### TEMPLATE 3: OUTLINE BUSINESS CASE (OBC)

Project Title:

Outline Business Case (OBC)

Version No:

Issue Date:

**Purpose of this document**

This document provides a template for an Outline Business Case (OBC) in support of an investment – a project, procurement or scheme.

In all cases, a Strategic Outline Case (SOC) should have been completed, prior to the submission of this document for approval.

The main purpose of the OBC is to: revisit the case for change and the preferred way forward identified in the SOC; establish the option which optimises value for money; outline the deal and assess affordability; and demonstrate that the proposed scheme is deliverable.

In practice, the author will find this entails updating the strategic case; undertaking investment appraisal within the economic case; and completing the commercial, financial and management cases, with supporting benefits and risk registers.

Business planning is an iterative exercise, so the author should note that all earlier assumptions require revisiting within the OBC.

Please note that this template is for guidance purposes only and should be completed in accordance with the guidelines laid down in HM Treasury’s Green Book.

version history

| Version | Date Issued | Brief Summary of Change | Owner’s Name |
| --- | --- | --- | --- |
| Draft | 00.00.00 | First Draft Version |  |
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## APPENDICES

## These must include:

## economic appraisals

## financial appraisals

## benefits register

## risk register

## risk potential assessment (RPA)

## letter of commissioner/ stakeholder support

## draft OJEU notice

## SOP/ strategic business plans.

### HOW TO USE THIS TEMPLATE

There are four points that you should take into consideration:

* first, the business planning process for the scoping (SOC), planning (OBC) and procurement (FBC) of a scheme is an **iterative exercise**. Therefore, it follows that whilst some sections of the above cases using the Five Case Model may look similar, the level of detail required will vary significantly over the developmental phases of a business case
* second, the guidance provided in Departmental Capital Investment Manuals should be referred to, along with the Treasury Green Book: A Guide to Investment Appraisal in the Public Sector
* third, wherever you are in the business case development process, remember that the business case for a scheme is a single document, developed over time, in four distinct phases
* fourth, detailed guidance on the completion of this template is set out in Public Sector Business Cases using the Five Case Model: a Toolkit (published by the HFMA).

**OVERVIEW OF THE OBC DEVELOPMENT PROCESS**

The table below shows the systematic approach to the preparation of the business case – SOP, SOC and OBC development phases.

|  |  |  |
| --- | --- | --- |
| Stages | Development Process | Deliverables |
|  |  |  |
| Phase 0 – | Determining strategic context |  |
| Step 1/ action 1 | Ascertain strategic fit | Strategic context |
| *Output* | *Strategic Outline Programme (SOP)* |  |
| *Outcome* | *Strategic fit* |  |
| *Review point* | *Gateway 0 –strategic fit* |  |
|  |  |  |
| Phase 1 – scoping | Preparing the Strategic Outline Case (SOC) | Strategic case |
|  |  |  |
| Step 2 | Making the case for change |  |
| Action 2 | Agree strategic context |  |
| Action 3 | Determine investment objectives, existing arrangements and business needs |  |
| Action 4 | Determine potential business scope and key service requirements |  |
| Action 5 | Determine benefits, risks, constraints and dependencies |  |
|  |  |  |
| Step 3 | Exploring the preferred way forward | Economic case – part 1 |
| Action 6 | Agree critical success factors (CSFs) |  |
| Action 7 | Determine long list options and SWOT analysis |  |
| Action 8 | Recommend preferred way forward, including other arrangements | Outline commercial, financial and management cases |
|  |  |  |
| *Output* | *Strategic Outline Case (SOC)* |  |
| *Outcome* | *Robust case for change* |  |
| *Review point* | *Gateway 1 – business justification* |  |
|  |  |  |
| Phase 2 – planning | Preparing the Outline Business Case (OBC) |  |
|  |  |  |
| Step 4 | Determining potential value for money (VFM) | Economic case – part 2 |
| Action 9 | Revisit SOC and determine short list including the reference project (outline PSC) |  |
| Action 10 | Prepare the economic appraisals for short-listed options |  |
| Action 11 | Undertake benefits appraisal |  |
| Action 12 | Undertake risk assessment/appraisal |  |
| Action 13 | Select preferred option and undertake sensitivity analysis |  |
|  |  |  |
| Step 5 | Preparing for the potential deal | Commercial case |
| Action 14 | Determine procurement strategy |  |
| Action 15 | Determine service streams and required outputs |  |
| Action 16 | Outline potential risk apportionment |  |
| Action 17 | Outline potential payment mechanisms |  |
| Action 18 | Ascertain contractual issues and accountancy treatment |  |
|  |  |  |
| Step 6 | Ascertaining affordability and funding requirement | Financial case |
| Action 19 | Prepare financial model and financial appraisals. |  |
|  |  |  |
| Step 7 | Planning for successful delivery | Management case |
| Action 20 | Plan project management – strategy, framework and outline plans |  |
| Action 21 | Plan change management – strategy, framework and outline plans |  |
| Action 22 | Plan benefits realisation – strategy, framework and outline plans |  |
| Action 23 | Plan risk management – strategy, framework and outline plans |  |
| Action 24 | Plan post project evaluation – strategy, framework and outline plans |  |
|  |  |  |
| *Output:* | *Outline Business Case* |  |
| *Outcome:* | *Planned procurement for VFM solution* |  |
| *Review point:* | *Gateway 2 – procurement strategy* |  |

