

# Better Business Cases

## Guide to Developing an Implementation Business Case

30 September 2015



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

## Acknowledgements

This document was created using material provided by Her Majesty's (HM) Treasury in the United Kingdom and the Welsh Government (Llywodraeth Cymru). Accordingly, ownership of any copyright in the information contained in this document belongs to the original copyright owners. Other than as provided by the applicable copyright laws in each jurisdiction, permission to copy, distribute, adapt or otherwise use the information contained in this document, must be sought from the original copyright owner.

The Five Case Model is the best practice standard recommended by the HM Treasury for the preparation of business cases. The New Zealand Treasury wishes to acknowledge that the following documents were used and adapted for the purpose of creating this guidance:

- 'Making Sense of Public Sector investments' (2001) by Courtney A Smith and Joe Flanagan;
- the Green Book at [www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government](http://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government); and
- 'Delivering Public Value from Spending Proposals: Green Book Guidance on Public Sector Business Cases using the Five Case Model' at [wales.gov.uk/funding/wiipindex/5cmodel/?lang=en](http://wales.gov.uk/funding/wiipindex/5cmodel/?lang=en).

© Crown Copyright



This work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms.

To view a copy of this licence, visit <https://creativecommons.org/licenses/by/4.0/> Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the [Flags, Emblems, and Names Protection Act 1981](#). Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

ISBN 978-0-908337-12-5 (Online)

The URL for this document on the Treasury's website at September 2015 is <http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance>

The Persistent URL for this document is <http://purl.oclc.org/nzt/g-bbcibc>

# Contents

- About this Guidance .....2**
  - What this Guidance is not .....2
  - Key changes to this Guidance from the previous version .....2
  - Questions and Feedback .....3
  - Further Information .....3
  - The Investment Management Lifecycle.....4
  - The Business Case Framework .....6
- The Implementation Business Case .....7**
  - Implementation Business Case Steps and Actions .....7
- Strategic and Economic Cases: Procuring the Value for Money Solution .....8**
  - Action 25: Revisit the Case for Change .....8
  - Action 26: Revisit the Preferred Option .....8
- Commercial Case – Contracting for the Deal .....9**
  - Action 27: Evaluation of Supplier Offers.....9
  - Action 28: The Negotiated Deal and Contractual Arrangements .....9
- Financial Case – Contracting for the Deal .....10**
  - Action 29: Financial Implications of the Deal .....10
- Management Case – Ensuring Successful Delivery .....11**
  - Action 30: Finalise Project Management Arrangements.....11
  - Action 31: Finalise Change Management Arrangements .....11
  - Action 32: Finalise Benefit Management Arrangements.....11
  - Action 33: Finalise Risk Management Arrangements .....12
  - Action 34: Finalise Contract Arrangements .....13
  - Action 35: Finalise Post Project Evaluation Arrangements .....13
  - The Chief Executive’s Statement .....13
- References .....14**
- Annex One: The Thirty Four Actions .....15**

## About this Guidance

This guidance is intended to assist business case developers and reviewers to build business cases using the Five Case Model, the New Zealand Government's accepted good practice standard.

This guidance document is intended to assist investors, senior responsible owners, workshop facilitators and business case developers to prepare a Single Stage Business Case as part of applying the Better Business Cases process. It is part of the support that is available to assist you at every stage of the business case development. This guidance can assist you whether you are considering an investment in change at the portfolio, programme or project level in either the public or private sectors.

This guidance also provides a useful reference for business managers, project or programme managers, business case developers, and other stakeholders who can either influence investment decisions or have an interest in the successful delivery of change.

The guidance outlined in this document applies until this document is updated or replaced.

## What this Guidance is Not

This guidance is not intended to comprehensively cover all the related aspects of business case development (although the guidance describes where other relevant guidance fits). These may include regulatory impact, economic assessment, procurement, risk management, Public Private Partnership (PPP), Treaty, programme/project management or assurance processes. You should refer to any relevant policies, rules, expectations and practices that apply to your specific organisation or sector.

