Using the Praxis Framework to support the Five Case Model

Five Case Model: the UK Government best practice standard for developing business cases and spending proposals

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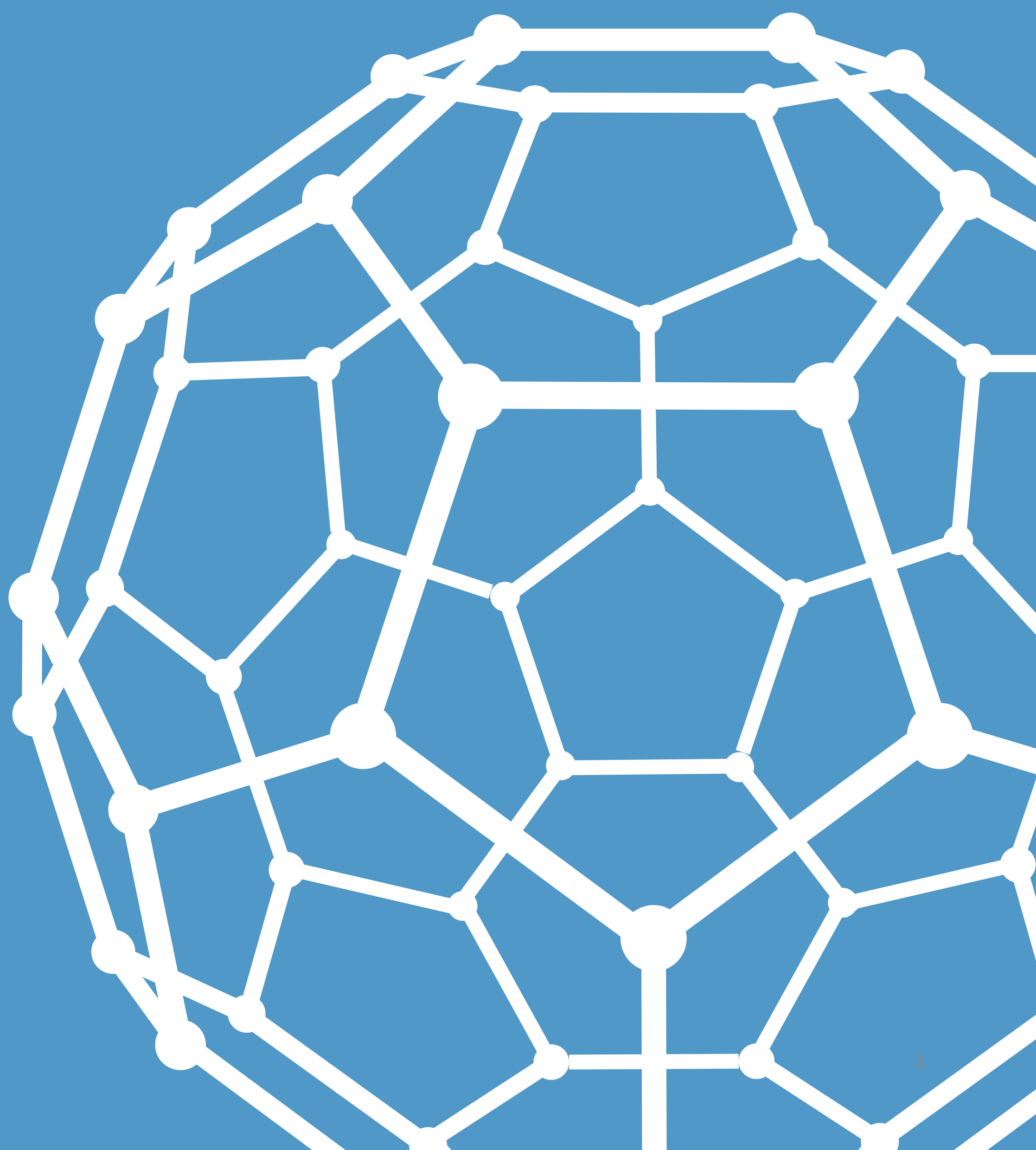

ABOUT THE FIVE CASE MODEL
The Five Case Model is the approach for developing business cases recommended by HM Treasury and the Welsh Government. It has been widely used across central government departments and public sector organisations over the last 10 years.

The Five Case Model forms the basis of project and programme business case guidance created by HM Treasury and the Welsh Government:

- ❑ GUIDE TO DEVELOPING THE PROJECT BUSINESS CASE
- ❑ GUIDE TO DEVELOPING THE PROGRAMME BUSINESS CASE

ABOUT THE PRAXIS FRAMEWORK
The Praxis Framework is a free, on-line framework of best practice for project, programme and portfolio (P3) management. Praxis enables owners of departmental methods, assurance and audit bodies, programme and project offices etc. to access guidance under a Creative Commons licence which is similar in principle to the Open Government licence.

Praxis is a community driven framework. Its continued evolution and improvement depend upon the feedback of users and practitioners. If you have practical stories that will help others; content that they may find useful; ideas for additional content, please contact us at info@praxisframework.org and be part of the growing Praxis community.

INTRODUCTION

This document brings together the Five Case Model with best practice in project, programme and portfolio management (P3M) from the Praxis Framework, in a simple and accessible way.

The left-hand, shaded column in this document contains the text of the Five Case Model, Guide to Developing the Project Business Case and Guide to Developing the Programme Business Case. All diagrams are taken from the Guides.

The right-hand column explains the Praxis Framework approach to the Five Case Model guidance and provides links to the relevant detail within the Praxis Framework website.

