Better Business Cases

Guide to Developing a Single Stage Business Case

30 September 2015

THE TREASURY
Kaitohutohu Kaupapa Rawa

New Zealand Government

Acknowledgements

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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-governent; 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.

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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-bbcssbc

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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.

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

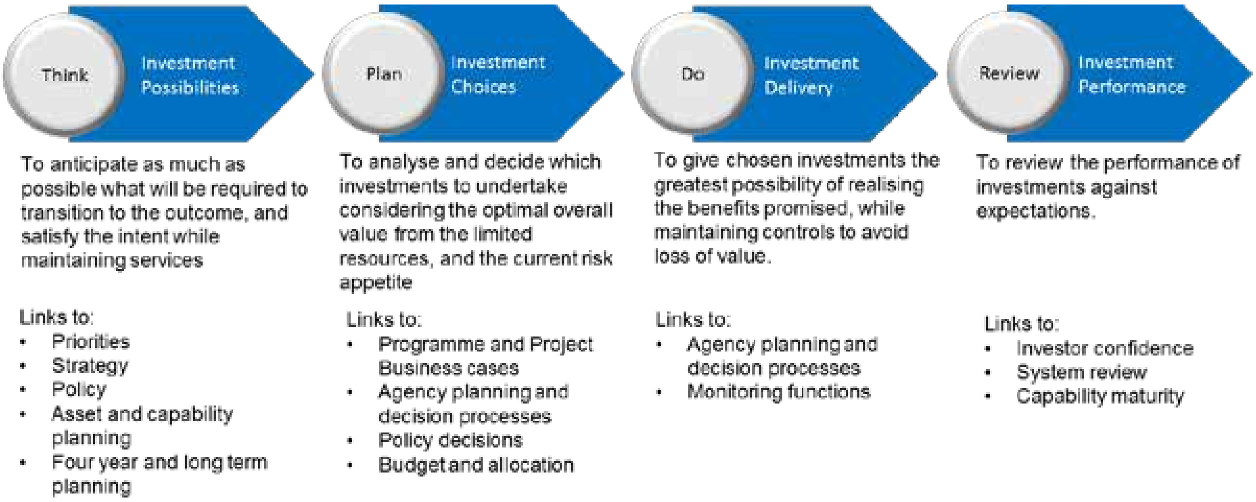
Any comments as to how we could improve this guidance can be directed to guidance@treasury.govt.nz.

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

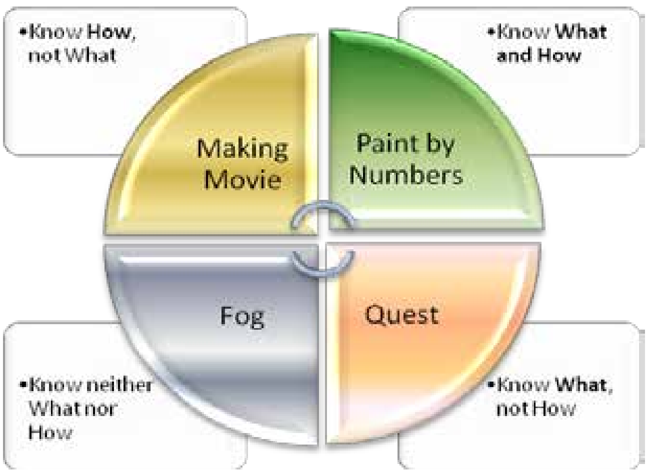
Government's investment life cycle is made up of four phases: think, plan, do and review. Together these create an ongoing dynamic as ideas are tested, refined and adopted or discarded within an agency and across government. Each phase has different implications for agencies and decision makers.



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 Single Stage Business Case

Purpose of the Single Stage Business Case

The Single Stage Business Case recommends a preferred option that optimises value for money and seeks approval from decision-makers to finalise the arrangements for successful implementation. It is typically used for proposals where that have a relatively low level of investment and risk profile.

The decision to develop a Single Stage Business Case typically follows from the Strategic Assessment, which justified the need to invest in change.

The Single Stage Business Case:

- confirms the strategic context of the organisation and how the proposed investment fits within that strategic context
- confirms the need to invest and the case for change
- identifies a wide range of potential options
- determines the preferred option which optimises value for money, by undertaking a detailed analysis of the costs, benefits and risks of the short-listed options
- prepares the proposal for procurement
- plans the necessary funding and management arrangements for the successful delivery of the project, and
- informs a proposal to decision-makers to seek agreement to approach the market and finalise the arrangements for implementation of the project.[1]

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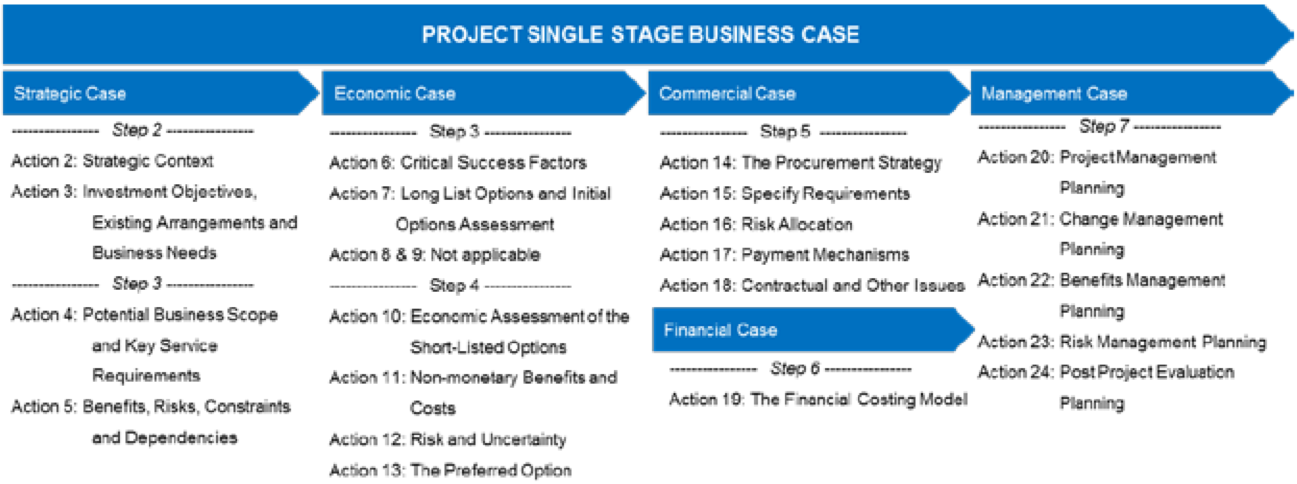
[1] For proposals that that are likely to result in a non-traditional procurement, a different approach to market may be required. Refer to the PPP supplementary guidance to the *Guide to Developing the Indicative Business Case* and the PPP guidance available from http://www.infrastructure.govt.nz/publications/pppguidance

Single Stage Business Case Steps and Actions

The single stage business case, Steps 2 to 7 of the business case framework, is developed using Actions 2 to 24 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.

