



Executive Office of Technology Services and Security

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Business Case Standard

A business case captures the reasoning for initiating a project or task. It is presented in a structured written document, but may also come in the form of a short verbal agreement or presentation. The logic of the business case is that whenever resources such as money or effort are consumed they should be in support of a specific business need. (An example could be that a software upgrade might improve system performance, but the "business case" is that better performance would improve customer satisfaction, require less task processing time and reduce system maintenance costs). A compelling business case adequately captures both the quantifiable and non-quantifiable characteristics of a proposed project.

Business Cases are essential to support critical investment decision-making and to determine which projects receive funding and which ones may be deferred. They can range from comprehensive and highly structured, as required by formal project management methodologies, to informal and brief. Information included in a formal business case could be the background of the project, the expected business benefits, the options considered (with reasons for rejecting or carrying forward each option), the expected costs of the project, a gap analysis and the expected risks. Consideration is often given to the option of doing nothing, including the costs and risks of inactivity. From this information, the justification for the project is derived.

It is the responsibility of stakeholders and sponsors to build the business case and not the job of the project manager.

Business Case principles

A business case has five components which are interconnected but distinct, and enables EOTSS, stakeholders and sponsors to determine that proposals are (1) supported by a robust case for change-*strategic*, (2) optimize value for money-*economic*, (3) are commercially viable-*vendor management*, (4) are financially affordable-*financial* and (5) can be delivered successfully-*management*.

All these components are important; however, their size will vary from proposal to proposal depending upon its nature and complexity. Some less complex business cases, particularly those not involving significant new procurements or new systems development, may need little or nothing by way of a vendor management case and require a less complex management case.

(1) Strategic Case

This is the strategic component and makes the case for change and demonstrates that deliverables are aligned to administration policy and secretariat objectives. It provides a clear understanding of the rationale, drivers and objectives for the spending proposal. Objectives should be Specific, Measurable, Achievable, Relevant and Time constrained (SMART)—for the purposes of post-project evaluation.

Key to making a compelling case for intervention is a clear understanding of the existing arrangements: Business as Usual, business needs (related problems and opportunities), potential scope (the required organizational capabilities) and the potential benefits, risks, constraints and dependencies associated with the proposal.

The Strategic Business Case can be presented in three stages:



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Outline Case

The purpose of the Outline Case is to confirm the strategic context of the proposal; to make a robust case for change; and to provide stakeholders and customers with an early indication of the proposed way forward (but not yet the preferred option), having identified and undertaken SWOT analysis (Strengths Weaknesses Opportunities Threats) on a wide range of available options, together with indicative costs. At this stage, the expectation is that

the *strategic* case would be completed in full but may be revised later

the *economic* case would be completed to a list of alternative options, with a recommended way forward

the *vendor management* case would address the fundamentals of any potential procurement or managed services arrangement

the *financial* case would discuss the likely affordability of the proposed project

the management case would outline how the project will be set up and managed,

Interim Case

The purpose of the Interim Case is to revisit Outline Case in more detail and to identify a preferred option which demonstrably optimizes value for money (the *economic* case). It also sets out the likely vendor management proposal, demonstrating its affordability and detailing the supporting procurement strategy, together with management arrangements for the successful rollout of the Scheme. At this stage, the expectation is that

the *strategic* case has been revisited and updated if necessary

the *economic* case is complete

the *vendor management* case now outlines the proposed relationship with third party vendors (key contractual clauses and payment arrangements)

the *financial* case now contains a detailed analysis of affordability and any funding gaps

the *management* case has developed in more detail how the proposed project will be delivered with an outline of the project management plan.

Final Case

The final stage takes place within the procurement phase of the project, following detailed negotiations with potential service providers/suppliers prior to the formal signing of contracts and the procurement of goods and services. The purpose of the Final



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Business Case is to revisit the Interim Case and record the findings of any subsequent procurement activities; together with the recommendation for an affordable solution which continues to optimize value for money, and detailed arrangements for the successful delivery of required goods and implementation of services from the recommended vendors.

This is the stage at which final EOTSS approval is requested.

Business Readiness funding may be made available to support the journey from Outline Case to Final Business Case.

The contents of the business case

(2) Economic Case

In addition to the *strategic* case the *economic* case identifies the proposal that delivers best public value to the Commonwealth, including the wider social and environmental effects. Demonstrating public value generally requires a wide range of realistic options to be appraised, in terms of how well they meet the spending objectives and critical success factors for the program or project. Then a reduced number of possible options are examined in further detail.

Any potential options short-list must include (a) business-as-usual, (b) a realistic and achievable 'do the minimum' that meets essential requirements, (c) the preferred way forward and (d) any other options that have been seriously considered. These options are typically subjected to cost benefit analysis or cost effectiveness analysis (cost of alternative ways of producing the same outcome) where more appropriate to identify the option that offers best value to the Commonwealth.

(3) Vendor Management

The purpose of this exercise is to demonstrate that the preferred way forward will result in a viable procurement and a well-structured deal between the Commonwealth and its Service Providers. Putting in place a well-structured deal requires a clear understanding of the services, outputs and milestones required to be achieved and of how the potential risks in the Design, Build, Funding and Operational phases of the project can best be allocated between the Commonwealth and Service Providers and reflected in payment mechanisms and contractual arrangements.

The procurement strategy should be clearly set out and the ownership of any assets clearly defined. Key contractual issues should be identified and explained. The vendor management case presents key contractual milestones and delivery dates.

The challenge for the Commonwealth is to be an 'intelligent customer' and to anticipate from the outset how best public value can continue to be secured during the contract phase in the face of inevitable changes to business, organizational and operational requirements.

(4) Financial Case

The financial case is concerned with issues of affordability and sources of budget funding. It covers the complete lifespan of the project and all attributable costs. The focus in this section of the case is on capital



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and resource requirements, identifying and filling any funding gaps and considering provisions for dealing with potential time or cost overruns. Any contingent liabilities that may result from or during the project should be fully explained and estimated. This is probably the most understood section of any business case since it quantifies the identifiable costs and benefits of the project, together with sustainability costs after completion of the project.

(5) Project management Case

The project management case is concerned with the deliverability of project outcomes. It sets out management responsibilities, project governance and reporting arrangements. The business owner and project manager are identified. A delivery plan with clear milestones which relate to but are at a more detailed level than the vendor management case contractual milestones is identified. Where significant change management is involved, a change management and stakeholder management plan will be included. Typically, this section will contain a benefits realization plan and a benefit register.



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Project management principles

Those directing and managing programs and projects must ensure that:

- a business case is prepared as the only basis for funding
- deliverables are aligned to government policy and secretariat objectives
- business justifications are continuously reviewed to confirm that benefits can be realized, and risks managed, and that unjustified work is immediately terminated
- governance and management frameworks and controls are proportionate and appropriate to the work and the level of prevailing risk
- accountabilities and responsibilities are defined, mutually consistent and traceable across all levels of management
- experience and lessons are captured, shared and used to promote future performance improvement
- work is appropriately defined, planned, monitored and controlled, quality is actively managed to maximize the likelihood of success and defined working methodologies are tailored for use accordingly
- outcomes and enabling outputs will meet the need and be validated by stakeholders
- work is undertaken in multidisciplinary teams and is assigned to people who have the required capability and capacity
- the transition of capabilities to operations is planned and program or project closure managed, with ongoing operational responsibilities agreed and accepted