

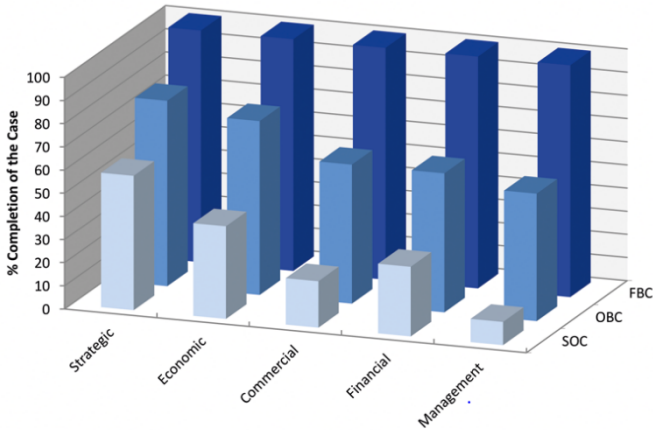
# Business Case Appraisal Framework

## Outline Business Case: Key criteria and Checklist

This checklist is intended to guide the appraisals of Outline Business Cases (OBCs) for candidate projects for the Mid Wales Growth Deal.

Project Sponsors have been cleared to develop their Outline Business Cases (OBCs) as the second stage, in which the scheme is planned and assessed in detail sufficient to enable the proposal to be market-tested. The final stage in the process is the Full Business Case (FBC) where the outcome of market-testing is brought into the final document at which point a final Growth Deal investment decision will be made.

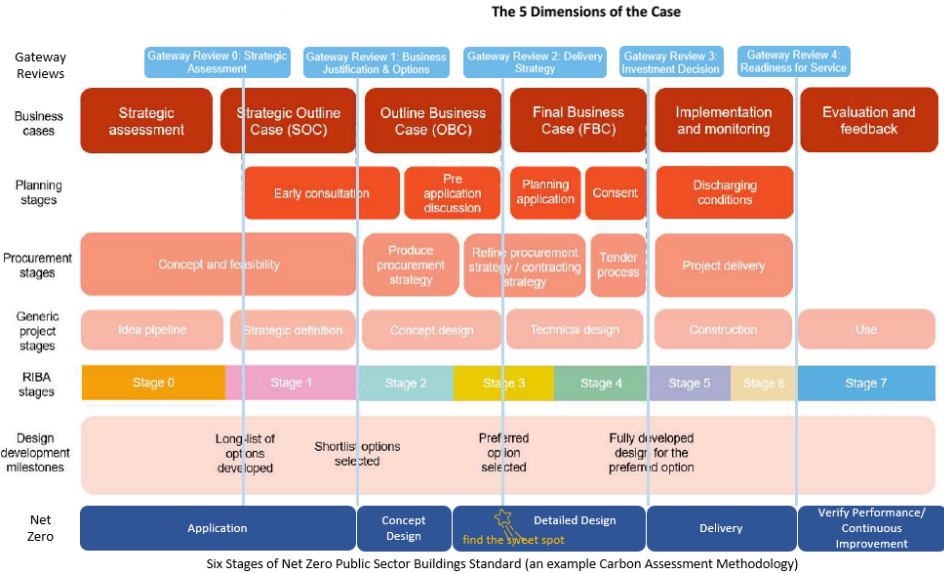
The guidance diagram opposite illustrates how the Five Cases are built up steadily at each stage of the process. At the OBC stage, it is anticipated that, indicatively, the Strategic Case is around 70% developed; the Economic Case 65% developed; and the remaining Cases 50% developed. These points will be borne in mind when carrying out OBC reviews. The Portfolio Management Office will lead on the appraisal process independently of both Local Authorities with external technical support being provided as required.



The checklist below is intended to guide the **OBC** reviews, with some detailed criteria to consider. The overarching questions that guide the more detailed criteria in the tables below are:

- 1. Has the Strategic Case been reviewed and updated?**
- 2. Have the options considered the impact to the Economic Case appropriately with updated cost data etc, and have the options been appropriately considered/discussed?**
- 3. Does the Commercial Case set out a clear procurement proposal that reflects market considerations and is feasible?**
- 4. How will the project be funded and is it affordable for the organisation(s)?**
- 5. Is it clear how the project will be delivered and managed?**

The OBC should consolidate the Economic Case from SOC stage to assure Value for Money, set out the Financial Case to confirm the affordability and funding requirements for the scheme, set out the Commercial Case with a clear procurement strategy in mind and to set out the Management Case for the delivery of the project, based on a detailed delivery plan.