A typical process to develop the single stage business case could be:

1 Update the stakeholder management plan. This will inform the choice of attendees for the initial stakeholder workshops.

2 Arrange and conduct a case for change workshop with key stakeholders to agree investment objectives and scope. Additional workshops may be required to identify and analyse benefits, risks, service requirements, constraints and dependencies.

3 Once the strategic case is drafted, arrange and conduct the workshops needed to identify a wide range of options (the long list) and to initially assess these to determine the short-list options.

4 Undertake the economic assessment of the short-listed options to determine the preferred option, including stakeholder workshops to assess any non-monetary benefits and costs.

5 Collect information for the commercial, financial and management cases. Prepare any required procurement plan, financial costing, risk register, and project management documentation.

6 Present the final draft Single Stage Business Case (and any supporting documentation required) for review.

7 Finalise the Single Stage Business Case, seek final sign-off from the sponsor and chief executive and submit for approval to approach the market and proceed to the development of the Implementation Business Case.

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 Case – Making the Case for Change

Purpose of the Strategic Case

The strategic case confirms the strategic context developed in the previous Strategic Assessment and makes a compelling case for change. The strategic case:

- demonstrates the strategic alignment for the proposed project
- establishes the investment objectives, existing arrangements and business needs
- considers the potential business scope and key service requirements, and
- identifies potential benefits, risks, constraints and dependencies.

Action 2: Strategic Context

Purpose

The purpose of this action is demonstrate alignment of the proposed investment with wider national or sectoral priorities and goals, policy decisions, other multi-agency programmes (if relevant) and with the sponsoring organisation(s) strategic intentions.

What's expected?

This action builds on the initial analysis undertaken in Action 1 as part of the Strategic Assessment. This action includes:

- Providing an organisational overview
- Demonstrating alignment to strategic intentions

An organisational overview

Providing context for reviewers and decision makers by summarising:

- Main outcomes, impacts and objectives that the organisation is trying to achieve
- The nature and scope of the organisations activities and services (outputs), key stakeholders and customers
- The current environment in which the organisation operates, including how it intends to respond to changes and possible risks. This summary should consider external drivers for considering the investment proposal.

Alignment to strategic intentions

Explain how the proposed investment fits within, supports and promotes the agreed strategy and/or work programme including how the investment proposal is aligned with all relevant strategies including wider organisational, sectoral, regional, and Government strategies and priorities.

Where an investment proposal is intended to contribute to shared outcomes across multiple organisations, or where expected outcomes contribute to other related projects or programmes, these linkages and inter-dependencies should be clearly demonstrated

Suggested evidence

Provide a linkage to the Think phase of the Investment Management Lifecycle by referencing strategic planning documents such as the latest Statement of Intent, the latest Four year plan and the Long term investment plan as well as relevant government priorities and policies.

Action 3: Investment Objectives, Existing Arrangements and Business Needs

Purpose

The purpose of this action is to:

- set the investment objectives of the proposal ie, what the organisation is seeking to achieve
- document existing arrangements ie, what is currently happening
- specify business needs ie, changes between the current state and the desired future state

What's expected?

Setting investment objectives

Setting good investment objectives is a critical part of a business case and informs the later assessment of potential options in Action 7. It is recommended that an inclusive approach is used to develop and agree the investment objectives to ensure that key stakeholders are well-engaged and have an opportunity to challenge and shape the direction of the proposal.

The investment objectives specify the desired outcomes for the proposed investment. Three to five objective statements are typical, although some proposals may require either fewer or more. A large number of investment objectives, or single objective statements that encompass multiple outcomes, can undermine the clarity and focus of the proposal.

The objectives should be SMART (specific, measurable, achievable, relevant, and time-bound) to help facilitate the generation of potential options in Action 7 and to provide the basis for determining the investment's success (or not).

Defining good investment objectives

Objectives are generally limited to three to five objective statements, although some proposals may require either fewer or more. A large number of investment objectives, or single objective statements that encompass multiple outcomes, can undermine the clarity and focus of the proposal.

Guidelines for setting objectives are that they should be:

- Customer-focused and distinguishable from the means of provision
- Focus on what needs to be achieved rather than the potential solution
- Not so narrowly defined that they preclude important options, and
- Not so broadly defined that they cause unnecessary work at the options analysis stage.

Where a Programme Business Case has been completed, the programme objectives can provide part of the context for setting project-based investment objectives.

In practice, well-defined investment objectives typically address one or more of the following five generic investment rationales:

- To improve effectiveness. For example, by improving the quality of services, improving access or better targeting these services to meet demand.
- To improve efficiency. For example, by improving the relationship between the quantity of inputs employed and the quantity, quality and timeliness of services delivered.
- To reduce costs. For example, by reducing the underlying costs of the inputs employed to deliver existing services.
- To meet statutory, regulatory or organisational requirements. This can include complying with new or changing legislative requirements (or organisational policies)
- To re-procure services or avert service failure. For example, at the end of an existing contract or where an enabling asset is no longer fit for purpose.

Document existing arrangements

Provide a snapshot and an analysis of the current situation. This analysis is intended to highlight any problems, difficulties and opportunities associated with the current situation to highlight the need for change.

Depending on the type of investment proposal, this could include describing the existing arrangements and explain how services are currently organised, provided and supplied. Include any relevant contextual details about stakeholders, competitors, suppliers, customers, service performance, and asset availability, utilisation and condition. An evidential base should be provided to support the problems and opportunities that are described.

This description will also form the basis for specifying the “status quo” or “do nothing” option in Action 7, the baseline for measuring successful change.

Specify business needs

The business needs (or changes) that are required from the current arrangements to deliver the investment objectives.

In most cases, it will be necessary to consider:

- confirmation of the continued need for existing business operations, including supporting evidence
- projections of the nature and level of demand for future services (including customer demographics and alternative sources of supply)

- deficiencies in current provision, and
- a summary of requirements, distinguishing clearly between the current and the future states.

Suggested evidence

Demonstration that analysis of the current state, investment objectives and underpinning business needs are defined clearly and supported by key stakeholders and customers.

Action 4: Potential Business Scope and Key Requirements

Purpose

The purpose of this action is to identify the potential business scope of the proposal and the key requirements to satisfy the identified business needs specified in Action 3. This action also helps informs Action 7 in the Economic case, when thinking about scope options is considered in more detail.

What's expected?

Define the potential business scope

This step sets out the boundaries, or limitations, of the proposal. Only options within this scope should be assessed in Action 7 in the economic case. These scope boundaries should be concise enough to avoid later scope creep, but broad enough to encourage consideration of innovative options or solutions.