## Key Changes to this Guidance from the Previous Version

The key changes to this guidance from the previous version dated 28 February are:

- being clearer on what's expected and the suggested evidence
- bringing a principle based approach to the use of methods and tools in gathering the evidence needed to develop the business case
- giving greater clarity of the relationship between strategy, policy and programmes
- showing different ways of designing and delivering programmes and projects, in conjunction with the GCIO
- providing greater clarity on how each type of business case supports what types of decisions in the Governments annual budget process
- incorporating recent changes to the NZ Government Procurement guidance, including early market engagement, and
- replacing multiple scoping documents into one point of entry form to agree the business case approach.

## Questions and Feedback

General enquiries about the information contained in this guidance, and not addressed in this guidance, can be directed to [betterbusinesscases@treasury.govt.nz](mailto:betterbusinesscases@treasury.govt.nz).

For Government agencies, any agency-specific questions should be addressed to your Treasury Vote team.

Any comments as to how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

## Further Information

This document is part of the Better Business Cases suite of guidance available at the Treasury website at:

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc>

# The Investment Management Lifecycle

Government's investment life cycle is made up of four phases: think, plan, do and review. Together these create an ongoing dynamic as ideas are tested, refined and adopted or discarded within an agency and across government. Each phase has different implications for agencies and decision makers.



The Plan phase examines how to translate the Think to the Do. A business case is the vehicle to demonstrate that a proposed investment is strategically aligned, represents value for money, and is achievable. A business case turns an idea (think) into a proposal (plan). It enables decision makers to invest with confidence knowing that they have the best information available at a point in time. It is also a reference point during the “Do” phase to support delivery, and used in the “Review” phase to determine whether the benefits in the business case were realised. For more guidance on managing benefits from programmes and projects please see [Managing Benefits from Projects and Programmes: Guide for Practitioners \(384 KB\)](#)

## BBC should be used in a fit for purpose way

BBC has been developed so it can be used in a fit for purpose way no matter the nature of programme or project and the associated scale, risk and uncertainty. Eddie Obeng was one of the first to provide a useful way to look at managing projects that had differing degrees of uncertainty and ambiguity. In essence there are two axes to be considered. How much do I know about **what** I am trying to? And How much do I know about **how** I am trying to do it?



## The differences between Programme and Project Business Cases

### *Programme Business Cases*

Major investments that comprise of a set of related projects and activities will typically require a programme business case. Programmes are about managing change with a strategic vision and a roadmap of how to get there. They are able to deal with uncertainty and complex inter-relationships in a dynamic environment by being flexible.

Programmes typically comprise a number of related projects and activities that will be completed in several tranches over an extended period to achieve outcomes that are greater than sum of the parts. Examples of different types of change may be delivered by a programme are:

- Policy change focussed on changes and improvements in society, driven by desired outcomes but likely to be ambiguous and complex to define in terms of what it involves.
- Fundamentally changing the way an organisation works – led by a vision of the outcomes and the benefits; typically some uncertainty about the change but clear delivery approaches can be used.
- A highly complex, lengthy project that is best broken down into a series of related projects and managed as a programme.

### *Project Business Cases*

In contrast to a programme, a project is a set of interrelated tasks to be executed over a fixed period to achieve a set of objectives.

For significant projects, there are two key stages in the evolution of a project business case being the indicative business case and the detailed business case. For smaller and/or lower risk investments typically a single stage business case (which combines the indicative and detailed business cases) is used.

## The Business Case Framework

The primary objective of BBC is to enable smart investment decisions for public value. If applied appropriately BBC can also help to:

- reduce the costs of developing business cases
- reduce the time it takes to develop business cases, and
- meet recognised good practice.

BBC is a common language and provides a systematic way for stakeholders to think and work together to give decision makers the information they need to invest with confidence.

