WEST MIDLAND COMBINED AUTHORITY SINGLE ASSURANCE FRAMEWORK

Business Case Best Practice

West Midlands Combined Authority

VERSION CONTROL SHEET

Version No.	Date	Author	Changes
V1.0	24/01/2024	T Oldershaw	Re-formatting and addition of version control, contents, introduction, purpose and scope

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RELATED DOCUMENTS

Reference	Related Documents
WMCA-SAF-TP016	Strategic Outline Case (SOC) v3.0.docx
WMCA-SAF-GD016	Strategic Outline Case Guidance v3.0.pdf
WMCA-SAF-TP017	Outline Business Case (OBC) v3.0.docx
WMCA-SAF-GD017	Outline Business Case Guidance v3.0.pdf
WMCA-SAF-TP018	Full Business Case (FBC) v3.0.docx
WMCA-SAF-GD018	Full Business Case Guidance v3.0.pdf
WMCA-SAF-TP019	Business Justification Case (BJC) v3.0.docx
WMCA-SAF-GD019	Business Justification Case Guidance v3.0.pdf
WMCA-SAF-TP020	Programme Business Case (PBC) v3.0.docx
WMCA-SAF-GD020	Programme Business Case Guidance v3.0.pdf
WMCA-SAF-TP021	Project Case v2.0.docx
WMCA-SAF-GD021	Project Case Guidance v2.0.pdf
WMCA-SAF-TP006	Change Request Form v4.0.docx

Contents

1.0 INTRODUCTION

A key principle that underpins the Single Assurance Framework (SAF) is delivering enhanced evidenced based decision-making across the investments WMCA makes, this requires ensuring that decision-makers are provided with the right information to enable an informed decision. Delivering a well-prepared business case to support objective, evidence-based decision-making is therefore a key requirement of the SAF.

To support this approach, SAF requires the development of business cases applying the Five Case Model[1] in a scalable and proportionate way whilst incorporating WMCA requirements to demonstrate cross-collaboration and inclusive growth considerations at every opportunity and ensuring a 'golden thread' is demonstrated from the WMCAs strategic objectives through to the deliverables and outcomes to be achieved by the case.

In addition, it is a requirement that all bids and applications for public funds submitted to WMCA are guided and based around the HM Treasury's Green Book and supporting information.

A Well-prepared Business Case:

- Enables the organisation and its key stakeholders to understand, influence and shape the project's scope and direction early on within the planning process,
- Assists decision-makers to understand the key issues, the available evidence base and to avoid committing resources to schemes that should not proceed and
- Demonstrates to senior management, stakeholders, customers and decision makers the continuing viability of the project, and provides the basis for management, monitoring and evaluation during and after implementation.

2.0 PURPOSE

This guidance is intended to help during the preparation of your business case. It is applicable to all stages of the business case lifecycle and all types of projects. There are detailed guidelines following, but the key points are:

- A business case describes the project's development. Its purpose is to show that the project is well managed and provides value to WMCA and the people who live and/or work within the West Midlands. A business case should not solely be viewed as an application form for funding.
- It is important to demonstrate that the final option provides Value for Money (VfM). This is best done by setting clear objectives and Critical Success

[1] Strategic Case, Economic Case, Financial Case, Commercial Case, Management Case

Factors[2] (CSFs) for the project. A well-developed project will consider and document a number of options before identifying the one which provides the best value for money.
- Value for Money is broader than calculating the Benefit/Cost Ratio (BCR). Value for Money should consider more impacts and criteria than can be monetised in the BCR, including societal value.
- All business case stages are important as the project develops from concept idea to a deliverable and properly tendered solution. Allowing for feedback and alterations early in the project's lifecycle helps reduce problems within later stages such as delivery.
- WMCA follows the UK Government's Green Book guidance for business case development and all business cases are expected to be aligned with this guidance. Our business case templates and guidance are all aligned to reflect Green Book requirements.

3.0 SCOPE

This document is useful for all business case writers and project/programme personnel using WMCA business case templates to ensure the requirements of HMT Green Book and the Single Assurance Framework are met.

4.0 BUSINESS CASE DEVELOPMENT CYCLE

For a standard project, there is a three-stage business case development process:
- Strategic Outline Case (SOC)
- Outline Business Case (OBC)
- Full Business Case (FBC)

A project should go through a development cycle which leads to the submission and approval of each business case stage.

A SOC should set out the strategic case for a project and make the case for change, clearly defining the project's objectives and critical success factors. At this stage in the project's lifecycle, the business case should be demonstrating alignment between the *strategic fit* of the project and WMCA's objectives. The SOC should consider a long list of options to identify a short list and demonstrate that the *preferred way forward* is viable.