The OBC should provide enough detail to inform a decision on whether the project should proceed to market-testing and FBC stage. As such, the Commercial Case must confirm a procurement strategy that has been agreed within Sponsor organisations as the most appropriate 'route to market'. Design-work should have advanced to mid-RIBA Stage 3 and work should have taken place to consider the wider environmental impact of the proposals including initial carbon impact assessments in line with a recognised methodology. The OBC outputs should be capable of passing successfully through at Gateway Review 2 for assurance purposes.

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Key review criteria	Main evidence/detail required	Commentary	RAG Rating	Action <i>needs immediate improvement (specify); issues to address at FBC stage (specify); no action needed</i>
<b>Strategic Case – Rationale for the project</b>				
<b>Has the Case for Change been revisited and does the preferred way forward still provide best fit in respect of the organisation’s business needs?</b>	<ul style="list-style-type: none"> <li>• Evidence of relevant issues/opportunities/demand/barriers (e.g. economic, sectoral, market evidence); this may include direct evidence from the private sector, including letters of support where relevant. Note: There should be a clear strategic story and a route to completing this evidence at OBC</li> </ul>			
<b>Are there any serious unresolved differences between stakeholders?</b>	<ul style="list-style-type: none"> <li>• Evidence that stakeholders are on board with proposals, e.g. through workshops.</li> </ul>			
<b>Have the assessments of key risks, benefits, constraints, and dependencies identified at earlier SOC stage been revisited and examined in more detail?</b>	<ul style="list-style-type: none"> <li>• Profiles of key benefits and beneficiaries, with clear link to the project objectives and project scope adopting the DOAM principle (Describe Observe Attribute Measure).                             <ul style="list-style-type: none"> <li>▪ <b>Split of benefits into monetised, non-monetised, indirect</b></li> <li>▪ <b>Outline of how the benefits will be achieved/by whom/by when and how will they be measured/monitored</b></li> </ul> </li> </ul>			

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	<ul style="list-style-type: none"> <li>▪ Definition of appropriate baselines</li> <li>• Different categories of risk identified</li> <li>• Mitigations identified at this stage if possible</li> <li>• Assessment of constraints and dependencies</li> </ul>			
How does the project contribute to the overall Growth Deal Portfolio objectives?	<ul style="list-style-type: none"> <li>• Assessment of outcomes/benefits against investment objectives.</li> <li>• Consideration as part of wider Portfolio.</li> </ul>			
Overall summary commentary: Strategic Case				
<b>Economic case – Is it value for money?</b>				
Have the findings of Workshop 2 (Identifying and assessing options) been revisited as required?	<ul style="list-style-type: none"> <li>• Updated SWOT analysis of short list with reference to CSFs</li> </ul>			

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<p><b>Have commercial (sourcing), financial (funding) and management (delivery) dimensions informed choices in the Outline Financial Forecast (OFF) and constraints and dependencies been considered when deriving a shortlist?</b></p>	<ul style="list-style-type: none"> <li>• Not sure what to put here!</li> <li>• Perhaps need to separate the first bit from the constraints/dependencies?</li> </ul>			
<p><b>In light of the above is the initial shortlist still valid and have the economic appraisals been updated to reflect the latest estimates of costs, benefits, and risks?</b></p>	<ul style="list-style-type: none"> <li>•</li> </ul>			
<p><b>Is there a detailed analysis of each of the shortlisted options using Cost Benefit Analysis (CBA) or Cost Effectiveness Analysis (CEA)?</b></p>	<ul style="list-style-type: none"> <li>• Provision of detailed analysis and methodology</li> </ul>			
<p><b>Are there any decisive unquantifiable benefits to be considered?</b></p>	<ul style="list-style-type: none"> <li>• Profiles of key benefits and beneficiaries, with clear link to the project objectives and project scope adopting the DOAM principle</li> </ul>			