Clearly specifying the business scope ensures that the proposal focuses on those key service requirements that meet the investment objectives and are likely to improve value for money.

Describe the scope of the proposal from the perspective of affected areas and functionality. The scope describes the degree or scale of change required for the investment proposal to be considered successful. These can vary from the core or minimum scope, through to the most aspirational.

Identify key requirements

Identify key requirements with reference to proposed scope and business changes identified in Action 3.

With reference to the investment objectives it is useful to classify requirements as either being:

- Minimum requirements – representing the must have or core service requirements essential for the investment proposal to be successful
- Desirable requirements – considered if they represented good value for money, or
- Optional requirements – these are more aspirational and may be included in the proposal if they can be added at low marginal cost and are likely to be affordable.

Finally, classify the potential scope and service requirements to inform the identification of scope options in the later economic case.

For example:

- Minimum scope – minimum, core service requirements only
- Intermediate scope – minimum plus desirable service requirements (if value for money)
- Maximum scope – minimum, desirable and optional service requirements

Suggested evidence

Evidence should include clear statements of business outcomes and service outputs together with demonstration that key stakeholders understand and agree scope and requirements. It should also be clear and understood what is out of scope.

Methods and tools to gather the evidence for Action 3 and Action 4

There are a variety of methods and tools that are available to help the strategic case or specific actions within the strategic case. A selection of these methods and tools can be found at [insert the link]

Workshop(s) can be used to identify and agree the investment objectives and business need with key stakeholders.

Action 5: Benefits, Risks, Constraints and Dependencies

Purpose

The purpose of this action is to identify the potential benefits, risks, constraints and dependencies associated with the investment proposal.

What’s expected?

Identify potential benefits

A benefit is positive consequence from change. Benefits can also be considered as the return from the investment in undertaking a project or programme.

All significant benefits should be identified from the perspective of the benefits to New Zealand (ie, national economy) unless otherwise agreed with the reviewer. This recognises the wider perspectives of public value decision-makers when making resource allocation choices.

Benefits can be classified by whether or not they are monetary or non-monetary, direct or indirect and quantitative or qualitative[2]. Benefits may be measureable in either monetary terms (such as avoided costs or efficiency savings) or non-monetary terms (either quantifiable, such as reduced customer complaints or qualitative, such as improved health outcomes). Qualitative benefits may be observable but not easily measured. Dis-benefits with negative impacts on stakeholders also need to be identified and analysed.

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2 Refer to the Treasury Cost Benefit Analysis Guide http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/guide

Benefits may either have a direct or indirect impact and can result in both winners and losers. The description should identify those stakeholder groups who potentially gain or lose from the proposal, both those affected directly by the investment and those affected indirectly elsewhere in the wider economy. This recognises that sometimes those investing the most in terms of resources might not always be the main beneficiaries.

Identify the main risks to objectives

In this context, a risk is the chance of something happening that will have an impact on the achievement of the investment objectives.

The main risks associated with the proposal should be described. The emphasis should be on the 20% of risks which are likely to account for 80% of the total risk. Risks first identified as part of the Strategic Assessment (or the Programme Business Case where these are relevant to the proposal) can be revisited and updated.

Detail the sources of potential risk, the likely impact and relevant factors including possible changes in circumstances, causes and potential consequences.

Uncertainty of costs and benefits

The most familiar form of risk to investment objectives in business cases is that the estimated future costs arising from the given proposal are overly conservative, the benefits are overly optimistic, or both. The early analysis may not fully reflect the complexity of the proposal or some cost or benefit information may be unavailable.

Additionally, there is a demonstrated, systematic, tendency for individuals to exhibit optimism bias when preparing spending proposals. The effects of optimism bias can be mitigated by making explicit adjustments to key assumptions and variables, for example by increasing proposal estimates, reducing projected benefits, or by assuming benefits are delayed.

The amount of optimism bias typically depends on the nature of the investment proposal and the accuracy of the estimates for proposal costs and benefits. As the business case development proceeds and estimates are refined, the level of optimism bias can be expected to reduce and incorporated as a contingency in the contracted project.

Identify constraints

Constraints are limiting parameters within which the investment must be delivered. These can include relevant Government policy decisions, initiatives or rules. Affordability constraints can include funding envelopes or limits on the amount of either operating or capital expenditure that can be incurred.

Likely constraints imposed on the proposal should be described because they can limit the range and scale of the investment options that may be considered for further assessment.

Identify dependencies with other initiatives

Any actions or developments required of others and outside the scope of the project or programme should be identified and describe if the success of the investment proposal is dependent upon them. For example, this could encompass the delivery of outputs associated with other projects within the same overall programme.

This section should also identify outward dependencies, other things that rely on this project to deliver what it says it is going to.

Suggested evidence

Demonstration that the benefits, risks, constraints and dependencies are defined clearly and are understood and agreed by the key stakeholders.

Methods and tools to gather the evidence

A workshop(s) can be used to identify and agree the benefits and risks with key stakeholders.

Other methods and tools can be found at http://www.treasury.govt.nz/statesector/investmentmanagement/plan

Economic Case – Exploring the Preferred Way Forward

Purpose of the Economic Case

The purpose of the Economic Case is identify a preferred option which represents the best value for money by:

- Identifying a number of short-options that have the potential to deliver the proposal's investment objectives and meet the identified critical success factors
- Evaluating the short list options by assessing the costs, benefits and risks of each option
- Recommending a preferred option

Actions 6 and 7: Identifying the short-list of options

Action 6: Critical Success Factors

Purpose

The purpose of this action is identify the investment proposal's critical success factors. Critical success factors are the attributes essential to successful delivery of the project.

What's expected?

Identification of the critical success factors and agreement by key stakeholders.

The critical success factors form part of the set of criteria for the assessment of each potential options in Action 7. Therefore, care should be taken to ensure that they are not set at a level which could potentially bias or exclude important options at an early stage of the analysis.

Typically, the business case team should define a set of critical success factors for discussion and agreement with key stakeholders. The starting point for identifying and agreeing critical success factors should be the five case model. A generic set of factors are shown over the page.

Key Critical Success Factors	Broad Description
Strategic fit and business needs	How well the option: · meets the agreed investment objectives, related business needs and requirements, and · fits with other strategies, programmes and projects.
Potential value for money	How well the option: · optimises value for money (ie, the optimal mix of potential benefits, costs and risks).
Supplier capacity and capability	How well the option: · matches the ability of potential suppliers to deliver the required services, and · is likely to result in a sustainable arrangement that optimises value for money over the term of the contract.
Potential affordability	How well the option: · can be met from likely available funding, and · matches other funding constraints.
Potential achievability	How well the option: · is likely to be delivered given the organisation's ability to respond to the changes required, and · matches the level of available skills required for successful delivery.