This document covers the first three chapters of the Guide to Developing the Project Business Case publication.

Note: This document is not a replacement for the official HM Treasury and Welsh Government guidance; it is a supporting document and should be used alongside the official documents.

CONTENTS

INTRODUCTION

A project management approach is essential for the delivery of a set of related products and activities, in order to ensure effective management, benefits realisation and value for money.

This guidance has been prepared to assist:

- ❑ Senior managers and executives responsible for designing, delivering and approving projects, including Senior Responsible Owners (SROs), project directors, project managers and business case practitioners and reviewers.

It will also be of interest to:

- ❑ Members of Senior Management Boards with responsibility for approving business cases; and
- ❑ Directors of Finance, Planning and Procurement and others with responsibility for operational aspects of the project.

What is a project?

A project is a temporary organisation that is needed to produce a unique and predefined outcome or result at a pre-specified time using predetermined resources.

Most projects have the following characteristics:

- ❑ a defined and finite life cycle
- ❑ clear and measurable inputs and outputs
- ❑ a corresponding set of activities and plans
- ❑ a defined amount of resource; and
- ❑ an organisational structure for governance and delivery.

HOW PRAXIS SUPPORTS THE FIVE CASE MODEL

The purpose of Praxis is to provide guidance on all good practices for project, programme and portfolio management in an open, free and community driven way.

It combines the best from many of the guides mentioned in the BBC methodology but in an integrated and consistent way with a single taxonomy and terminology.

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Praxis will assist the Better Business Cases target audience.

The terms 'project', 'programme' and 'portfolio' (P3) are used to describe discrete packages of work that are managed in order to achieve defined objectives. The way a package of work is managed depends upon its context.

The key distinguishing factor between a project, a programme and a portfolio is the complexity of the scope. The scope of projects, programmes and portfolios is initially expressed as a set of objectives.

Work leading to a single output (i.e. low complexity of scope), is typically referred to as a project. Work that combines multiple projects with change management to deliver benefits (i.e. higher complexity of scope) is considered to be a programme. Portfolios are different in that they are collections of projects and programmes whose objectives may be completely independent or related only at a strategic level.

Projects and programmes are the primary mechanisms for delivering objectives while portfolios are more focused on co-ordinating and governing delivery of multiple projects and/or programmes. As a result the project and programme life cycles have many similarities and follow the same basic approach.

How does a project align with strategic planning process?

A project can be a major undertaking for most organisations, involving significant funding and change for the parties involved.

The relationships between the host organisation and its component projects, programmes and portfolios have multiple layers.

Figure 1: shows a typical environment for project management

Organisations achieve their vision and mission through business strategies, policies, initiatives and targets that are influenced and shaped by the political, economic, sociological, technological and legal environment in which they operate.

Organisations' implementation strategies consist of strategic portfolios that scope, define and prioritise the programmes needed to deliver the agreed change, anticipated outcomes and resultant benefits.

These programmes initiate, align and monitor the projects and related activities required to deliver the agreed outputs. These outputs may consist of new products and services, new processes and service capabilities, or changes to business operations. But it is not until the projects deliver and implement the required outputs into business operations to achieve the outcomes that the full benefits of the programme can be realised.

A continual process of alignment is required to

The P3 environment must be assessed as early as possible in the life cycle. A typical technique for this assessment is PESTLE, which stands for political, economic, sociological, technical, legal and ecological factors.

Praxis treats projects, programmes and portfolios as points on a spectrum rather than mutually exclusive entities.

Praxis describes two types of portfolio:

- ❑ A structured portfolio is one that co-ordinates projects and programmes that collectively achieve strategic goals.
- ❑ A standard portfolio is one that is simply a collection of projects and programmes performed by an organisation that are not unified by a business plan.

As well as considering the effect that the environment has on the project, programme or ensure that the programme and it's projects remain linked to strategic objectives, because even as projects are in the process of implementing changes and improvements to their target business operations, they may need to respond to changes in strategies or accommodate new initiatives or policies.

A case study showing the relationship between strategy, programmes and projects is provided at Annex A.

What is the importance of the Project Business Case using the Five Case Model?

The project business case is important because projects will only deliver their intended outputs and benefits if they are properly scoped, planned and cost justified from the outset.

Preparing a project business case using the five case model provides decision makers and stakeholders with a proven framework for structured "thinking" and assurance that the project:

- ❑ **Provides strategic fit and is supported by a compelling case for change**. This dimension of the five cases focuses on business planning and is the "strategic case" section within the project business case.
- ❑ **Will maximise public value to society through the selection of the optimal combination of components, products and related activities**. This dimension of the five cases focuses on options appraisal and the identification of the preferred option and is the "economic case" section within the project business case.
- ❑ **Is commercially viable and attractive to the supply side**. This dimension of the five cases focuses on the development of the potential Deal and is the "commercial case" section within the project business case.
- ❑ **Is affordable and is fundable over time**. This dimension of the five cases focuses on the whole life costs of the proposed Deal and is the "financial case" section within the project business case.
- ❑ **Can be delivered successfully by the organisation and its partners**. This dimension of the five cases focuses on the development of the implementation arrangements for the proposal and is the "management case" section within the project business case.

portfolio, it should also consider the impact of the work on its environment. This principle is inherent in functions such as stakeholder management and change management.

As the work progresses its interactions with its environment will develop and change. The management team must monitor this and identify issues and opportunities that arise.

All projects and programmes must have a business case that demonstrates the value of their objectives.

Continuous business justification is a central tenet of Praxis though the management of the business case throughout the life cycle and the processes used to manage each phase of the life cycle.