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Has the assessment of Optimism Bias and its adjustment for risk been undertaken and reflected in the level of certainty shown by the value ranges?	<ul style="list-style-type: none"> <li>•</li> </ul>			
Have key risks been analysed and costed?	<ul style="list-style-type: none"> <li>• Costed risk register</li> </ul>			
Are appropriate sensitivity analyses provided for all shortlisted options and have switching values been provided as required?	<ul style="list-style-type: none"> <li>• SWOT analysis of short list with reference to CSFs</li> <li>• Have both target and input variables been fully analysed?</li> <li>• Have all the variables and possible outcomes been considered?</li> </ul>			
Is the selection of the preferred option and the optimisation of public value for money clearly explained through reference to the Appraisal Summary Table and cross referenced to the option templates?	<ul style="list-style-type: none"> <li>• Completed Appraisal Summary Table/s (ASTs) aligning with clear design proposals</li> </ul>			
If significant equality impacts, have they been quantified/assessed and factored into policy design	<ul style="list-style-type: none"> <li>•</li> </ul>			

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appropriately, including any possible mitigating actions that may be necessary?				
Was Workshop 3 held (Assessing the short-listed options) with relevant experts and stakeholders?	<ul style="list-style-type: none"> <li>▪ Evidence of workshop and attendance</li> <li>▪ Evidence of discussion and outcome.</li> </ul>			
Overall summary commentary: Economic Case				
<b>Commercial Case – Is it viable?</b>				
Is there sufficient evidence that there is supply side capacity and a potential deal can be made?	<ul style="list-style-type: none"> <li>• Clear Commercial Procurement Strategy discusses this matter and outlines preferred route to market accordingly.</li> <li>• Research and understanding of supply side.</li> <li>• Evidence of discussions with potential suppliers.</li> </ul>			

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<b>Is there a clear concise statement of the required service outputs and requirements?</b>	<ul style="list-style-type: none"> <li>• Include design outputs appropriate for mid-RIBA Stage 3 design considerations</li> </ul>			
<b>Has the proposed advertisement for competitive procurement been attached?</b>	<ul style="list-style-type: none"> <li>• Preparation of a draft Procurement Notice</li> </ul>			
<b>Has the proposed allocation of risk between the public sector and the supply side been revisited, together with the associated payment mechanisms?</b>	<ul style="list-style-type: none"> <li>• Clear evidence of risk considerations</li> <li>• Costed risk register</li> </ul>			
<b>What are the key contract clauses, and will the contract be standard or bespoke?</b>	<ul style="list-style-type: none"> <li>• Consideration of form of contract as part of the procurement strategy; must be aligned with design approach and mid-RIBA Stage 3 outputs</li> <li>• Evidence that key clauses have been considered and agreed.</li> </ul>			
<b>What contract lengths have been considered, together with any required breakpoints?</b>	<ul style="list-style-type: none"> <li>• Evidence of developed delivery plan that informs contract duration decisions, based on mid-RIBA Stage 3 design outputs</li> </ul>			
<b>Was Workshop 4 held (Developing the Commercial</b>	<ul style="list-style-type: none"> <li>• Evidence of workshop and attendance</li> </ul>			

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Strategy and Deal(s) with relevant experts and stakeholders?	<ul style="list-style-type: none"> <li>Evidence of discussion and outcome.</li> </ul>			
<b>Overall summary commentary: Commercial Case</b>				
<b>Financial case – Is it affordable?</b>				
Key review criteria	Main evidence required			
Has the sum of residual optimism bias and residual risk cost, been revisited as a basis for estimation of the contingent cost liability?	<ul style="list-style-type: none"> <li>Detailed project cost analysis</li> <li>Alignment with mid-RIBA Stage 3 design outputs as appropriate.</li> </ul>			
Have all the earlier indicative financial costs (ranges, sources, and assumptions) been revisited and updated with the best estimates available?	<ul style="list-style-type: none"> <li>Detailed project cost analysis</li> <li>Alignment with mid-RIBA Stage 3 design outputs as appropriate.</li> </ul>			