**OBC TEMPLATE AND SUPPORTING GUIDANCE**

**1. Executive Summary**

### 1.1 Introduction

This OBC seeks approval to invest £…… in …….

### 1.2 Strategic case

***1.2.1 The strategic context***

Please summarise the strategic drivers for this investment, with particular reference to supporting strategies, programmes and plans.

***1.2.2 The case for change***

Please summarise the business needs for this investment, with particular reference to existing difficulties and the need for service improvement.

### 1.3 Economic case

### *1.3.1 The long list*

Please summarise the long list of options explored within the economic case.

***1.3.2 The short list***

The following short list of options emerged:

* **option 1** – status quo, do nothing or do minimum
* **option 2** – the reference project or outline Public Sector Comparator (PSC)
* **option 3** – the PSC – more ambitious
* **option 4** – the PSC – less ambitious.

### *1.3.3 Key findings*

Set out the key findings from the economic appraisals here.

|  |  |  |
| --- | --- | --- |
|  | Undiscounted  (£) | Net Present Cost (Value) (£) |
| **Option 1 – Do Nothing/Do Minimum/Status Quo** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted  (£) | Net Present Cost (Value) (£) |
| **Option 2 – Reference Project/ Outline Public Sector Comparator** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted  (£) | Net Present Cost (Value) (£) |
| **Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted  (£) | Net Present Cost (Value) (£) |
| **Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |

Option appraisal conclusions:

* Option 1 – this option ranks ……
* Option 2 – this option ranks …...
* Option 3 – this option ranks ……
* Option 4 – this option ranks ……

### *1.3.4 Overall findings: the preferred option*

Summary of overall results

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Evaluation Results** | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| Economic appraisals |  |  |  |  |
| Benefits appraisal |  |  |  |  |
| Risk appraisal |  |  |  |  |
| **Overall ranking** |  |  |  |  |

Overall conclusions ……

### 1.4 Commercial case

### *1.4.1 Procurement strategy*

Please summarise the procurement strategy and intended contractual arrangements.

### *1.4.2 Required services*

Please summarise the products and services intended for use and procurement with regard to the recommended option.

***1.4.3 Potential for risk transfer and potential payment mechanisms***

Please summarise the main risks associated with the scheme and supporting arrangements for payment for the required products and services.