Justification comprises three tests, i.e. is the work:

- ❑ **Desirable**: this is determined from requirements management, which demonstrates that the objectives of the work are required by the stakeholders.
- ❑ **Achievable**: benefits management defines achievable benefits, solutions management specifies achievable outputs and planning establishes the practicality of the work (within any time and resource constraints).
- ❑ **Viable**: investment appraisal assesses the financial return on investment and risk management assesses the exposure to risk in performing the work.

Procurement covers the acquisition from a supplier of the products and services required for completion of a project, programme or portfolio. Contract management includes the negotiation, creation and administration of a contract between two or more parties.

Investment appraisal looks at whole life costing and funding is concerned with securing the investment required to complete the work and ensuring it supports cash flow.

Planning determines what is to be delivered, how much it will cost, when it will be delivered, how it will be delivered, who will carry it out and how all this will be managed.

What are the advantages of the Project Business Case?

A well-prepared Project Business Case:

- enables the organisation and its key stakeholders to understand, influence and shape the project's scope and direction early on in the planning process
- assists decision makers to understand the key issues, available evidence base and to avoid committing resources to schemes that should not proceed
- 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.

When should the Project Business Case be developed?

A project business case is recommended best practice and should be prepared following the approval of senior management to the organisational strategy, mandate and brief for the project.

The organisational strategy provides the context for the project and is important because experience shows that a proposal begins most effectively when it is launched as part of a clear organisational strategy.

The project mandate provides the trigger and context at the start of the project. The project brief develops the concept for the scheme and provides an initial assessment of the viability and achievability of the proposal, prior to formally developing the project business case.

The project mandate and brief should be prepared in accordance with a recommended project management methodology and are dependent upon the organisation's top management team having defined and agreed the policies and business strategies for the organisation, including high level strategies for sourcing and service delivery and the prioritisation of new and existing work.

Business case management is the function concerned with developing, communicating and maintaining the business case. Its goals are to:

- summarise context and delivery in a single document
- explain the desirability, achievability and viability of the proposed work
- develop the primary document that will be used to support a 'go/no go' decision at all gates in the life cycle
- update and maintain the business case throughout the life cycle.

The business case explains the justification for the work. It will summarise the scope and balance this against the cost and risk required to achieve it.

The initial development of the business case and its evolution through the life cycle are addressed primarily by the business case management topic but also by the checks and balances built into the Praxis process models.

In the identification process an outline business case is incorporated into the project or programme brief that is used by senior management to assess whether to give the go-ahead for the definition process. A detailed business case is prepared during the latter process and then used to decide whether full approval for the work should be given.

The project business case is a working document which must be developed and revisited over the duration of the scheme.

Developing a Project Business Case applies to all types of projects and requires trained people who have the capabilities and competencies to undertake the tasks involved.

What is Project Assurance?

Project assurance provides independent and impartial confirmation that the project or any one of its activities is on track. It also confirms that the project is using relevant practices and procedures and that the business rationale for the scheme remains aligned with the organisational strategy.

Experience demonstrates that there is significantly added value in an organisation subjecting its projects to rigorous assurance, since the effort and resources saved by re-focussing or cancelling a project that is no longer needed far outweigh its continued cost.

Organisations should apply their own standards for project assurance. A number of review points are recommended in this guidance following key stages in the development of the project business case.

An Overview of the Five Case Model

Introduction

This chapter provides an overview of the Five Case Model Methodology for the preparation of business cases.

The Five Case Model is applicable to policies, strategies, programmes and projects and comprises of five key dimensions:

- The Strategic Case
- The Economic Case
- The Commercial Case
- The Financial Case
- The Management Case

Once approved, the business case must be kept up to date, reflecting approved changes. In this way, it can be used as the primary document at gate reviews (e.g. at the end of a tranche or stage) to determine if the work should continue.

In Praxis, assurance is covered by the topic of the same name. Its goals are to:

- review management planning
- monitor effectiveness of functions and processes
- give stakeholders confidence that the work is being managed effectively and efficiently.

Praxis covers development of the five dimensions of the business case in the following processes:

- Portfolio governance process, management process and co-ordination process
- Project and programme identification process, sponsorship process and definition process.

These are directly supported by the management functions, specifically:

- Business case management, concerned with developing, communicating and maintaining the business case
- Scope management identifies, defines and controls objectives, in the form of outputs, outcomes and benefits.

The Strategic Case

The purpose of the strategic dimension of the business case is to make the case for change and to demonstrate how it provides strategic fit.

Demonstrating that the scheme provides synergy and holistic fit with other projects and programmes within the strategic portfolio requires an up-to-date organisational business strategy that references all relevant local, regional and national policies and targets.

Making a robust case for change requires a clear understanding of the rationale, drivers and objectives for the spending proposal, which must be made SMART – specific, measurable, achievable, relevant and time constrained – for the purposes of post evaluation.

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

The challenges are:

- to explain how further intervention and spend on key “inputs” will deliver “outputs” that improve the organisation’s capability to deliver better outcomes and benefits to stakeholders, while recognising the associated risks
- to ensure the organisation’s proposals focus on business needs that have been well researched and are supported by service demand and capacity planning
- to ensure schemes are planned and delivered as part of an approved organisational strategy that has a well defined portfolio of related programmes and projects.

- Financial management covers all aspects of obtaining, deploying and controlling financial resources
- Risk management allows risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities
- Planning determines what is to be delivered, how much it will cost, when it will be delivered, how it will be delivered, who will carry it out and how all this will be managed
- Resource management covers all aspects of the deployment of resources that deliver the project, programme or portfolio.