Further information about the BBC framework is available on the Treasury's investment management website, at:

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

We support senior responsible owners (ie, sponsors), business case developers and reviewers by providing:

- BBC Guidance
- Methods (and tools) to develop business cases
- Access to BBC Training
- Access to Endorsed BBC Experts
- BBC Clinics for Investment Intensive Agencies

We encourage organisations to further build their business case capability by accessing training and using endorsed BBC Experts.

We suggest the senior responsible owner (ie, sponsor), use the Point of entry document to agree the approach, including the methods (and tools) and effort with the reviewer. In the State Sector, investment intensive agencies can engage with the Corporate Centre to secure this agreement through business case clinics.

To ensure we are achieving our objectives we regularly evaluate the BBC approach to identify improvements. A summary of the most recent business case evaluation is available on our website.

# The Implementation Business Case

## Purpose of the Implementation Business Case

The Implementation Business Case recommends a preferred supplier and seeks approval from decision-makers to enter into commercial contracts for the provision of the preferred option.

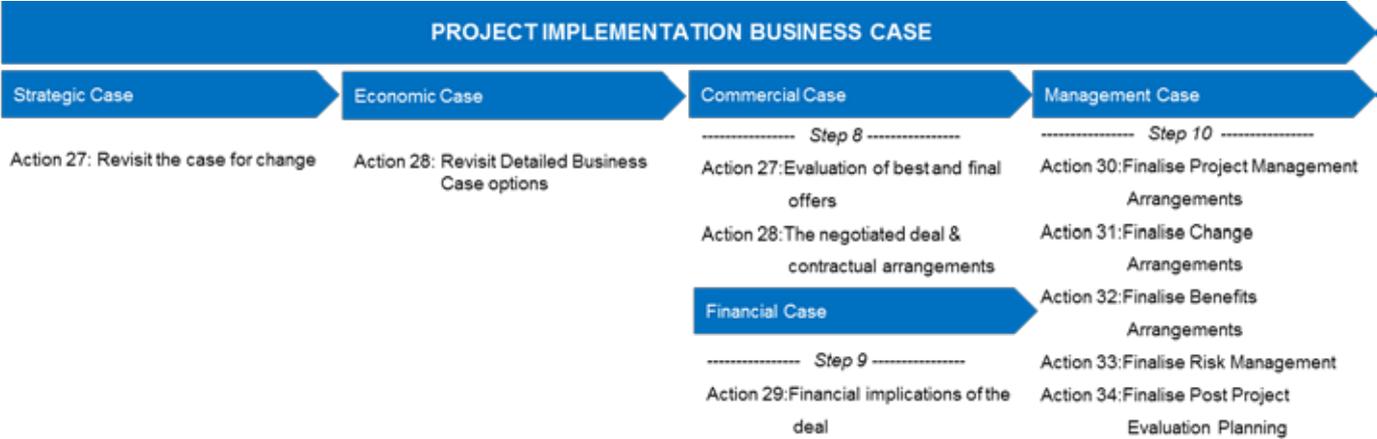
The Implementation Business Case:

- revisits and confirms the strategic and economic cases
- identifies the supplier offer that optimises value for money
- sets out the negotiated commercial and contractual arrangements for any procurement
- confirms that the proposed arrangements are affordable, and
- puts in place detailed management arrangements for the successful delivery of the project or programme.

Once the Implementation Business Case is completed, it can be used as the basis for seeking formal approval to negotiate the deal, proceed to contract signing and implement the project.

## Implementation Business Case Steps and Actions

The implementation business case, Steps 8 to 10 of the business case framework, is developed using Actions 27 to 34 as shown below. Please refer to Annex A for an overview of all of the 34 BBC actions.



The remainder of this guidance is structured around each action by the applicable Case. The purpose of each action is described together with what is expected and the suggested evidence should be provided.

