for intervention; and
- identify a preferred way forward for the early approval of management giving a mandate to proceed to further develop the business case.

Key steps:

1. Ascertain the strategic fit, this step should be considered prior to developing SOC.
2. Making the case for change.
3. Exploring the preferred way forward and develop a long list of options, then agree a short list.

SOC structure and content

1. Background

1.1 Executive summary

Concise and comprehensive overview of the document's content, key conclusions and principal recommendations.

1.2 Purpose

Purpose of the project with a brief description and its context.

2. The Strategic Case – 50% complete

Part A - Strategic Context

Organisational overview

Snapshot of the organisation: purpose, structure, environment, etc...

Business Strategy and Aims

Existing and future business plans, including any relevant national initiatives and stakeholders/customers for services.

Other organisational strategies – for example IS/IT, HR

Existing and future plans.

Strategic needs

Part B: The case for change

Spending objectives

Key objectives for proposed spending.

Existing arrangements (if any)

Snapshot of current services arrangements.

Business needs – current and future

Service gaps to be filled.

Potential scope and service requirements

Business scope and high level service outputs.

Benefits criteria

Main benefits by stakeholder groups.

Strategic risks

Key business, service and external risks, together with outline mitigation and management arrangements.

Constraints and dependencies

Internal and external.

3. The Economic Case – 30% complete

Critical Success Factors (CSFs)

Weighted and ranked in order of importance.

Main business options

Long list for SWOT analysis, including 'do nothing' or 'do minimum' options.

Preferred way forward

Conclusion from initial assessment using options framework.

Short-listed options

Recommended options for OBC analysis, including 'do nothing' or 'do minimum' options and reference project (if applicable).

4. The Commercial Case – 15% complete

Outline commercial case

High level assessment of possible deal and supply-side interest.

5. The Financial Case – 20% complete

Outline financial case

High level assessment of affordability.

6. The Management Case – 10% complete

Outline management case

High level assessment of achievability.

Recommended way forward

Deliverables - by now you should have:

Step 2

- Clear SMART spending objectives for the intervention
- A clear understanding of the existing arrangements
- A clear description of the business need
- A clear understanding of the potential scope for the intervention and/ or procurement
- A clear statement of the associated benefits, risks, constraints and dependencies
- A clear understanding of the intervention's Critical Success Factors (CSFs)

Step 3

- A long list of 10 to 12 options, which have been subjected to SWOT analysis
- An emerging preferred way forward
- A shortlist of three to four options with indicative costs, as a minimum requirement, for full evaluation in the next phase (Outline Business Case)
- 10, An outline consideration of the financial, commercial and management cases for the intervention

Outcome

Initial agreement to proceed to the next phase and further develop the case for the intervention – Planning.

Useful links:

- [Programme for Government](#)
- [National Outcomes Framework](#)
- [National Indicators](#)

Main business options
Revisit and update, as required, including options not identified earlier.
Preferred way forward
Revisit and update, as required.
Short-listed options
Detailed description of short-listed options including 'do nothing' or 'do minimum' options and outline Public Sector Comparator (PSC).
NPC/NPV
Results of economic appraisals for each option, including cost of risk retained.
Benefits appraisal
Results of ranking, weighting and scoring the qualitative benefits for each short-listed option.
Risk assessment
Full assessment of risks retained under each short-listed option, including cost of DBFO risks.
Sensitivity analysis
Results of sensitivity analysis undertaken for short-listed options.
Preferred option
Recommended option following the above analysis.
4. The Commercial Case – 50% complete
For possible deal:
Potential scope and services
Potential risk allocation
Potential charging mechanisms
Potential key contractual arrangements
Potential personnel implications
Potential implementation timescales
Potential accountancy treatment
5. The Financial Case – 50% complete
For possible deal:
Potential capital requirement
Potential net effect on prices
Potential impact on balance sheet
Potential impact on income and expenditure account
Overall affordability
6. The Management Case – 50% complete
Outline arrangements for:
Programme and project management
Change management
Benefits Realisation
Risk Management
Contract management
Post-project evaluation
Appendices
1. Economic appraisals
2. Financial appraisals
3. Non-financials – risks and benefits registers
4. Risk potential assessment
5. Letter of commissioner/ stakeholder support
6. Draft OJEU notice (where applicable)
7. SOP/ strategic business plans

Deliverables – by now you should have

Step 4

- A revisited and updated OBC long list
- A revisited and update OBC short list
- Economic appraisals (Net Present Values) for the short-listed options – risk adjusted (in £s) and applying optimism bias
- Assessments of both the non-financial risks and benefits
- An assessment of the uncertainties (sensitivity analysis)

Step 5

- A detailed description of the preferred option
- Completed first draft of the commercial case

Step 6

- Completed first draft of the financial case (including written evidence of commissioner and stakeholder support)

Step 7

- Completed first draft of the management case

Outcome

The decision making board and, subject to delegated limits, the approving authority, will now decide whether the intervention should move on to the next phase – procurement.

Useful links:

- [Scottish Public Finance Manual – Appraisal and Evaluation: Annex 1](#)
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Full Business Case (FBC)

Phase 3 – Procurement

Following competition (pre-contract)

The purpose of the Full Business Case (FBC) is to:

- identify the 'market place opportunity' which offers optimum VfM;
- set out the negotiated commercial and contractual arrangements for the deal;
- demonstrate it is 'unequivocally' affordable; and
- put in place the detailed arrangements for successful delivery.