The goals of the Praxis portfolio management process are to:

- assess the suitability of projects and programmes for inclusion in the portfolio
- maintain a beneficial and manageable mix of projects and programmes.

A structured portfolio must have a filtering procedure aligned to the project and programme life cycle. Many ideas will be mandated, some of these will be rejected at the end of the identification process . More will be rejected at the end of the definition process, with the remaining projects and programmes being re-evaluated at the end of each stage or tranche.

The portfolio must be rigorous in testing business cases for their ability to deliver benefits that are consistent with the strategic objectives.

The remaining activities in this process include categorising, prioritising and balancing the projects and programmes within a portfolio, are all designed to help with maintaining a viable portfolio of projects and programmes. Most applicable to a structured portfolio that is defined by strategic objectives, available resources and possibly regulatory or legislative factors.

The portfolio governance process should provide rules for bringing new proposals forward for review with the portfolio manager helping project and programme sponsors to shape their potential entry into the portfolio. While solutions development and benefits management are largely delegated to projects and programmes the portfolio co-ordination process will ensure that value is maximised.

Box 1: Contents of the Strategic Case

Strategic Context
Organisational overview
Business strategy and aims
Other relevant strategies

The Case for Change
Spending objectives
Existing arrangements
Business needs – current and future
Potential scope and service requirements
Main benefits and risks
Constraints and dependencies

Documented within the brief and the business case.

The Economic Case

The purpose of the economic dimension of the business case is to identify the proposal that delivers best value, including wider social and environmental effects.

The portfolio governance process should provide rules for bringing new proposals forward for review with the portfolio manager helping project and programme sponsors to shape their potential entry into the portfolio. While solutions development and benefits management are largely delegated to projects and programmes, the portfolio co-ordination process will ensure that value is maximised.

Demonstrating public value requires a wide range of realistic options to be appraised ("the long list"), in terms of how well they meet the spending objectives and critical success factors for the scheme; and then a reduced number of possible options ("the short list") to be examined in further detail.

The definition process will develop a detailed picture of the project or programme and determine whether the work is justified.

The "short list" must include business as usual (BAU), a realistic and achievable "do minimum" that meets essential requirements, the preferred way forward (if this is different) and any other options that have been carried forward. These options are subjected to cost benefit analysis (CBA) or cost effectiveness analysis (CEA), where more appropriate, to identify the option that offers best public value to society.

Within the scope management function, solutions development takes the requirements and investigates how they may be met while providing the best return on investment. Solutions development investigates the technical options for meeting the requirements and will work in conjunction with investment appraisal to investigate the financial implications of the different options. Where there is significant emphasis on subjective benefits, scoring methods may be most appropriate.

The challenges are:

- ❑ to begin by selecting the "right" options for scope, solution, service delivery, implementation and funding, otherwise options will represent sub-optimal value for money from the outset
- ❑ to cost justify higher cost options in relation to "business as usual (BAU)" and the "do minimum".
- ❑ to measure and monetise the benefits and risks.

Benefits management quantifies and values the benefits and dis-benefits for use in investment appraisal.

Box 2: Contents of the Economic Case

Critical Success factors
Long listed options
Preferred Way Forward
Short listed options (including "business as usual (BAU)" and "do minimum")
NPSC/NPSV findings
Benefits appraisal
Risk assessment
Sensitivity analysis
Preferred option

Documented in the business case.

The Commercial Case

The purpose of the commercial dimension of the business case is to demonstrate that the preferred option will result in a viable procurement and a well structured Deal between the public sector and its service providers.

Demonstrating a viable procurement requires an understanding of the market place, knowledge of what is realistically achievable by the supply side and research into the procurement routes that will deliver best value to both parties.

Putting in place a well structured Deal requires a clear understanding of the services, outputs and milestones required to be achieved and of how the potential risks in the design, build, funding and operational (DBFO) phases of the scheme can best be allocated between the public and private sectors and reflected in the charging mechanism and contractual arrangements.

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

Box 3: Contents of the Commercial Case

Procurement strategy and route
Service requirements and outputs
Risk allocation
Charging mechanism
Key contractual arrangements
Personnel implications
Accountancy treatment

Procurement and contract management are covered within the Praxis resource management function and resource management plan.

Procurement covers the acquisition from a supplier of the products and services required for completion of a project, programme or portfolio. Its goals are to:

- ❑ identify potential external suppliers
- ❑ select external suppliers
- ❑ obtain commitment to provision of internal resources.

Contract management includes the negotiation, creation and administration of a contract between two or more parties. Its goals are to:

- ❑ support procurement by negotiating terms and conditions
- ❑ document contractual agreements
- ❑ monitor contractual performance
- ❑ conclude contracts.

The procurement strategy is captured in the resource management plan. Requirements management baselines service requirements and outputs. Together, procurement and contract management allocate risk, define charging mechanisms, key contractual arrangements, personnel implications and accountancy treatment.

The Financial Case

The purpose of the financial dimension of the business case is to demonstrate the affordability and funding of the preferred option, including the support of stakeholders, as required.

Demonstrating the affordability and fundability of the preferred option requires a complete understanding of the capital, revenue and whole life costs of the scheme and of how the Deal will impact upon the balance sheet, income and expenditure and pricing arrangements (if any) of the organisation.

The challenge is to identify and resolve any potential funding gaps during the life of the scheme.

Box 4: Contents of the Financial Case

Capital and revenue requirements
Net effect on prices (if any)
Impact on balance sheet
Impact on income and expenditure account
Overall affordability and funding
Confirmation of stakeholder/customer support (if applicable).