Suggested evidence

The business case should describe the critical success factors together with the approach that was used to identify and agree the factors.

Action 7: Long List Options and Initial Options Assessment

Purpose

The purpose of this action is to consider as wide a range as possible of realistic options for meeting the investment objectives that lie within the identified scope, and are likely to achieve the expected benefits.

What's expected?

The suggested steps are to:

1. *Identify the long-list of options*

   Identify possible options within a number dimensions in turn. The suggested dimensions are scale, service solution, service delivery, implementation and funding. A base case should also be included to act as a baseline for determining relative value for money. It can be created by combining the status quo choices from each of the five dimensions into a single option.

Typically research is undertaken by the business team to educate themselves of the possible options. Research could include:

- Consulting with senior business managers, stakeholders, users and technical specialists
- Consulting with specialist practitioners and industry or sector experts to gather information relevant to the project
- Considering domestic and international examples to identify proven solutions
- Early engagement with the market to identify possible solution and assess capability and capacity

Early engagement is encouraged because it helps inform an understanding of the potential options and gauging market capacity and capability. It can also help stimulate innovation in the design and delivery of the solutions.

There is no limitation on when you can engage. For state sector organisations, Government Procurement can provide guidance and support on how to engage effectively with suppliers at early stage. Please refer to http://www.business.govt.nz/procurement

2. *Assess the long list options*

   The options should be assessed against the investment objectives set in Action 3 and the critical success factors agreed in Action 6 to rule out impractical and uneconomic options. It is also useful to identify each option's advantages and disadvantages.

   The extent or depth of this options assessment should be tailored to the size, impacts, and risks of the proposal. This will affect the choice of assessment tool and the approach used. Due to the likely level of uncertainty in cost and benefit estimates, there is no expectation that a cost benefit analysis will be undertaken and used to screen long-list options at this initial stage.

   Annex Two contains a worked example of a long list assessment.

3. *Determine the short-list*

   A short-list of three to five options for further analysis should be determined. The preferred option is be defined by amalgamating the preferred choices from each dimension of choice The other (one to three) short-listed options may represent variations of the preferred way forward, say with less or more ambitious scope choices, alternative solutions, a faster or slower pace of implementation or alternative funding arrangements.

It is recommended that senior business managers, stakeholders, users and technical specialists are involved in identifying options to direct the preferred way forward.

If long-list options with regulatory impacts are being considered, a Preliminary Impact and Risk Assessment (PIRA) may be required if this has not already been addressed. Refer to the Treasury Regulatory Impact Analysis Handbook and contact The Treasury for further guidance.[3]

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[3] Refer to the Treasury website at http://www.treasury.govt.nz/regulation/regulatoryproposal/ria/handbook

Suggested evidence

The business case should describe the approach that was used to identify and assess the long list. The long list assessment should be documented and included as an annex to the Single Stage Business Case to enable the reviewer to assess the level of analysis and thinking underlying the short-list assessment.

Methods and tools for gathering the evidence for Actions 6 and 7

A series of workshops with can be key stakeholders to agree the critical success factors, the long list of options and the short list.

Other methods and tools can be found at [insert link]

Actions 10 to 12: Evaluating the short-list

The level of analysis should be scaled to the proposal

The level of analysis should be tailored to the relative size and risks of the proposal. The standard of analysis varies from a full economic cost benefit analysis to light financial analysis, depending on the scale and level of risk of the proposal. This is shown in the table below.

	Full Analysis		Light Analysis
Monetary benefits and costs	National economy	Organisation and selected sectors	Organisation
	All significant resource flows, including non-monetary costs and benefits		All significant resource flows that can be expressed in monetary terms
Non-monetary benefits and costs	Multi-criteria decision analysis using expert facilitation and proprietary tools	Multi-criteria decision analysis	Ranking of non-monetary benefits and costs
Uncertainty	Quantitative risk analysis	Quantify risks and probabilities[4]	Single point adjustments of costs and benefits

Not all proposals will require a full economic cost benefit analysis, a full multi-criteria analysis or quantitative risk analysis. Simpler forms of financial analysis may be appropriate for proposals that are organisation-specific and have minimal impacts on either other organisations, individuals or the wider economy. Examples may include the impacts of a new accounting package or a lease versus buy decision for property.

Prior to commencing development work consider using the Point of entry document http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance/bbc-invest-proposal.pdf (38 KB) to agree the approach and effort with the reviewer. In the State Sector, investment intensive agencies (http://www.treasury.govt.nz/statesector/investment-intensive-agencies) can engage with the Corporate Centre to secure this agreement through clinics (http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/clinics).

4 Consider risk modelling techniques that are less resource intensive than full quantitative risk analysis. For example, by using multi-point probability or decision-tree analysis to estimate the impacts of different outcomes on mid-point risk estimates.

Please note that Actions 8 and 9 are specific to the Indicative business case and the Detailed business case and are not required for the Single Stage business case.

Action 10: Economic Assessment of the Short-Listed Options

Purpose

The purpose of this action is to undertake an economic assessment of the Short-Listed options to inform the recommendation of a preferred option in Action 13.

What's expected?

An economic assessment seeks to capture all benefits and costs regardless of to whom they accrue. Economic assessments also take into account costs and benefits that may not be reflected in monetary transactions. An economic benefit is considered to be any gain in the welfare of society arising from the investment proposal. For example, it can include the time savings from reduced travelling times on a new motorway or the increase in quality of life years remaining as a result of a new pharmaceutical treatment. Different stakeholder groups derive different benefits (and dis-benefits) from an investment proposal and will have different perspectives on the value added.

Undertaking economic assessment of the short-list options involves the following steps:

a. Establish the assumptions and scope underlying the analysis.

b. Determine an appropriate period for the analysis. This appraisal period typically matches the economic life of any proposed asset. In some cases it may be determined by the contractual term of the services. Where options have differing economic lives, a single common appraisal period is required. Either residual values can be assumed for the longer term options or reinvestment of shorter term options.

c. Identify all significant monetary benefits and costs. The monetary and non-monetary benefits in Action five can be revisited and updated. All material direct and indirect, monetary and non-monetary costs should be included. Indirect costs as a result of the outcomes of the proposal may be incurred by the organisation, other agencies, users and other affected stakeholders.

d. Assign monetary values to the benefits and costs, wherever possible. All monetary estimates should be expressed in current dollar terms. GST, depreciation, capital charges and financing costs are also typically excluded.

e. Discount the benefits and costs to present values using the appropriate Public Sector Discount Rate as specified by the Treasury.[5] Where a different discount rate is proposed, this should be tested as part of the Point of Entry Document discussion.

Suggested evidence

The approach and basis that has been used should be described including the collection of key assumptions and the involvement of key stakeholders.