### 1.5 Financial case

### *1.5.1 Financial expenditure*

Summary of financial appraisal

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Total |
|  | £ | £ | £ | £ | £ | £ | £ | £ |
| **Preferred option:** | | | | | | | | |
| Capital |  |  |  |  |  |  |  |  |
| Revenue |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |
| **Funded by:** | | | | | | | | |
| Existing |  |  |  |  |  |  |  |  |
| Additional |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

##### 1.5.2 Overall affordability and balance sheet treatment

Please summarise the overall affordability of the scheme – both in terms of its capital and revenue consequences – over the lifespan of the investment.

Where the scheme requires the support and approval of external parties, please indicate that this is forthcoming. A letter of support should be attached as an appendix.

In instances where the investment is above the delegated limit of the organisation and/ or is ‘novel and contentious’, please indicate the sums requiring approval and any additional funding requirements.

### 1.6 Management case

### *1.6.1 Project management arrangements*

Please summarise the project management arrangements for the scheme.

### *1.6.2 Benefits realisation and risk management*

Please summarise these arrangements.

### *1.6.3 Post project evaluation arrangements*

Please summarise these arrangements, with reference to arrangements for the Gateway Review process, as required.

### 1.7 Recommendation

Please formally make the required recommendation for approval of the scheme to proceed to the next stage.

**Signed:**

**Date:**

**Senior Responsible Owner Project**

**Project Team**

**2. The Strategic Case**

**2.0 Introduction**

This Outline Business Case (OBC) is for ……

##### Structure and content of the document

This OBC has been prepared using the agreed standards and format for business cases, as set out in ……

The approved format is the Five Case Model, which comprises the following key components:

* the **strategic case** section. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
* the **economic case** section. This demonstrates that the organisation has selected the choice for investment which best meets the existing and future needs of the service and optimises value for money (VFM)
* the **commercial case** section. This outlines the content and structure of the proposed deal
* the **financial case** section. This confirms funding arrangements and affordability and explains any impact on the balance sheet of the organisation
* the **management** **case** section. This demonstrates that the scheme is achievable and can be delivered successfully to cost, time and quality.

The purpose of this section is to explain and revisit how the scope of the proposed project or scheme fits within the existing business strategies of the organisation and provides a compelling case for change, in terms of existing and future operational needs.

Please refer back to the Strategic Outline Programme (SOP) and Strategic Outline Case (SOC), noting any key changes since the production and approval of these documents.

### Part A: The strategic context

**2.1 Organisational overview**

Please provide an updated overview of the organisation(s) making the case for investment in the scheme.

**2.2 Business strategies**

Please reference the business strategy for the organisation(s) and any related national or regional strategies, noting any changes since agreement to the SOC for the scheme.

In the main, this will include consideration of national policy documents, regional plans and supporting SOPs and other relevant initiatives.

**2.3. Other organisational strategies**

Please provide an update on any other related organisational strategies, as appropriate.

### Part B: The case for change

### 2.4 Investment objectives

The investment objectives for this project are as follows:

* investment objective 1: ……
* investment objective 2: ……
* investment objective 3: ……
* investment objective 4: ……
* investment objective 5: ……

Note: these are **crucial** to making a compelling case for investment and should be revisited since the preparation of the SOC.

Please note how these were derived with the stakeholders and customers for the proposed scheme. They **must** be SMART – specific, measurable, achievable, relevant, and time constrained. In particular, consideration should be given to investment objectives which will reduce cost (economy); improve throughput (efficiency) and improve quality (effectiveness); and the need for replacement services.

### 2.5 Existing arrangements

This section describes the existing situation with regard to the investment.

The existing arrangements are as follows: ……

Note: If applicable – for example, in the case of a replacement service – details of existing costs can be included here.

Table 1: Existing costs

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Existing costs (£)** | **Service stream** | **Service stream** | **Service stream** | **Service stream** | **Total** |
| Current |  |  |  |  |  |
| Capital |  |  |  |  |  |
| Duration of contract |  |  |  |  |  |

### 2.6 Business needs

This section provides a detailed account of the problems, difficulties and service gaps associated with the existing arrangements in relation to future needs and changes since submission of the SOC.