The financial management function is made up of three main areas:

- Investment appraisal is the procedure by which the viability of the work is assessed. This is one of the primary inputs to the business case
- Funding is concerned with securing the investment required to complete the work and ensuring it supports cash flow
- Budgeting and cost control estimates costs, predicts cash flow and then applies controls to monitor cash flow.

Outside the scope of Praxis.

The business case summarises the project or programme funding arrangements and cash flow.

The Management Case

The purpose of the management dimension of the business case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme, including feedback into the organisation's strategic planning cycle.

Demonstrating that the preferred option can be successfully delivered requires evidencing that the scheme is being managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change and contract management, benefits realisation and risk management.

The challenges are:

- to manage the risks in the design, execution, funding and operational phases of the scheme and put in place contingency plans
- to deal with inevitable business and service change in a controlled environment, and
- to ensure that objectives are meet, anticipated outcomes delivered and benefits evaluated.

The definition process manages the definition phase of the project or programme life cycle, and describes the governance policies and how the work will be managed.

Consolidated definition documentation includes:
- a project or programme management plan which summaries or brings together all the management plans for the project or programme
- a project or programme delivery plan showing how objectives will be achieved.

The procedure for managing risks is defined in the risk management plan.

The procedure for managing change control is defined in the scope management plan.

Box 5: Contents of the Management Case

Programme management governance arrangements (roles, responsibilities, plans etc)
Project management governance arrangements
Use of specialist advisers
Change and contract management arrangements
Benefits realisation arrangements (including plans and register)
Risk management arrangements (including plans and register)
Post implementation and evaluation arrangements
Contingency arrangements and plans

The procedure for the realisation of benefits is defined in the benefits management plan.

Documented in the project or programme management plan and delivery plan.

The Business Case Development Process

Introduction

This chapter provides an overview of the business case development process for large, medium and small spending proposals using the Five Case Model.

The business case for significant spending proposals is developed in three key stages as follows:

- Stage 0 – Determining the strategic context for the project
- **Stage 1 – Scoping the scheme and preparing the Strategic Outline Case (SOC)**
- **Stage 2 – Planning the scheme and preparing the Outline Business Case (OBC)**
- **Stage 3 – Procuring the solution and preparing the Full Business Case (FBC)**
- Stage 4 – Implementation and monitoring throughout the project
- Stage 5 – Evaluation and feedback

The Business Case Development Framework

For large and medium scale public sector spending proposals that require to be procured competitively, in accordance with appropriate procurement legislation, the above stages involve 10 key steps, as described below.

The initial development of the business case and its evolution through the life cycle are addressed primarily by the business case management topic but also by the checks and balances built into the Praxis process models.

The portfolio management process selects, categorises, prioritises and balances projects and programmes within a portfolio.

The identification process scopes the work and develops an outline business case.

The definition process plans the work and further develops the business case. The definition process includes any pre-authorisation work to procure the resources to deliver the scheme and updates the business case for approval in the sponsorship process.

The delivery process and boundaries process ensure the business case is monitored and provide continual justification for the project throughout the life cycle.

The boundaries process and the closure process review the management of the work and lessons learned. The benefits realisation process establishes whether the benefits have been achieved.

The process is practical, because it is based on many years experience of successful delivery across a wide range of public sector spending proposals.

The process is iterative, because as the business case develops earlier work is revisited to verify its continued applicability.

The process is flexible, because the quality and quantity of supporting analysis can be tailored to the size and complexity of the project under development.

The business case development stages and related steps are as follows:

Business case management is the function concerned with developing, communicating and maintaining the business case.

Praxis describes a generic process model for both projects and programmes based on life cycle phases, with an additional process to address the sponsorship function. All these can, and should, be tailored to the specific context of the work.

The phased structure of life cycles facilitates the creation of governance mechanisms.

Continuous business justification is a central tenet of Praxis though the management of the business case throughout the life cycle and the processes used to manage each phase of the life cycle.

Stage 0 – Determining the strategic context and undertaking the Strategic Assessment

Step 1: determining the strategic context

Programme/project assurance: strategic fit

Stage 1 – Scoping the scheme and preparing the Strategic Outline Case (SOC)

Step 2: making the case for change
Step 3: exploring the preferred way forward
Project assurance: business justification

Stage 2 – Planning the scheme and preparing the Outline Business Case (OBC)

Step 4: determining potential VFM
Step 5: preparing for the potential deal
Step 6: ascertaining affordability and funding requirement
Step 7: planning for successful delivery
Project assurance: delivery strategy

Stage 3 – Procuring the solution and preparing the Full Business Case (FBC)

Step 8: procuring the VFM solution
Step 9: contracting for the deal
Step 10: ensuring successful delivery
Project assurance: investment decision

Stage 4 – Implementation and monitoring

Project assurance: readiness for service

Stage 5 – Evaluation and feedback

Project assurance: operations review and benefits realisation

Figure 2: the business case development framework

Stage 0 – Determining the strategic context and undertaking the Strategic Assessment

This is the strategic planning phase of the spending proposal which confirms that the project is strategically aligned.

The purpose of this stage is to assess the strategic context for the project and to demonstrate how it provides synergy and holistic fit with other programmes and projects within the strategic portfolio in support in the organisation's business strategy.

This stage comprises of the following business case development activity:

Step 1: determining the strategic context

Early indications that the project is still needed and approved in principle are:

- the existence of an up-to-date and approved organisational strategy and supporting portfolio of which the project is a part
- the completion of feasibility and full studies
- the existence of an approved programme business case, where the project is not stand-a-lone and forms part of the programme.