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Are the costs of monitoring and evaluating budgeted for and included as required?	<ul style="list-style-type: none"> <li>Monitoring and evaluation Plan</li> <li>Clear budget.</li> </ul>			
Are the potential deal and the whole life costs affordable and sources of funding clearly identified and agreed?	<ul style="list-style-type: none"> <li>Detailed project cost analysis</li> <li>Alignment with mid-RIBA Stage 3 design outputs as appropriate.</li> </ul>			
<b>Overall summary commentary: Financial Case</b>				
<b>Management Case - How will it be delivered?</b>				
Have the assurance plans outlined in the initial stage been followed and gateway	<ul style="list-style-type: none"> <li>Evidence of a Gate 0 and Gate 1 Review (or a combined Gate 0/1) being carried out and recommendations identified and</li> </ul>			

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<b>reviews undertaken as specified?</b>	any remedial actions necessary being taken <ul style="list-style-type: none"> <li>• Monitoring and evaluation Plan for the Project to include all key Project Gateways (0-5)</li> </ul>			
<b>Has a detailed project plan been attached to the business case outlining the key milestones and activities in the design, build and operational phases of the service, (milestones alone are insufficient for this purpose)?</b>	<ul style="list-style-type: none"> <li>• Evidence of developed delivery plan that informs contract duration decisions, based on mid-RIBA Stage 3 design outputs</li> </ul>			
<b>Is the project team sufficiently resourced with the required roles filled; and if not, what are the plans to fill vacancies?</b>	<ul style="list-style-type: none"> <li>• Project Resource Plan, including projected resource costs (for external consultancy and/or contractor-led design where relevant) built into cost planning</li> <li>• Clear current management arrangements showing capacity and capability.</li> </ul>			
<b>What expert advisers have been appointed and is the organisation making prudent and proportionate use of expert advice?</b>	<ul style="list-style-type: none"> <li>• Project Resource Plan to assess use of expert advisers (external consultancy and/or contractor-led design) appropriate to the project</li> </ul>			

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Have the arrangements for change and contract management been clearly considered?	<ul style="list-style-type: none"> <li>Is there a clear change control protocol set out</li> <li>Clear management arrangements/ roles and responsibilities established</li> </ul>			
Have updated benefits and risk registers been attached?	<ul style="list-style-type: none"> <li>Costed risk register</li> </ul>			
Have the arrangements for post monitoring and evaluation been considered in detail?	<ul style="list-style-type: none"> <li>Monitoring and evaluation Plan for the Project to include all key Project Gateways (0-5) to include resourcing and funding</li> </ul>			
<b>Overall summary commentary: Management Case</b>				
<b>ADDITIONAL SECTION - NOT PART OF 5 CASE BUSINESS MODEL</b>				
<b>Decarbonisation Agenda:</b>				
Has the Project Carbon Categorisation Form been completed? What was the outcome?	<ul style="list-style-type: none"> <li>Carbon Categorisation Form</li> <li>Identification of actions or benefits</li> </ul>			

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<b>Alignment with Net Zero Wales</b>	<ul style="list-style-type: none"> <li>Evidence of consideration of decarbonisation agenda</li> <li>Other considerations e.g. procurement, visitors, supplies</li> </ul>			
<b>Overall summary commentary: Decarbonisation Agenda</b>				

<b>PROJECT TITLE:</b>		<b>COMPLETED BY:</b>		<b>DATE:</b>	
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The Appraisal checklist will be completed by each member of the review team who will focus on a particular section based on their experience in that area. Subsequently the reviews will be compiled, and a consensus agreed regarding an overall RAG rating and any actions required.

The RAG rating will be based on the following:

- **Green** - good fit, may need some areas further developed/addressed
- **Amber** - recommend approve subject to certain areas/actions being addressed
- **Red** – poor fit, various issues/concerns. Recommendation either to revise for reconsideration or if serious concerns consider appropriateness for inclusion in Portfolio.

Subsequently a Business Case Appraisal summary will be presented, initially to the Management Group for review along with the Business Case Summary and recommendations then presented to the next available meeting of the GMW Board.

In addition to the review team assessment, formal Government assurance reviews of the business cases will need to be undertaken providing an independent review. The following documents are required before the reviews can be commissioned (Risk Profile Assessments and Integrated Assurance and Approval Plans) to ensure that the appropriate assurance 'product' is applied.

Once agreed, the reviews take circa 12 weeks to commission and plan.