The OBC sets out the outline arrangements for delivery of the project and examines the available options to meet the agreed objectives. The OBC should undertake an economic and risk appraisal of the shortlist options to identify the *preferred option*. At OBC stage, the commercial and management arrangements should be well developed. The purpose of the OBC is to demonstrate that the preferred solution provides V*alue for Money* and can be successfully delivered.

[2] Critical Success Factors indicate the attributes essential for successful delivery of the project

The FBC is intended to be produced once the preferred way forward, as approved at OBC stage, has been tendered and the commercial details and final prices are known. The FBC is confirmation of the V*alue for Money* of the chosen solution and that the management arrangements and strategies are in place to deliver the project.

It is important to follow this process for several reasons:

- Receiving feedback and comments early in a project's life can help shape the preferred solution and ensure it best meets the needs of the WMCA
- Setting out and receiving approval for the strategic case early in the process allows later stages to concentrate on delivery and Value for Money
- Receiving approval for a project's strategic alignment before significant work has been undertaken reduces the risk of wasted effort and sunk costs in developing a project which is not aligned to the strategic needs of the WMCA

There are also other cases that can be used in certain circumstances:

- Programme Business Case (PBC)
- Project Case
- Business Justification Case (BJC)

A PBC is used where a collection of projects has similar objectives or contribute to shared objectives and will be delivered as a coherent programme. The PBC sets out the overarching objectives and common delivery mechanisms, with each project within the programme usually following the standard SOC-OBC-FBC approval route. In some instances a single case Project Case can be developed to support the delivery of individual projects covered by an overarching PBC.

A BJC can be used for projects of small value, which are not novel or contentious, and where the procurement route is known. This route is best suited to projects delivering a known output under an existing framework but not covered by BAU or existing approvals.

Common factors amongst poor business cases reviewed include:

- Only describing the chosen solution
- Not linking to clearly defined objectives and success factors
- Not providing sufficient detail on delivery (management case)
- Making statements without supporting information
- Not explaining the assumptions behind calculations

5.0 CRITICAL SUCCESS FACTORS AND PROJECT OBJECTIVES – STRATEGIC CASE

It is important to define the Critical Success Factors (CSFs) and project objectives at an early stage in the project – before writing the Strategic Outline Case – and to use them to help define and assess the choice of options for the project.

The project objectives, also called investment objectives or spending objectives, define what you want to achieve from the project. They should answer the question "why are we doing this project". The project objectives will be used to generate the long list of options to be considered.

Critical Success Factors indicate the attributes essential for successful delivery of the project. They show the essential, not merely desirable factors which indicate whether the project is deemed successful. CSFs can be used to help produce a short list of options, as any option which does not meet all the essential criteria can be discarded quickly.

Both the project spending objectives and the CSFs should be set at a level which allows for a wide range of options to be considered, but without being so broad to allow unrealistic options. They should not be so tightly constrained to exclude potential good options.

The long list of options should be generated by considering all options which meet the spending objectives and CSFs. This can be done by considering the scope, solution, delivery mechanism, implementation timescale and funding options elements and generating a range of options in a matrix format. (Further advice and examples are available on request).

Once the long list has been generated (around 12), a smaller number (around 4) should be identified to form the shortlist. These four options should be the ones that were ranked most highly against the objectives and CSFs and should include 'business as usual (BAU)/do nothing' and 'do minimum' options.

At the SOC stage, the shortlist of options should identify the 'preferred way forward' – i.e., the option that appears to best meet the objectives and is likely to present the best Value for Money.

At the OBC stage, the shortlist of options should each undergo a full Value for Money assessment, including calculating a Benefit Cost Ratio where appropriate. This will identify the preferred option to take forward.

At the Full Business Case stage, the Value for Money of the preferred option is confirmed including updating the assessment for all options as appropriate.

6.0 VALUE FOR MONEY (VFM) - ECONOMIC CASE

In many cases, business case writers use the Benefit Cost Ratio (BCR), calculated using social benefits, as an indicator of Value for Money. The BCR indicates the return to be gained by the public from any particular investment, it does not by itself provide the only indication of Value for Money.

The Value for Money of a project is shown through two measures:

- The benefits, disbenefits and costs of a project
- The extent to which the option meets the project's objectives and Critical Success Factors

A business case should demonstrate that the chosen option offers the best Value for Money of all the options considered

6.1 BENEFITS, DISBENEFITS AND COSTS

A benefit of the project is something that can be realised by the public/customers of the project, such as an improved service or a better experience. Examples include but are not restricted to projects that provide reduced travelling time, improved access to jobs and skills opportunities, or a better way of performing an interaction with a public service. Many benefits can be quantified and monetised, and therefore included in the BCR, but some cannot – especially for innovation projects, or impacts that cannot reasonably be valued in monetary terms should not be regarded as any less important than the monetary values. In the simplest cases, it maybe adequate just to list and describe them.

A cost of the project is the financial cost of providing the product or service, including capital outlay and ongoing staffing or maintenance costs.