### 2.7 Potential business scope and key service requirements

This section describes the potential scope for the project in relation to the above business needs and the changes (if any) since submission of the SOC.

Note: it may be helpful to consider the potential scope assessed against a continuum of need ranging from:

* a minimum scope – essential or core requirements/outcomes
* an intermediate scope – essential and desirable requirements/outcomes
* a maximum scope – essential, desirable and optional requirements/outcomes.

The options within these ranges are considered within the economic case.

Table 2: business scope and key service requirements

|  | **Minimum** | **Intermediate** | **Maximum** |
| --- | --- | --- | --- |
| Potential business scope |  |  |  |
| Key service requirements |  |  |  |

### 2.8 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

Table 3: Investment objectives and benefits

| **Investment objectives** | **Main benefits criteria by stakeholder group** |
| --- | --- |
| **Investment objective 1** | **Patients**  Cash releasing (£s)  *For example, avoided costs*  Non cash releasing (£s)  *For example, Staff time saved (x hours)*  Qualitative  *For example, staff morale*  **Clinicians**  Ditto  **Administrators**  Ditto |
| **Investment objective 2** |  |
| **Investment objective 3** |  |
| **Investment objective 4** |  |
| **Investment objective 5** |  |

The main ‘dis-benefits’ are as follows: (if applicable)

Note: this section identifies the benefits criteria for the assessment of options within the economic case.

### 2.9 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

Table 4: main risks and counter measures

| **Main Risk** | **Counter Measures** |
| --- | --- |
| Design |  |
| Development   * supplier * specification * timescale * change management and project management |  |
| Implementation risks   * supplier * timescale * specification and data transfer * cost risks * change management and project management * training and user |  |
| Operational risks   * supplier * availability * performance * operating cost * project management |  |
| Termination risks |  |

Note: this section should update and expand on the key risks identified within the SOC.

The above table shows the main risk categories typically associated with the provision of the service – business and external environmental risks also need to be considered.

### 

### 2.10 Constraints

### The project is subject to the following constraints: ……

Note: these are the internal parameters which have been established at outset of the project. Any changes since the SOC should be noted.

### 2.11 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

Note: these are the external influences on the project – namely things which have to be in place in order to make a success of this investment. Any changes since the SOC should be noted.

##### 3. The Economic Case

### 3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury’s Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the OBC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

### 3.2 Critical success factors

The critical success factors (CSFs) shown within the SOC were as follows: ……

These have been re-visited in the context of the OBC and remain valid/ have changed as follows (please delete as required)……

### 3.3 The long-listed options

The long list shown within the SOC was as follows: ……

Note: for illustrative purposes, the options are taken from the SOC template.

Table 5: long list – summary of inclusions, exclusions and possible options

|  |  |
| --- | --- |
| **Options** | **Finding** |
| **1.0 Scoping** | |
| 1.1 Do nothing |  |
| 1.2 Minimum scope |  |
| 1.3 Intermediate scope |  |
| 1.4 Maximum scope |  |
| **2.0 Service solution** |  |
| 2.1 |  |
| 2.2 |  |
| **3.0 Service delivery** |  |
| 3.1 In house |  |
| 3.2 Outsource |  |
| 3.3 Strategic partnership |  |
| **4.0 Implementation** |  |
| 4.2 Big Bang |  |
| 4.3 Phased |  |
| **5.0 Funding** |  |
| 5.1 Private funding |  |
| 5.2 Public funding |  |

These have been re-visited in the context of the OBC and remain valid/ have changed as follows (please delete as required): ……

### 3.4 Short-listed options

The short list shown within the SOC was as follows:

* option 1 – the do nothing, do minimum or status quo
* option 2 – the reference project or outline Public Sector Comparator (PSC) based on totality of the preferred choices within each of the above categories
* option 3 – the reference project or outline PSC (more ambitious option) based on the more ambitious possible options within each of the above categories
* option 4 – the reference project or outline PSC (less ambitious option) based on the less ambitious options within each of the above categories.