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[5] Refer to the Public Sector discount rates published on the Treasury website at http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis

Action 11: Non-monetary Benefits and Costs

Purpose

The purpose of this action is to assess the non-monetary benefits and costs of the Short-Listed options to inform the recommendation of a preferred option in Action 13.

What's expected?

Non-monetary benefits and costs can influence the choice of the preferred option. They should be explicitly highlighted and explained in the analysis so that decision-makers are aware of the value judgements and trade-offs involved in pursuing a particular option. This explanation can be quantitative, qualitative, descriptive, or a combination of these.

Suggested evidence

The approach and basis that has been used should be described including the collection of key assumptions and the involvement of key stakeholders.

Action 12: Risk and Uncertainty

Purpose

The purpose of this action is to assess the risk and uncertainty of the Short-Listed options to inform the recommendation of a preferred option in Action 13.

What's expected

All estimated benefits, costs and timeframes are subject to risk and uncertainty which can influence the choice of the preferred option. Given the choice between two competing short-listed options with similar estimated costs and benefits, a decision-maker will more likely prefer the option that provides greater certainty of costs, benefits and timings of key deliverables.

It is recommended that all significant risks should be measured and quantified (in monetary terms) as early as possible. The risks initially identified by stakeholders in action five should be revisited and re-evaluated.

Suggested evidence

Demonstration that risks and uncertainty of the short-listed options have measured and quantified using an appropriate method.

Methods and tools to help

There are a number of techniques can be used to quantify risk and uncertainty including Optimism basis, Single-point probability analysis, and Quantitative risk analysis (QRA). A description of these techniques can be found at Annex Two. A QRA of costs is mandatory as part of the development of a Detailed Business Case (DBC) for high risk major projects or programmes monitored by the Treasury.

Action 13: The Preferred Option

Purpose

The purpose of this action is to identify the preferred option and test its robustness using sensitivity analysis. The overall objective is to determine which of the short-listed options is likely to provide the best value for money (the optimal mix of benefits, costs and risks).

What's expected?

Identify the preferred option

If an economic cost benefit analysis has been undertaken across all benefit and cost areas then the best option is likely to be the one with the highest, risk adjusted, net present value[6].

Where non-monetary benefits and costs are significant, these will influence the choice of the preferred option.

Decision-makers will need to be provided with a basis to inform trade-offs between competing short-listed options with different mixes of monetary and non-monetary benefits and costs.

An example of presenting combined cost benefit analysis and multi-criteria decision analysis

In this example decision makers need to consider the potential for the higher non-monetary benefits of option three to out-weigh the extra monetary net benefits of option four.

	Note	Option 1:Do Nothing	Option 2: Do Minimum	Option 3: Less Ambitious	Option 4: Preferred Way Forward	Option 5: More Ambitious
Analysis Period (years)		20	20	20	20	20
Capital Costs ($m)		$0.0	$22.5	$23.9	$31.6	$45.7
Whole of Life Costs ($m)		$14.4	$34.2	$49.7	$70.7	$90.9
Cost-Benefit Analysis of monetary costs and benefits at the Public Sector Discount Rate						
Present Value of Benefits ($m)		$2	$25	$75	$115	$126
Present Value of Costs ($m)		$7	$23	$40	$52	$73
Benefit Cost Ratio		0.3:1	1.1:1	1.9:1	2.2:1	1.7:1
Net Present Value (NPV, $m)		**($5)**	**$2**	**$35**	**$63**	**$53**
NPV Rank (out of 5)		**5**	**4**	**3**	**1**	**2**
Multi-Criteria Decision Analysis of non-monetary benefits and costs (score out of 10)						
Improved management information (20% weight)		5	7	8	6	6
Greater inter-agency collaboration (40% weight)		2	5	7	4	5
More competitive marketplace (40% weight)		0	5	5	5	4
MCDA Rank (out of 5)		**5**	**2**	**1**	**3=**	**3=**

6 Using alternative measure, such as internal rate of return, equivalent annual cost, benefit-cost ratio and pay-back period methods may be desirable in certain cases.

Test the robustness of the preferred option

Test the robustness of the preferred option recommendation to changes in key assumptions and/or variables by using sensitivity analysis.

Sensitivity analysis examines how net present values, benefits, costs or other outcomes vary as individual assumptions or variables are changed. The sensitivity analysis needs to be well designed and clearly presented. The analysis should give a realistic picture of the extent to which the preferred option is still worthwhile pursuing even if there are significant changes in key variables.

The decision about which form of sensitivity analysis to undertake and the effort to invest should be made on a case-by-case basis, depending on the scale of the proposal, the degree of future uncertainty around key costs or benefits, and the risk tolerance of stakeholders.

Suggested evidence

The rationale for recommending the preferred option must be clear and evidence based. Sufficient evidence for the selection should be provided along with a clear audit trail for reviewers to check the assumptions, evidence and calculations leading up to the selection. Stakeholders and decision-makers should also be provided with assurance that the analysis is robust.

Commercial Case – Preparing for the Potential Deal

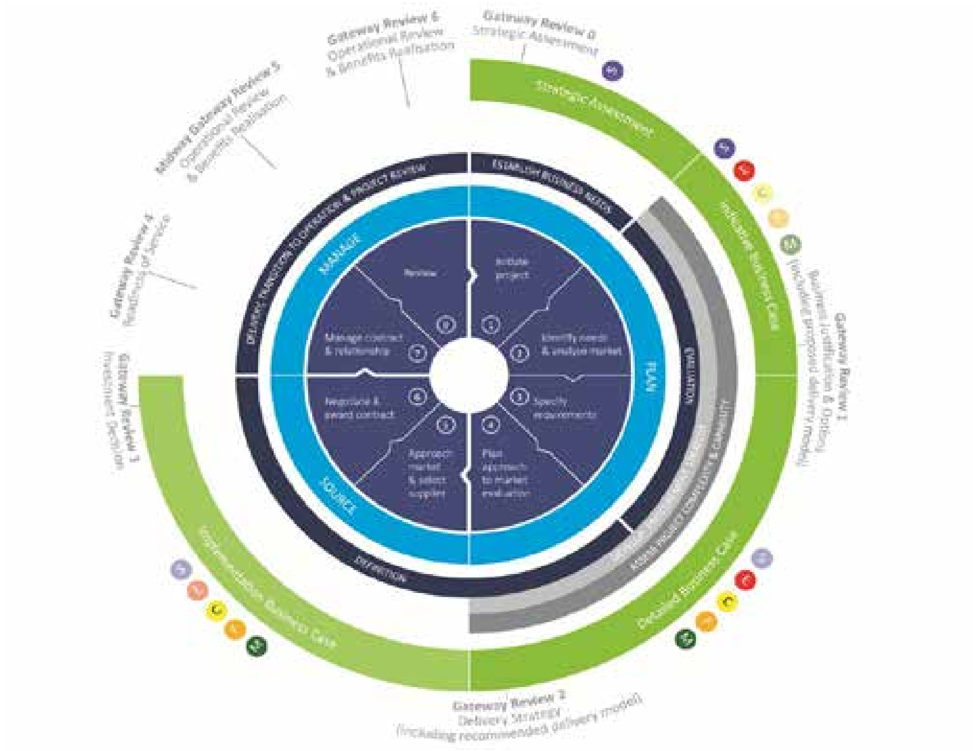
Purpose of this part of the commercial case

This part of the commercial case plans early for the procurement arrangements needed to implement the preferred solution, prior to issuing requests for proposals.