Disbenefits (as distinct from costs) are the opposite of benefits, in that they are experienced by users or third parties as a negative impact of the project. Examples include air pollution, reduced access to services and loss of options and opportunities.

Benefits and disbenefits may impact users and non-users and may affect the various segments of society differently (e.g., older people may be affected differently to younger people, or those without cars may be affected differently to those with cars).

By definition, a BCR is only capable of including those benefits and disbenefits which can be valued in monetary terms. Some benefits may easily be quantified but not monetised (e.g., the number of people affected), and some may not be easily quantified (e.g., the impact of losing a view or piece of open land).

The BCR, therefore, should be viewed in the context of these unmonetised benefits. Some projects may not be able to calculate a BCR at all but will still be able to identify the benefits and disbenefits of the project. In all cases, the business case should identify and discuss all benefits and disbenefits and indicate to what extent the BCR captures them.

6.2 PROJECT OBJECTIVES AND CRITICAL SUCCESS FACTORS

An option only provides Value for Money if it meets all Critical Success Factors associated with the project. Some options may have a high BCR, but not meet all the CSFs, whereas another option may meet the CSFs but with a lower BCR. In this instance, the project that meets all the CSFs offers the better Value for Money.

A BCR on its own can only be used as an indicator of an option's or project's Value for Money if it captures all significant impacts and meets all CSFs. In this case, a BCR could be used to choose between options for a project.

The decision of whether to proceed with a project should be based on the Value for Money of the chosen option, including all impacts and whether all CSFs are met.

7.0 FINANCES – FINANCIAL CASE

The Financial Case is a key component of the business case, demonstrating that the proposal is affordable.

A good financial case should show:
- All sources of funding – secured and not secured
- The funding profile over time
- The expenditure profile over time
- Financial charges, such as interest repayable

A financial case should show the cash flow position for the project in each year of operation.

If revenue, or cash savings, are being generated by the project these should be clearly shown. The basis of the calculation and any assumptions in that calculation should be explained so that the decision maker has a clear understanding of how the project will operate.

The funding request should be specific, and state all the key conditions that would be included in a funding agreement (funding type - invariably grant, funding requested for formal approval from this submission, total future WMCA grant funding requested from future submissions, nature of grant (capital/revenue), funding commencement date, funding completion date, conditions precedent to draw down (e.g. match funding to be secured, DfT approval required for retained scheme, etc)).

Funding agreements are derived from the business case, and so the business case must contain sufficient detail to allow the funding agreement to be developed.

If the funding is coming from a capital only source (e.g. CRSTS), demonstrate that you have taken advice to confirm the expenditure can be capitalised in line with the CIPFA local government accounting guidance.

Some funding sources (e.g. CRSTS) expect some schemes to make a local contribution (i.e. leverage additional match funding from local sources to complement the grant funding). If local funding is available, please include this and demonstrate how this contributes to the overall requirement for the fund. Including a local contribution where available, even if not strictly required, helps ensure that the overall fund requirements are met ensuring that all of the funds available can be used effectively.

8.0 DELIVERABILITY – COMMERCIAL CASE AND MANAGEMENT CASE

Both the Commercial Case and Management Case are key to demonstrating that the project can be delivered successfully. Even the best idea can be impractical if it can't be delivered.

The Commercial Case should set out how the project will be procured. This should include a procurement strategy developed in conjunction with the procurement team.

A Commercial Case should demonstrate:

- Whether the procurement activity is with an existing supplier, a framework, or a bespoke tender
- Timescales and key dates for the procurement activity
- Anticipated payment timescales and triggers
- Relevant commercial details, such as bonus payments or penalties

At OBC stage, the strategy for procurement should be completed and the details of the commercial offer should be known. At FBC, the final deal should be negotiated and ideally the provider selected with a firm price.

The Management Case will show how the project will be delivered. It is important to illustrate the governance and management arrangements for the project. In many cases this will be no different to normal activity, so a management case will be largely showing the governance arrangements already in place.

The Management Case should pay particular attention to risks and the arrangements for the management of risks, including escalation procedures for issues that arise. This should include when and how the supplier will escalate issues to the client as set out within the contractual arrangements.

Also included in the Management Case are arrangements for monitoring and evaluation. This is a key part of the project demonstrating that the outputs and outcomes envisaged are delivered. A monitoring and evaluation plan will show what measures will be measured, when and by who. This will then show how the evidence of project benefits will be obtained and demonstrated to funders.

9.0 POLICY REVIEW

This policy will be reviewed annually. It will be amended in response to changes in operational and legal requirements. Every effort will be made to ensure individual users are made aware of changes when they occur.

Advice and guidance regarding this policy can be obtained from the WMCA's Centre of Excellence – ProgrammeAssuranceandAppraisal@wmca.org.uk