Key steps:

8. Procure the VfM solution.
9. Contract for the Deal.
10. Ensure successful delivery.

Structure and content

1. Background

1.1 Executive summary

Provide a concise and comprehensive overview of the document's content, key conclusions and principal recommendations.

1.2 Purpose

State the purpose of the project with a brief description and its context.

2. The Strategic Case – 100% complete

Part A - Strategic Context

Organisational overview

Update as required.

Business Strategy and Aims

Update as required.

Other organisational strategies

Update as required.

Part B: The case for change

Spending objectives

Update as required.

Existing arrangements (if any)

Update as required.

Business needs – current and future

Update as required.

Scope and service requirements

Update as required.

Benefits criteria

Update as required.

Strategic risks

Update as required.

Constraints and dependencies

Update as required.

3. The Economic Case – 100% complete

Critical Success Factors (CSFs)

Update as required.

Main business options

Summary of OBC options.

Preferred way forward

Summary of OBC conclusion.

Short-listed options

Detailed description of short-listed options including 'do nothing' or 'do minimum' options, the PSC, the procurement professional and service providers' BAFOs.

NPC/NPV

Results of economic appraisals for each option, including cost of risk retained.

Benefits appraisal

Results of ranking, weighting and scoring the qualitative benefits for each short-listed option, including service providers' solutions.

Risk assessment

Full assessment of risks retained under each short-listed option, including cost of DBFO risks.

Sensitivity analysis

Results of sensitivity analysis undertaken for short-listed options.

Preferred option

Recommended solution following the procurement.

4. The Commercial Case – 100% complete**For recommended deal:**

Agreed scope and services

Agreed risk allocation

Agreed charging mechanisms

Agreed key contractual arrangements

Agreed personnel implications

Agreed implementation timescales

Agreed accountancy treatment

5. The Financial Case – 100% complete**For recommended deal:**

Capital requirement

Net effect on prices

Impact on balance sheet

Impact on income and expenditure account

Overall affordability

6. The Management Case – 100% complete**Agreed arrangements for:**

Programme and project management

Change management

Benefits Realisation

Risk Management

Contract Management

Post-project evaluation

Contingency plans

Appendices

1. Economic appraisals

2. Financial appraisals

3. Non-financials - risk and benefit registers

4. Risk potential assessment

5. Letter of commissioner/ stakeholder support

6. Proposed contract and OJEU notice (where applicable)

7. SOP/ strategic business plans

8. Agreed project/ change management plans

Deliverables - By now you should have:

Step 8

A clear understanding of:

- amendments to the strategic context and the case for change
- the entire procurement process and service providers' offers
- how the selection of the preferred service provider was made

Step 9

- A clear of understanding of the financial implications of the proposed deal, both in terms of the contractual obligations and the associated spend in support of the required services.

Step 10

A precise understanding of:

- how the change will be managed
- how change within the organisation will be implemented
- how the benefits will be realised
- how the business and service risks will be mitigated and managed
- how major contract change will be handled over the longer term
- how the change will be reviewed periodically
- what the contingency plans are in the event of service failure

Outcome

All parties should now be content for the intervention to proceed to contract signature.

Useful links:

- [The Procurement Journey](#)
- [Procurement Business Partners](#)
- [Scottish Government Procurement Policy Manual](#)

Annex A – Business case structure

This is a suggested structure for the Strategic Outline Case (SOC). It will provide a foundation for the Outline Business Case (OBC) and the Full Business (FBC), with up to date information added at each of these three phases. This builds up the business (justification) case over a period of time rather than generate three discrete documents (more transparent).

1. Background

1.1 Executive summary

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

1.2 Purpose

Please state the purpose of the project with a brief description and its context.

2. Strategic case

The purpose of this section is to explain how the scope of the proposed project fits within the existing business strategies of the organisation and provides a compelling case for change, in terms of the existing and future operational needs of the organisation.

Part A: The strategic context

2.1 Organisation overview

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

2.2 Business strategy

Please provide an overview of the strategy and its component programmes and projects.

Part B: The case for change

2.3 Investment objectives

Please list the investment objectives. These are crucial to making a compelling case for investment.

Please note how these were derived with the involvement of stakeholders and customers. They must be SMART and, in particular, consideration should be given to investment objectives which will reduce cost (economy); improve throughput (efficiency) and improve quality (effectiveness); and the need for replacement services.

2.4 Existing arrangements

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

2.5 Business needs

Please state what the current and future business needs are in relation to the existing position within the proposed project. Provide an account of any problems, difficulties and service gaps associated with the existing arrangements in relation to future needs

2.6 Potential scope and service requirements

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

2.7 Benefits, risks, dependencies and constraints

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

3. Economic case

This section documents the wide range of options that have been considered in response to the scope identified within the strategic case.

3.1 Critical success factors

Please list the criteria success factors (CSFs) against which the successful delivery of the investment and the evaluation of options will be assessed.

3.2 Main business options

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

This should be done by:

- describing the options for the investment

And then in relation to the investment aims and CSFs:

- assessing its main advantages
- assessing its main weaknesses
- outlining the potential investments within the defined scope for the programme/project.

Please note that the minimum level of activity or 'do nothing' should be identified as a baseline option.

3.3 Preferred way forward

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

This should outline:

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

4. Commercial case

This section outlines the proposed/negotiated deal in relation to the preferred option from the economic case.

5. Financial case

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

6. Management case

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

6.1 Programme/Project management arrangements

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

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