The procurement lifecycle

The procurement lifecycle is in three distinct phases: planning, sourcing and managing. These phases are further divided into eight distinct, but interrelated stages. The eight stage process is demonstrated in the following diagram and detailed further in *Mastering Procurement: A Structured Approach to Strategic Procurement (2014)*.[7]

The procurement lifecycle is presented as a series of consecutive stages from 1 to 8. In real life however, some stages can sometimes be done concurrently.



[7] Refer to the Ministry of Business, Innovation and Employment website at http://www.business.govt.nz/procurement.

Action 14: The Procurement Strategy

Purpose

The purpose of this action is to develop a fit for purpose strategy for the procurement of services that are required.

What's expected?

The development of an appropriate procurement process and plan that is proportionate to the nature, size, complexity, value and risk of the service or product being procured.

Where appropriate collaborative arrangements should be considered. These arrangements can be successful where the parties have shared interests and objectives and there is mutual trust, openness and transparency. Types of collaborative arrangements include Syndicated contracts, Common Capability contracts, and All-of-Government contracts.[8]

Compared to conventional purchasing arrangements, collaborative approaches can potentially provide greater flexibility and better value for money through improved economies of scale

Private Public Partnerships (PPPs)[9]

All capital expenditure proposals requiring Cabinet approval and whole of life costs in excess of $15 million must evaluate all procurement options, including a Private Public Partnership.[10]

Where the initial options assessment (undertaken in action seven) indicates that a Private Public Partnership may be a viable option for procurement and/or funding, an alternative approach is necessary for seeking approval from Ministers and approaching the market. Refer to the supplementary guidance in the guide to *Developing the Indicative Business Case* and contact the National Infrastructure Unit of the Treasury for further guidance.[11]

Suggested Evidence

Demonstration that:

- The procurement strategy for the successful delivery of the required services been considered and prepared in sufficient detail
- Alternative options are being considered

Methods and tools to help

For further details on preparing the procurement strategy and plan including links to the business case development process refer to *Mastering Procurement: A Structured Approach to Strategic Procurement (2014)*. Advice from an experienced procurement practitioner should be sought when developing the procurement strategy.

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[8] More information is available at http://www.business.govt.nz/procurement/all-of-government-contracts/collaborative-contracts

[9] Refer to the PPP guidance maintained by the National Infrastructure Unit of the Treasury and available from http://www.infrastructure.govt.nz/publications/pppguidance.

[10] Refer to paragraph 70 of Cabinet Office circular CO(15) 5 *Investment Management and Asset Performance in the State Services*

[11] Refer to the PPP guidance maintained by the National Infrastructure Unit of the Treasury and available from http://www.infrastructure.govt.nz/publications/pppguidance

Action 15: Specify Requirements

Purpose

The purpose of this action is to specify the requirements for the service or asset to be procured.

What's expected?

For further details on the preparation of a specification requirements refer to *Mastering Procurement: A Structured Approach to Strategic Procurement* (2011).

Suggested evidence

A summary of the requirements and a description of the process that was used to identify and agree them

Action 16: Risk Allocation

Purpose

The purpose of this action is to consider how the risks may be balanced between the purchaser and the supplier(s).

What's expected?

Consideration of how commercial risks can be best managed. The key principle is to allocate risk to the party best able to manage the risk. Roles and responsibilities for management of each key risk need to be clearly defined. This is especially important when the successful delivery of the project is subject to significant risk.

Suggested evidence

A summary of how commercial risks will be balanced between the purchaser and the supplier(s) and why this is appropriate.

Action 17: Payment Mechanisms

Purpose

The purpose is to define the mechanism(s) for the contracted services or products to be purchased.

What's expected?

Consideration of the expected pricing and payment mechanism. If it is properly constructed, the payment mechanism will incentivise the supplier to deliver services in accordance with the requirements of the procuring organisation.

> The payment mechanism is the formula against which payment for the contracted services to be made. The underlying aim of the payment mechanism and pricing structure is to reflect the optimum balance between risk and return in the contract. The approach should be to relate the payment to the delivery of service outputs and the performance of the supplier.

Suggested evidence

Description of the intended pricing and payment mechanism and demonstration that this mechanism is appropriate.

Action 18: Contractual and Other Issues

Purpose

The purpose of this action is outline the intended contractual arrangements.

What's expected?

An appropriate form of contract between the organisation and the supplier will help to ensure high quality and cost effective outcomes.

Wherever possible, agencies should adopt a standard form of contract as appropriate for the procurement.

Suggested evidence

Outline the intended contractual arrangements including:

- *Form of contract and key contractual issues* – provide details of the type of contract that will best suit the nature of the procurement.
- *Ongoing contract management* – provide details of how the contract will be managed.
- *Accounting treatment* – provide details of the intended accounting treatment for the potential deal, including the relevant accounting standards.
- *Other implications* – identify any implications arising from the proposed investment. These can include implications for privacy (for information systems that hold or provide personal information), other legislative issues or Treaty of Waitangi issues.

Financial Case – Ascertaining Affordability and Funding Requirements

The Purpose of this Part of the Financial Case

The purpose of this part of the financial case is to determine the cost and revenue implications of the preferred option and plan the funding requirements, including driving value from existing finances.

The difference between the Economic and Financial Cases

The economic case focuses on assessing the **relative value for money** of alternative options. While the financial case focuses on the **affordability and funding implications** of the short-listed option for the organisation. The table below shows the differences between the economic and financial cases.

Characteristic	Economic Case	Financial Case
Focus	Value for money of short-listed options, relative to the base option	Affordability of the preferred option,
Scope	National economy	Organisation(s) only
	All resource flows, including non-monetary costs and benefits, over the appraisal period	Direct financial and accounting impacts, only over the period to steady state
	Indifferent between capital and operating	Capital and operating detailed separately
GST and taxes	Excluded	Excluded
Depreciation	Excluded	Included
Interest, financing costs and any capital charges	Excluded	Included
Transfer payments[12]	Excluded	Included
Sunk costs	Excluded	Excluded[13]

[12] Transfer payments are defined as payments for which no goods and services are obtained in return, for example social welfare benefits.