### Suggested methods and tools

There are a variety of methods and tools that can be used in the development of the business case. When considering the approach to be used, developers should consider the methods (and tools) that they will use. Reviewers will consider whether the methods (and tools) are suitable, proven, inclusive, and capability should exist to apply it.

Some suggested methods can be found at <http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

# Strategic and Economic Cases: Procuring the Value for Money Solution

## Action 25: Revisit the Case for Change

### Purpose

The purpose of this action is confirm or update the Strategic Case. Alterations to the case may be needed because of evolving business needs or service changes over time.

### What's expected

If material changes have occurred then the Strategic Case should be updated, with particular emphasis on:

- strategic context for the proposal
- agreed investment objectives
- business needs
- earlier scope and service requirements, and
- benefits, costs, risks, dependencies and constraints.

If the changes are major, a review of previous decisions and approvals may be required.

### Suggested evidence

If there has been no significant change, the minimum requirement is to note within the Implementation Business Case that the case for investment remains as set out previously. The changes to the Strategic case these should be documented where material changes have occurred.

## Action 26: Revisit the Preferred Option

### Purpose

The purpose of this action is confirm or update the preferred option. This is required because since the approval of the previous business case, new information may have become available that impacts on the ranking of the options, and the selection of the preferred option.

### What's expected

The analysis from the previous business case stage should be updated for any changes and the results summarised again in the Implementation Business Case.

In the case of significant change it is possible that decision-makers' expectations as part of approval have not been met. A more detailed report-back may be required with alternative recommendations.

### Suggested evidence

If an alternative option is to be recommended, the Implementation Business Case should demonstrate that this option provides improved value for money compared to the other available options, including the original preferred option.

# Commercial Case – Contracting for the Deal

## Action 27: Evaluation of Supplier Offers

### Purpose

The purpose of this action is to evaluate supplier offers to select a preferred supplier.

### What's expected

Supplier selection should be based on the process and methodology set out in the previous business case, the Procurement Strategy and/or the Procurement Plan and in the information provided to suppliers.

### Suggested evidence

The procurement process including evaluation of each supplier offer, recommendations and decisions must be documented. A clear evaluation methodology must be used. The evaluation panel members must know what they can and cannot consider as part of the evaluation. Due diligence should be undertaken on the preferred supplier (or suppliers).

It is important to remember that the agency should do what it says it will do in the RFX (follow the process).

Where a procurement plan and evaluation recommendation report have been completed these should be attached to the Implementation Business Case and only a brief summary is required in this section.

## Action 28: The Negotiated Deal and Contractual Arrangements

### Purpose

The purpose of this action to plan the deal to be negotiated with the preferred supplier or suppliers.

### What's expected

Outline in enough detail of the negotiation planning, commercial and contractual arrangements to enable decision-makers to approve the Implementation Business Case and for negotiations to proceed to contract signing and implementation of the project. Step six of the eight step process in *Mastering Procurement: A Structured Approach to Strategic Procurement (2014)*, sets out the processes for negotiating with the preferred supplier and awarding the contract.

### Suggested evidence

Provide a detailed overview of the deal that is planned. In essence, this is the commercial transaction that management and the approving authority are proposing to sign-up to.

Where a Negotiation Plan and draft contract have been completed these could be attached to the Implementation Business Case and only a brief summary is required in this section.

# Financial Case – Contracting for the Deal

## Action 29: Financial Implications of the Deal

### Purpose

The purpose of this action is to explain in detail the financial implications to the organisation of the proposed deal to be negotiated with the preferred supplier.

### What's expected

The layout should follow the standard headings for the financial case in the Detailed Business and explain:

- how the charges for the preferred supplier's offer have been modelled, including the resulting benefits
- capital and revenue implications of the final deal, including any costs falling to the organisation
- any net effect on user charges (if any)
- impacts on the financial statements, confirmed by external auditor if needed
- the overall affordability and funding arrangements for the deal, and
- any contingency arrangements for uncertainty and risk.