In detail, the short-listed options are:

***Option 1 – the do nothing, do minimum or status quo***

This option provides the benchmark for VFM and is predicated upon the following parameters:

Scope: ……

Solution: ……

Service delivery: ……

Implementation: ……

Funding: ………………..

***Option 2 – reference project or outline Public Sector Comparator (PSC)***

This option provides an outline of the ‘preferred way forward’ (**not** preferred option) at SOC stage and is predicated upon the following parameters drawn from the long list for:

Scope: ……

Solution: ……

Service delivery: ……

Implementation: ……

Funding: ……

***Option 3 – the reference project or outline PSC (more ambitious) option***

This option provides an outline of a more ambitious version of the preferred way forward at SOC.

Scope: ……

Solution: ……

Service delivery: ……

Implementation: ……

Funding: ……

##### Option 4 – the reference project or outline PSC (less ambitious) option

This option provides an outline of a less ambitious version of the preferred way forward at SOC.

Scope: ……

Solution: ……

Service delivery: ……

Implementation: ……

Funding: ……

### 3.5 Economic appraisal

***3.5.1 Introduction***

This section provides a detailed overview of the main costs and benefits associated with each of the selected options. Importantly, it indicates how they were identified and the main sources and assumptions.

More detailed information is shown for each cost and benefit line within the economic appraisals at Appendix…..

### *3.5.2 Estimating benefits*

*Methodology*

The benefits associated with each option were identified during a workshop held on …… with the stakeholders and customers for the scheme. A list of participants is attached at Appendix….

*Description, sources and assumptions*

The benefits identified fell into the following **main** categories. In each case, the sources and assumptions underlying their use are explained. A more detailed explanation for each benefit line is attached to the economic appraisals in Appendix ……

Note: benefits fall into different categories which require different treatment within the OBC appraisals supporting the economic and financial cases – the distinctions are shown in the table below.

Table 6: main benefits

|  |  |  |
| --- | --- | --- |
| **Type** | **Direct to Organisation(s)** | **Indirect to Organisation(s)** |
| Quantitative (or quantifiable) | Measurable – for example, £s or numbers of transactions etc. | As shown |
| Cash releasing | These are financial benefits – for example, avoided spend, reduced cost etc. | As shown |
|  | ***The above are accounted for in the financial case appraisals*** | ***The above are NOT accounted for in the financial case appraisals*** |
| Non-cash releasing | These are economic benefits – for example, opportunity cost of staff time etc. | As shown |
|  | ***All of the above are accounted for in the economic case appraisals*** | ***All of the above are accounted for in the economic case appraisals*** |
| Qualitative (or non-quantifiable) | Non-measurable – for example, quality improvements such as patient well-being, improved morale etc | As shown |
|  | ***Subject to weighting and scoring – see below*** | ***Subject to weighting and scoring – see below*** |

### *3.5.3 Estimating costs*

*Methodology*

Costs were estimated by ……in accordance with ……

*Description, sources and assumptions*

The costs identified fell into the following **main** categories. In each case, the sources and assumptions underlying their use are explained. A more detailed explanation for each cost line is attached to the economic appraisals in Appendix …...

Note: special consideration should be given to the use of ‘optimism bias’ at OBC stage.

Transfer payments (VAT and capital charges etc) should **not** be included.

Costs falling to other public sector organisations **should** be included.

### *3.5.4 Net present cost findings*

The detailed economic appraisals for each option are attached at Appendix …... together with detailed descriptions for costs and benefits, and their sources and assumptions.

(If applicable)The short-listed options have been risk-adjusted to account for the ‘risk retained’ (in £s) by the organisation under each option.