[13] Sunk costs are costs already incurred that cannot be recovered if the proposal does not proceed, hence they do not relate to the decision being sought. Some sunk costs may be relevant to the funding sought and should be captured in the financial costing, such as the costs of developing the proposal, the business case, assurance or any decommissioning costs.

Action 19: The Financial Costing Model

Purpose

The purpose of this action is to determining the affordability of the preferred option.

What's required?

Identify the funding required

For the preferred option, list all material financial expenditure and revenue items year by year over the operating life that was identified in Action 10 and identify the operating and capital funding that will be required. It is likely that accounting expertise will be required to assist with this analysis.

The table below is an example of the structure of the financial costing table for a hypothetical Crown and third party funded information technology project.

	000's				
Preferred Option	**Year 0**	**Year 1**	**Year 2**	**……..**	**Total**
Capital Expenditure: - Fixed assets - Software - Total Capital					
Operating Expenditure: - Personnel - Operating - Depreciation - Total Operating					
Total Expenditure:					
Revenue: - Revenue Crown - Third Party Revenue					
Total Revenue:					
Capital funding required:					
Operating funding required:					

Assess affordability

Identify the sources of funding and consider any affordability gaps over the appraisal period, ie, the difference between the funding required in any year and funding available from other sources. Consider any required actions to close the gap such as adjusting the scope of the preferred option, phasing the implementation differently, negotiating preferred payments for services or finding additional sources of funding.

Also, consider the risks and uncertainties that could affect the affordability of the project. This analysis can be based on the risk and sensitivity analysis undertaken previously in actions 12 and 13.

The risks and uncertainties will vary from project to project, but some key questions to consider are:

- Would the preferred option still be affordable if actual costs were 10% higher than expected?
- What if expected savings were to fall by 10%?
- What circumstances might cause saving targets to be breached?
- What if other income to the organisation were to be reduced by 10% or more?
- Is there a robust strategy in place to manage contingencies?

Assessing affordability also requires sound judgement of the organisation's business and requires that the:

- balance sheet is healthy and has been correctly organised and properly accounts for current assets, current liabilities, long-term liabilities and capital
- organisation is solvent and is not over-trading
- cash flows are sound, and
- appropriate contingencies have been made for risks and uncertainties.

Assess the impact on financial statements

The accounting impacts of the proposal on the organisation's operating statements and balance sheet should be assessed to ensure on-going financial viability and sustainability. Both the current position and the likely outcome should be fully recorded.

Outline any funding contingencies

When the level of funding required is uncertain and subject to contingent events, it is possible to establish rules and limits for accessing additional contingent funding.

Using a method such as quantitative risk analysis, funding recommendations can be set on the basis of a probability distribution of likely project costs. If project risks materialise, delegation limits can be set which determine the thresholds at which the organisation needs to seek approval from decision-makers, or provide additional evidence to support a request for additional funding. Annex Four contains an example of establishing contingency arrangements in the public sector.

Suggested evidence

In addition to presenting the results of the financial modelling for the preferred option, also provide:

- a description of the model and the costing methodology used
- all key assumptions in the model including how these assumptions were derived and agreed (for example, discount rates, inflation, taxation, depreciation, cost savings)
- a description of the proposed funding arrangements
- contingencies for risks and uncertainties, including scenario testing on key assumptions (where required)
- capital and operating impacts on the organisation's finances, and
- fiscal impacts on the organisation(s) baseline(s).

Management Case – Planning for Successful Delivery

Purpose of this part of the management case

This part of the management case is concerned with putting in place the arrangements required to ensure successful delivery of the preferred option (the “project”) and to manage project benefits and risks. Many of the high-level delivery issues should have been already initially highlighted to decision-makers and stakeholders as part of the previous Indicative Business Case.

Project planning should already be well advanced. The Senior Responsible Officer will have been appointed and the project initiated when the need for the investment was first identified, prior to the development of the Strategic Assessment. Initial analysis of risks and benefits associated with the preferred option has been undertaken in previous sections.

Action 20: Project Management Planning

Purpose

The purpose of this action is to develop the project management strategy, framework and plans to ensure successful delivery of the investment.

What’s expected?

Project management methodology

A robust project management methodology to guide the project through structured and visible processes to achieve the investment objectives. While this guidance is intended to be consistent with PRINCE2 (Projects IN Controlled Environment) project and MSP (Managing Successful Programmes) methodologies, this guidance is not intended to preclude the use of alternative management tools where these are recognised as good practice.

Project management and governance

Key project arrangements which includes:

- the governance structure and roles
- the project management structure including key roles and responsibilities
- project reporting and controls
- assurance

Project planning

A project plan which includes:

- the key deliverables required and the activities required to deliver them
- the critical path
- key milestones and decision gates

Suggested evidence

Demonstration that the project management methodology is proven and suitable for this project. A project governance diagram which illustrates the key governance bodies together with their role and membership. Outline of the project structure and plan including the points at which progress will be monitored, controlled and reviewed.

Action 21: Change Management Planning

Purpose

The purpose of this action is to define the change management strategy, framework and plans required for the successful delivery of the preferred option.

What's expected?

An assessment of the change impact on the organisation, its customers and other stakeholders.

Development of the change management approach and initial planning together with the next steps.

Suggested evidence

The impact of the project should be described together with the change management approach including how service delivery, human resources and staff representatives, have contributed or been involved to date.

Action 22: Benefits Management Planning

Purpose

The purpose of this action is to plan for realisation of the benefits that have been identified and assessed in the economic case.[14]

What's expected?

Benefits realisation plan

Development of a benefits realisation plan to establish the approach to realising each of the project's benefits including how to identify, map, monitor and review the realisation process.

Benefits profiles

A profile for each benefit to be managed which includes:

- the investment objectives supported
- current or baseline measures and the improvement required
- the business changes required

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14 Refer to *Managing Benefits from Projects and Programmes: Guide for Practitioners, http://www.treasury.govt.nz/statesector/investmentmanagement/plan/benefits/guidance/managingbenefits-guidance.pdf*

- any interdependencies between this and other benefits (inside or outside the project)
- the owner of the benefit, and
- a description of the measurement information (key performance indicators).
- Benefits realisation plan

An initial benefits realisation plan to track the realisation of benefits.

The typical content of a benefits realisation plan includes:

- a schedule detailing when each benefit or group of benefits will be realised, including any interim targets and measures prior to full realisation
- appropriate milestones for when a benefits review could be carried out, during and after project execution
- dates when specific outcomes will be achieved that enable the benefits
- risks associated with realising the benefits
- dependencies to other programme documents and plans, and
- details of any handover or embedding activities to sustain the process of benefits realisation after the project is closed, including identification of benefit owners.[15]

Suggested evidence

Description of benefits management approach and attachment of the benefits realisation plan.

Methods and tools

Benefits maps are a useful tool to show how the benefits relate both to each other and the programme or project so that realisation between the benefits can be managed and tracked.