# Management Case – Ensuring Successful Delivery

## Action 30: Finalise Project Management Arrangements

### Purpose

Revisit and update the project management arrangements outlined in the previous business case.

### What's expected

The detailed arrangements in support of the design, build, and implementation phases. Any necessary arrangements for the post implementation operational phase of the project should not be overlooked, including post project evaluation.

The project management strategy should be revisited and updated, as required.

The existing framework (project structure, reporting lines, roles and responsibilities) should be shown, together with named individuals, any vacancies and plans for any future changes.

### Suggested evidence

The latest version of the project plan should be attached to the Implementation Business Case. This must reflect the implementation timescales agreed with the preferred supplier for the delivery of the negotiated services and be signed off by stakeholders.

## Action 31: Finalise Change Management Arrangements

### Purpose

Revisit and update the change management arrangements outlined in the previous business case.

### What's expected

The change management strategy should be revisited and updated, as required.

The latest version of the change management plan could be attached to the Implementation Business Case. This must reflect the specific training and developmental needs of key groups of personnel and any required communication arrangements. It should be signed off by the stakeholders for the services and indicate customer (end-user) involvement.

## Action 32: Finalise Benefit Management Arrangements

### Purpose

Revisit and update the benefit management arrangements outlined in the previous business case.

### What's expected

The strategy for the realisation of benefits during the key phases of the project should be revisited and re-affirmed within this Implementation Business Case, including confirmation that the benefits realisation plan is still viable.

### *Benefits realisation plan*

Re-validate the approach to benefits realisation outlined in the benefits realisation plan, developed as part of the previous business case. The organisation's plan for the on-going management and delivery of benefits should be encapsulated within the benefits realisation plan. Confirm that identified review times and processes are still appropriate.

### *The benefits register*

Re-validate the benefits included in the benefits register<sup>1</sup> and ensure that measurements and metrics are still valid and achievable. The register must be completed in full and attached to the Implementation Business Case.

The register should continue to be used during the implementation and operational phases of the project, for any financial, non-financial and qualitative benefits identified during those phases.

The owner of the benefits register should be named. Identify the reporting relationship to the senior responsible owner, who is ultimately responsible for delivery of the benefits. It should also be confirmed that the benefits register will be reviewed regularly and form part of the standing agenda at all future project steering committee meetings.<sup>2</sup>

## **Action 33: Finalise Risk Management Arrangements**

### **Purpose**

Revisit and update the risk management arrangements outlined in the previous business case. The strategy for the management of risks during the key phases of the project should be revisited and re-affirmed within the Implementation Business Case.

### **What's expected?**

#### *The risk register*

The organisation's plan for the on-going mitigation and management of risk should be encapsulated within the risk register<sup>3</sup>, which must be completed in full and attached to the Implementation Business Case. The register should cover all the business and service risks identified during the design, build, implementation, operational and re-procurement phase (if applicable) of the project.

The owner of the risk register should be named. Identify the reporting relationship to the senior responsible owner. Confirm that the risk register will be reviewed regularly and form part of the standing agenda at all future project management board and/or risk management board meetings.

#### *Contingency plan*

Provide details of any contingency plans in the event of non-delivery of the contracted services.

---

<sup>1</sup> Developed in action 22 of the *Guide to Developing the Detailed Business Case*.

<sup>2</sup> Or equivalent governance body, where the project steering committee is no longer in place.

<sup>3</sup> Developed in action 23 of the *Guide to Developing the Detailed Business Case*.

## Action 34: Finalise Contract Arrangements

### Purpose

Outline the formal and informal arrangements which need to be in place to successfully manage the selected supplier.

### What's expected?

Step seven of the eight step process in *Mastering Procurement: A Structured Approach to Strategic Procurement (2014)*, sets out the processes for managing the contract and relationships<sup>4</sup>. Refer to this guidance in the first instance, subject to any other mandatory procurement rules and expectations that may apply to your sector or organisation.