Consideration should be given to the preparation of a programme business case if this has not been prepared for the programme of which the project forms an integral part.

It is recommended that programme/project assurance (0) is undertaken at this stage to confirm the strategic fit of the project

Strategic alignment of the project or programme is assessed during the portfolio management process.

This process deals with the high level management of the portfolio. The activities will be applied according to the type of portfolio and its context. Its goals are to:

- assess the suitability of projects and programmes for inclusion in the portfolio
- maintain a beneficial and manageable mix of projects and programmes.

Although primarily a portfolio management process, the activities described here are also relevant to a version of the delivery process for large, complex programmes.

Organisational strategy is outside the scope of Praxis.

Feasibility studies are outside the scope of Praxis.

The initial development of the business case and its evolution through the life cycle are addressed primarily by the business case management topic but also by the checks and balances built into the Praxis process models.

The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

Stage 1 – Scoping the scheme and preparing the Strategic Outline Case (SOC)

This is the scoping phase for the project which results in the production of the Strategic Outline Case (SOC).

The purpose of this stage is to re-confirm the strategic context for the project, because this may have changed if some time has elapsed since the strategic assessment was undertaken; to make the case for change and to determine "the preferred way forward".

The initial scoping of a project or programme is undertaken in the identification process.

This process manages the first phase of the project or programme life cycle. Its goals are to:

Identifying the preferred way forward is achieved in two stages: first, by appraising a wide range of possible options (“the long list”) against the spending objectives and critical success factors for the project; and second, by calculating the indicative net present social values of a reduced number of possible options (“the short list”) on the basis of a preliminary analysis of their costs and benefits, including optimism bias for uncertainty.

This stage comprises of the following business case development activities:

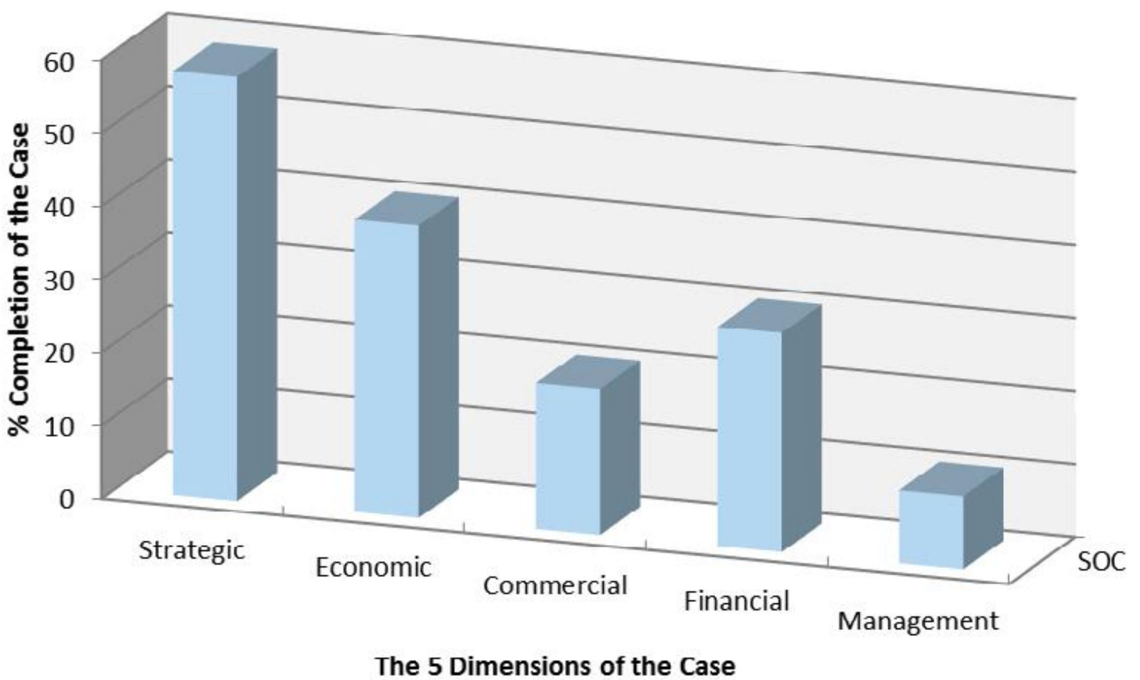
Step 2: making the case for change
Step 3: exploring the preferred way forward.

At the conclusion of the SOC, senior management and stakeholders will have a good understanding of the robustness of the proposal and the future direction of travel, and the business case across the five dimensions of the Five Case Model will have been completed as illustrated below.

- ❑ develop an outline of the project or programme and assess whether is it likely to be justifiable
- ❑ determine what effort and investment is needed to define the work in detail
- ❑ gain the sponsor’s authorisation for the definition phase.

Appraisal of the possible solutions is covered by the scope management function. Investment appraisal of the options is covered by the financial management function.

Stakeholder management ensures that stakeholders are appropriately involved in all aspects of the project, programme or portfolio. The sponsorship process describes the activities that a sponsor must perform to exercise overall control and make key decisions during the life cycle.



It is recommended that project assurance (1) is undertaken at this stage to confirm the business justification for the project.

The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

Stage 2 – Planning the scheme and preparing the Outline Business Case (OBC)

This is the planning phase for the project which results in the production of the Outline Business Case (OBC).