Purpose

The purpose of this action is to detail arrangements for the on-going management of risk.

What's expected?

The expectation is that organisations will already have good practice risk management processes in place that follow the joint Australian New Zealand Standard AS/NZS ISO 31000:2009 *Risk management - principles and guidelines*.[18]

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[15] For further guidance and templates, refer to *Managing Benefits from Projects and Programmes: Guide for Practitioners,* *http://www.treasury.govt.nz/statesector/investmentmanagement/plan/benefits/guidance/managingbenefits-guidance.pdf*

[18] For further detail, refer to AS/NZS ISO 31000:2009 *Risk management – principles and guidelines* – available from the Standards NZ website at http://www.standards.co.nz/.

Risk management strategy

A fit for purpose risk management strategy to ensure the effective management of risks which includes:

- identifying possible risks in advance and putting mechanisms in place to either accept or minimise the likelihood of them materialising with adverse effects
- having processes in place to monitor risks, and access to reliable, up to date information about risks
- the right balance of control to mitigate against the adverse consequences of the risks, if they should materialise
- decision-making processes supported by a framework of risk analysis and evaluation
- establishing processes for reporting key risks to the project steering committee and escalating risks in dangers of requiring further management, and
- creation of an issues log.

The risk management strategy adopted should be fit for purpose.

The arrangements for the management of risk should be outlined, together with the respective roles and responsibilities and reporting lines of the posts concerned. These should be made clear in relation to the overall project management arrangements.

Risk register

The plans for the management of associated risks should be encapsulated within the risk register, which lists all the identified risks and the results of their analysis and evaluation. Information on the status of the risk is also included..

Suggested evidence

Description of the risk management strategy.

Action 24: Post Project Evaluation Planning

What's required?

Planning for a post project evaluation that considers:

- Were the objectives of the project met? Were there any unexpected outcomes or issues?
- How well did the project meet key stakeholders needs?
- Achievement of critical success factors?
- Key organisational lessons learned post-implementation?

Suggested evidence

Outline management arrangements for ensuring that the post project evaluation will take place, noting that this is a key responsibility of the senior responsible owner.

The Chief Executive's Letter

A letter should be provided by the Chief Executive and be included as an annex to the Single Stage Business Case[19]. This letter should:

- demonstrate that the commissioner 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.

[19] The Detailed Business Case template is available at http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance

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Annex One: The Thirty Four Actions

			Single Stage Business Case		
	Strategic Assessment	Programme Business Case	Project - Indicative Business Case	Project - Detailed Business Case	Implementation Business Case
Strategic Case	Action 1: The Case for change	Action 2:Strategic Context Action 3: Investment Objectives, Existing Arrangements and Business Needs Action 4:Potential Business Scope Action 5:Benefits, Risks, Constraints and Dependencies	Action 2:Strategic Context Action 3: Investment Objectives, Existing Arrangements and Business Needs Action 4:Potential Business Scope and Key Service Requirements Action 5:Benefits, Risks, Constraints and Dependencies		Action 27: Revisit the case for change
Economic Case			Action 6:Critical Success Factors Action 7:Long List Options and Initial Options Assessment Action 8:Recommended Preferred Way Forward	Action 9:Revisit the Indicative Business Case and Confirm the Short List Action 10:Economic Assessment of the Short-Listed Options Action 11:Non-monetary Benefits and Costs Action 12:Risk and Uncertainty Action 13:The Preferred Option	Action 28: Revisit Detailed Business Case options
Commercial Case				Action 14:The Procurement Strategy Action 15:Specify Requirements Action 16:Risk Allocation Action 17:Payment Mechanisms Action 18:Contractual and Other Issues	Action 27:Evaluation of best and final offers Action 28:The negotiated deal & contractual arrangements
Financial Case				Action 19:The Financial Costing Model	Action 29:Financial implications of the deal
Management Case				Action 20:Project Management Planning Action 21:Change Management Planning Action 22:Benefits Management Planning Action 23:Risk Management Planning Action 24:Post Project Evaluation Planning	Action 30:Finalise Project Management Arrangements Action 31:Finalise Change Arrangements Action 32:Finalise Benefits Arrangements Action 33:Finalise Risk Management Action 34:Finalise Post Project Evaluation Planning

Annex Two: Worked Example of a Long-list Options Assessment

	Scoping Options				Service Solution Options				Service Delivery Options				Implementation Options			
Reference to	SCO1	SCO2	SCO3	SCO4	SOL1	SOL2	SOL3	SOL4	SDO1	SDO2	SDO3	SDO4	IMP1	IMP2	IMP3	IMP4
Description of option	*Do Nothing*	*Minimum*	*Intermediate*	*Maximum*	*Discrete*	*Integrated Regionally*	*Integrated Nationally*	*Regional and National Network*	*In house*	*Partially managed (led by [MINISTRY])*	*Partially managed (led by commercial supplier)*	*Fully outsourced to commercial suppliers*	*Phased nationally by discipline*	*System phased by site*	*System phased by region*	*National implementation*
Investment Objectives																
Full supported network MIMS available for implementation by X	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Support improved clinical data and management information flows	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Improve the functionality and flexibility of the Pathology IT system to meet current and future needs	No	Partial	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Critical Success Factors																
Business Need	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Strategic Fit	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes	Yes
Benefits Optimisation	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Partial	Yes	Partial	Yes	Yes	Yes	Yes
Potential Achievability	Partial	Yes	Yes	Partial	Partial	Yes	Yes	No	Partial	Partial	Yes	Partial	No	Yes	No	No
Supply-side capability and capability	Partial	Yes	Yes	Partial	Yes	Yes	Yes	Partial	Partial	Partial	Yes	Partial	Yes	Yes	Yes	Yes
Potential Affordability	No	No	Yes	Partial	Partial	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Summary	**Continued for VFM**	Discounted	**Preferred**	Possible	Discounted	Possible	**Preferred**	Discounted	Discounted	Possible	**Preferred**	Discounted	Discounted	**Preferred**	Discounted	Discounted
Options progressed to the shortlist *As the CSFs are crucial (not desirable) any options that had a CSF scoring a "No" are discounted*										*Refer Note below*						
Option Title																
Option 0 Do Nothing	SCO1 Do Nothing															
Option 1 Intermediate Scope - Regional	SCO3 Intermediate				SOL2 Integrated Regionally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 2 Intermediate Scope - National	SCO3 Intermediate				SOL3 Integrated Nationally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 3 Maximum Scope - Regional Integration	SCO4 Maximum				SOL2 Integrated Regionally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 4 Maximum Scope - National Integration	SCO4 Maximum				SOL3 Integrated Nationally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			

** A capability analysis of the [MINISTRY} will be conducted to see if SDO4 Partially managed (led by [MINISTRY]) is a possibility. Based on present incomplete information this does not appear to be a viable option.*