## Action 35: Finalise Post Project Evaluation Arrangements

### Purpose

Revisit and update the post project evaluation arrangements outlined in the previous business case.

### What's expected?

The Implementation Business Case should also record the arrangements for post-project evaluation. The project evaluation should be undertaken as soon as possible after the implementation of the service to capture lessons learnt. Post implementation reviews are typically undertaken within 6 to 12 months after commencement, and periodically thereafter depending upon benefits delivery.

## The Chief Executive's Statement

Where approval of the Implementation Business Case is sought, a letter should be provided by the Chief Executive of the proposal and be included as an annex. Where external approval is being sought, the commissioner should be the chief executive to ensure that accountability sits at the appropriate level of organisation. Typically this requires a discussion with the appropriate monitoring agency or review team and is documented in the relevant Scoping Document.

This statement should:

- demonstrate that the Chief Executive has been actively involved in the development of the investment proposal through its various stages
- confirm acceptance of the strategic aims and investment objectives of the investment proposal, its functional content, size and services
- confirm that the financial costs of the proposal can be contained within the agreed and available budget and a willingness and ability to pay for the services at the specified price level
- state the margins of leeway beyond which support must be revalidated, and
- demonstrate that suitable contingency arrangements are in place to work with suppliers to address any current or unforeseen affordability pressures.

---

<sup>4</sup> Refer to the Ministry of Business, Innovation and Employment website at <http://www.business.govt.nz/procurement>

## References

Department of Prime Minister and Cabinet (2001), Cabinet Office Circular CO (15) 05, *Investment Management and Asset Performance in the State Services*, available at the Cabinet Office website at [http://www.dpmc.govt.nz/sites/all/files/circulars/coc\\_15\\_05\\_0.pdf](http://www.dpmc.govt.nz/sites/all/files/circulars/coc_15_05_0.pdf)

Flanagan, Joe and Nicholls, Paul (2003), *Public Sector Business Cases using the Five Case Model: a Toolkit*, updated July 2011 and available from <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

HM Treasury (2003), *Green Book: Appraisal and Evaluation in Central Government*, Treasury Guidance updated July 2011, available from <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

Ministry of Business, innovation and Employment (2011), *Mastering Procurement: A Structured Approach to Strategic Procurement*, March 2011, available at <http://www.business.govt.nz/procurement/for-agencies/strategic-procurement/mastering-procurement-the-guide>

Ministry of Business, innovation and Employment (2013), *The Government Rules of Sourcing: Rules for planning your procurement, approaching the market and contracting*, April 2013, available at <http://www.business.govt.nz/procurement/for-agencies/key-guidance-for-agencies/the-new-government-rules-of-sourcing>

Smith, Courtney A and Flanagan, Joe (2001), *Making Sense of Public Sector Investments: the five case model in decision-making*, Radcliffe Publishing Limited, (ISBN 1 85775 432 8)

The Treasury (2009), *Guidance for Public Private Partnerships (PPPs) in New Zealand*, published 2 Oct 2009, available at <http://www.infrastructure.govt.nz/publications/pppguidance>

The Treasury (2005), *Cost Benefit Analysis Primer*, published 1 December 2005, available at <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/primer>

The Treasury (2013), *Better Business Cases*, guides and templates available at the Treasury website at <http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance>

The Treasury (2013), *Regulatory Impact Analysis Handbook*, published 2 August 2013, available at <http://www.treasury.govt.nz/publications/guidance/regulatory/impactanalysis>

Welsh Government (2012), *Delivering Public Value from Spending Proposals, Green Book guidance on Public Sector Business Cases using the Five Case Model*, October 2012, available at <http://wales.gov.uk/funding/wiipindex/5cmodel/?lang=en>

# Annex One: The Thirty Four Actions