The purpose of this stage is to revisit the options identified in the SOC, to identify the option which optimizes public value ("the preferred option") following more detailed appraisal; and to set out the possible Deal while confirming affordability and putting in place the management arrangements for the successful delivery of the project.

This stage comprises of the following business case development activities:

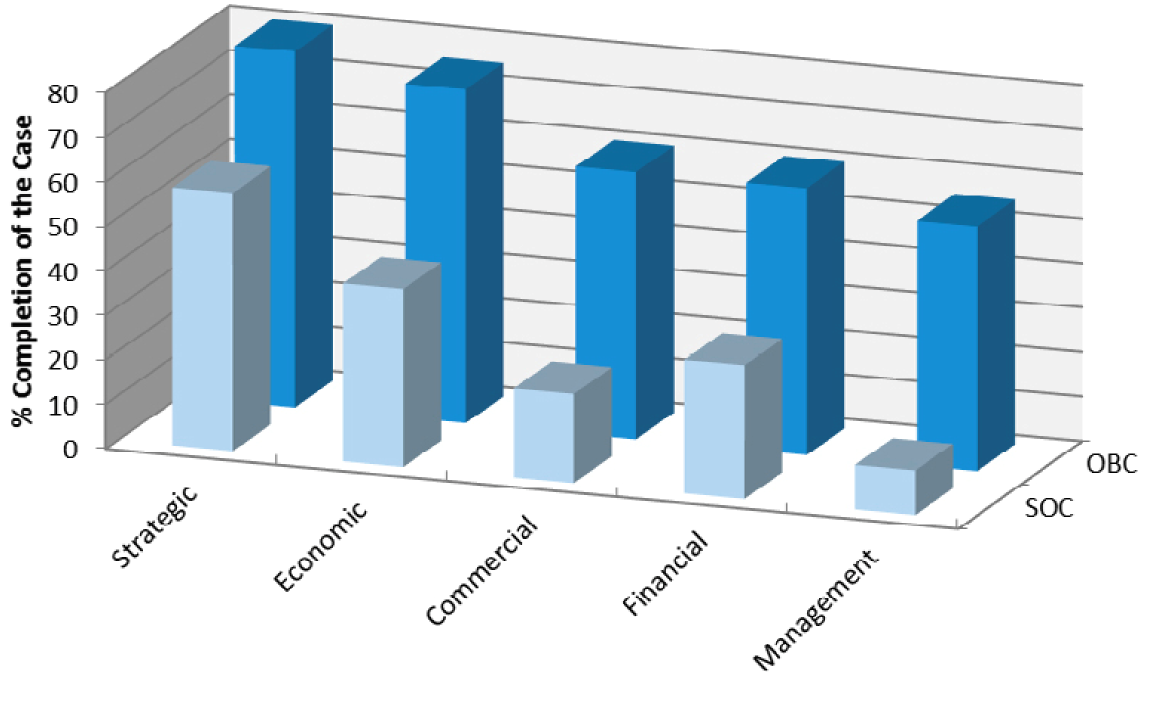
Step 4: determining potential VfM
Step 5: preparing for the potential deal
Step 6: ascertaining affordability and funding requirement
Step 7: planning for successful delivery

At conclusion of the OBC, senior management should be in position to consent to the procurement phase of the project and the business case across the five dimensions of the Five Case Model will have been completed as illustrated below.

The planning of the project or programme is undertaken in the definition process, which manages the definition phase of the project or programme life cycle. Its goals are to:

- ❑ develop a detailed picture of the project or programme
- ❑ determine whether the work is justified
- ❑ describe governance policies that describe how the work will be managed
- ❑ gain the sponsor's authorisation for the delivery phase.

The sponsorship process describes the activities that a sponsor must perform to exercise overall control and make key decisions during the life cycle.



The 5 Dimensions of the Case

It is recommended that project assurance (2) is undertaken at this stage to confirm the delivery strategy for the project.

Stage 3 – Procuring the solution and preparing the Full Business Case (FBC)

This is the procurement phase for the project which results in the Full Business Case (FBC), following negotiations with potential service providers prior to the formal signing of the contract(s).

The purpose of the FBC is to record the findings of the procurement phase and to identify the option which offers the "most economically advantageous offer" (MEAT) and best public value. In addition, the FBC records the contractual arrangements, confirms affordability and puts in place the agreed management arrangements for the delivery, monitoring and post evaluation of the project.

This stage comprises the following business case development activities:

Step 8: procuring the VfM solution
Step 9: contracting for the deal
Step 10: planning for successful delivery

At conclusion of the FBC, the development of the business case across the five dimensions of the Five Case Model will have been completed as illustrated below.

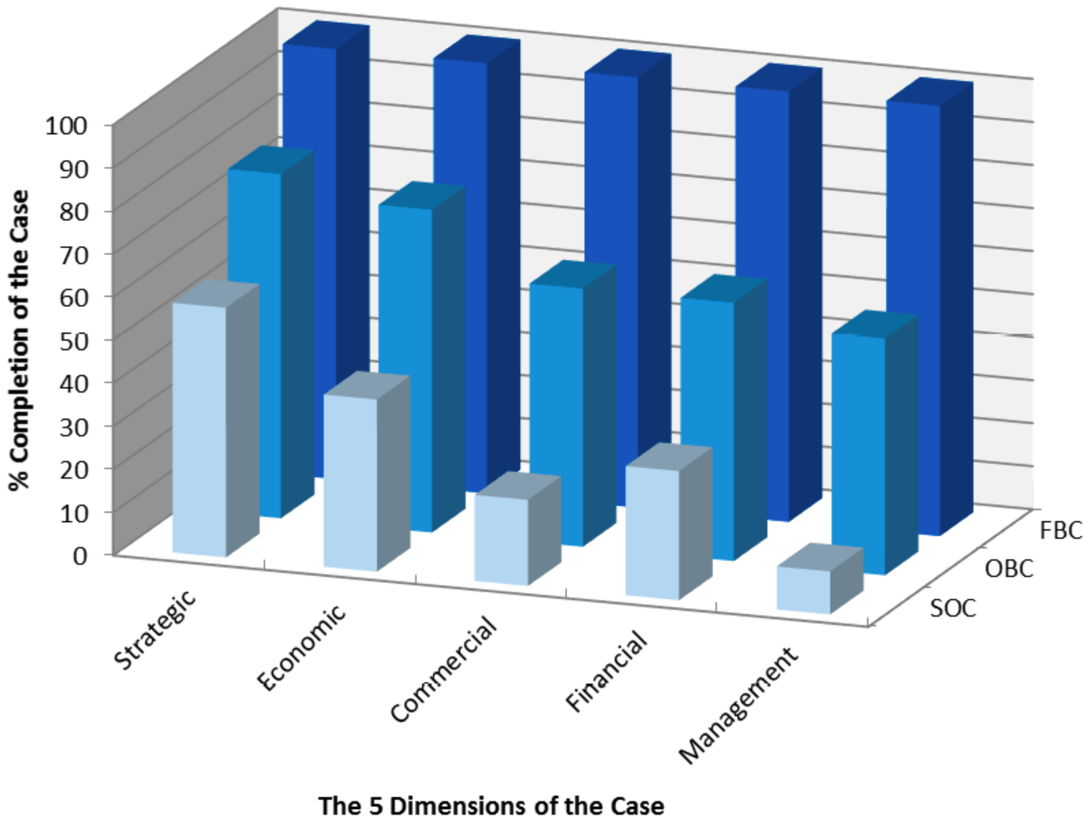
The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

When a project needs the support of procurement specialists the manager must consider procurement implications as early in the life cycle as is practicable. Waiting until the full approval of the project at the end of the definition process may, for example, result in tender delays and long lead times adversely affecting the schedule. This early procurement is covered by the pre-authorisation work activity in both the definition process and the boundaries process.

The conclusion of all planning work before any mobilisation or commencement of any delivery work is often impractical. Specialist materials or equipment may be required that are subject to long lead times: procurement of suppliers through competitive tender may need to start early; applying for statutory or regulatory approvals can be time consuming.

In parallel with planning, the management team should identify any necessary pre-authorisation work that should be done before it is fully defined or authorised. The advantage of placing provisional orders for materials or initiating a tendering process must be weighed against the risk that the next stage or tranche is not authorised.

The performance of pre-authorisation work should be planned and agreed with the sponsor.



It is recommended that project assurance (3) is undertaken at this stage to confirm the investment decision for the project.

The stages for the development of the business case have now been completed. The business case continues to play an important role as follows.

Stage 4 – Implementation and monitoring

The business case should be used as a reference point for logging any material changes that are required by the procuring authority or the service supplier in respect of services and products.

The management tools developed in support of the project business case should be used to deliver and monitor progress and provide the basis for regular reports to the Project Board. This includes use of the project implementation plan and benefit and risk registers.

The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

The business case is the central document in a project or programme life cycle. The reason for defining a life cycle with phases, tranches and/or stages is to enable go/no go decisions that prevent wasted investment. These decisions are primarily made based on the continuing viability of the business case.

Once approved, the business case must be kept up to date, reflecting approved changes. Change control ensures all changes are beneficial, practical and affordable.

Throughout the delivery process, documentation will be updated with progress information and routinely reported to stakeholders, in accordance with the communications plan. The boundaries process ensures the continuing justification for the project at the end of each stage.

It is recommended that project assurance (4) is undertaken at this stage to confirm readiness for service for the scheme.

The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

Stage 5 – Evaluation and feedback

The business case and its supporting products should be used for post evaluation. This includes the project implementation review (PIR) for assessing how well the project was delivered and lessons learnt, and the post evaluation review (PER) for evaluating the extent to which the anticipated benefits were delivered.

It is recommended that project assurance (5) is undertaken at this stage to evaluate the operational delivery of the project and benefits realisation.

The closure process reviews the management of the work and lessons learned.

The benefits realisation process, in conjunction with the sponsorship process, establishes whether the benefits have been achieved.

The phased structure of life cycles facilitates the creation of governance mechanisms. The sponsorship process ensures the sponsorship function oversees assurance.

Smaller Schemes and the Business Justification Case (BJC)

The Business Case Justification (BJC) is a “lighter”, single stage business case that is available for the support of smaller, less expensive spending proposals that are not novel or contentious and for which “firm” prices are available from a pre-competed arrangement, including framework contracts.

In Praxis, all projects and programmes must have a business case that demonstrates the value of their objectives.

The business case should be tailored to suit the context and complexity of the work.

Responsibility for producing the business case

The responsibility for developing the project and producing the business case must be retained by the organisation.

External consultants provide invaluable assistance where the requisite skills and resources are unavailable in- house, particularly with the facilitation of supporting workshops.

The sponsorship process provides ownership of, and accountability for, the business case and ensures the work is governed effectively. The sponsor owns the business case, and has ultimate accountability for ensuring that the benefits are achieved.

Business Case template

Templates are available for the development of the business case using the three stage process (SOC, OBC and FBC) and the single stage process (BJC).

Praxis provides a blank and an annotated template for the development of the business case.

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