The following table summarises the key results of the economic appraisals for each option:

Table 7: key results of economic appraisals

|  |  |  |
| --- | --- | --- |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 1 – Do Nothing/Do Minimum/Status Quo** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 2 – Reference Project/ Outline Public Sector Comparator** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)** | | |
| Capital  Revenue/ current  Risk retained  Optimism bias |  |  |
| **Total costs** |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |

### *3.5.5 Option ranking*

The results are summarised and shown in the following Table:

Table 8: summary of results

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Option | **Description** | **Ranking** | | | | |
|  | | NPC  (£s) | Cash benefit | Non cash benefit | Cost net cash savings | Costs net all savings |
| **1** |  |  |  |  |  |  |
| **2** |  |  |  |  |  |  |
| **3** |  |  |  |  |  |  |
| **4** |  |  |  |  |  |  |

### *3.5.6 Option appraisal conclusions*

The key findings are as follows:

*Option 1 – do nothing/do minimum/status quo*

This option ranks…..

It provides ……

*Option 2 – reference project/ outline PSC*

This option ranks…..

It provides ……

*Option 3 – reference project/ outline PSC (more ambitious)*

This option ranks…..

It provides ……

*Option 4 – reference project/ outline PSC (less ambitious)*

This option ranks…..

It provides ……

### 3.6 Qualitative benefits appraisal

A workshop was held at ….. on …….. to evaluate the qualitative benefits associated with each option.

***3.6.1 Methodology***

The appraisal of the qualitative benefits associated with each option was undertaken by:

* identifying the benefits criteria relating to each of the investment objectives
* weighting the relative importance (in %s) of each benefit criterion in relation to each investment objective
* scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9
* deriving a weighted benefits score for each option.

### *3.6.2 Qualitative benefits criteria*

The benefits criteria were weighted as follows for each investment objective:

Table 9: qualitative benefits criteria

| **Investment Objectives** | **Qualitative Benefits** | **Weight** |
| --- | --- | --- |
| Investment objective 1 | For example, business continuity through the provision of ……  For example, business flexibility through the provision of …… | 30% |
| Investment objective 2 |  | 25% |
| Investment objective 3 |  | 25% |
| Investment objective 4 |  | 10% |
| Investment objective 5 |  | 10% |

### *3.6.3 Qualitative benefits scoring*

Benefits scores were allocated on a range of 0-9 for each option and agreed by discussion by the workshop participants to confirm that the scores were fair and reasonable.

### *3.6.4 Analysis of key results*

The results of the benefits appraisal are shown in the following table:

Table 10: benefits appraisal results

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Benefit Criteria and Weight** | **Option 1** | | **Option 2** | | **Option 3** | | **Option 4** | |
| Raw (R) and weighted (W)scores | R | W | R | W | R | W | R | W |
| Investment objective 1 |  |  |  |  |  |  |  |  |
| Investment objective 2 |  |  |  |  |  |  |  |  |
| Investment objective 3 |  |  |  |  |  |  |  |  |
| Investment objective 4 |  |  |  |  |  |  |  |  |
| Investment objective 5 |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |
| **Rank** |  | |  | |  | |  | |

The key considerations that influenced the scores achieved by the various options were as follows:

* Option 1 – do nothing/do minimum/status quo:

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* Option 2 – reference project/ outline PSC

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* Option 3 – reference project/ outline PSC (more ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* Option 4 – reference project/ outline PSC (less ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

### 3.7 Risk appraisal – unquantifiables

Note: the risks associated with the scheme **must** be identified, prioritised and appraised in all instances.

In the case of significant, new and/or high value investments, the risks should be quantified in £s and included in the economic appraisals (‘cost of risk retained’). In the absence of risk measurement (in £s), a sum should be included for optimism bias – see the guidance that supports these templates. All other risks – those that are unquantifiable in £s – should be appraised as shown below.

In the case of medium and small sized schemes, it may suffice at this stage to weight and score the risks for each option and to rank accordingly – see below. Whatever the approach, a sum **must** be included for optimism bias in the economic appraisals.

Ideally, the risks should be quantified (in £s) in all cases and the non-quantifiable risks assessed as outlined below. In most instances, you will find the service risks associated with the design, build and operation features of the scheme fall in the former category, while associated business risks fall into the latter. External environmental risks – for example, inflation – may be ignored for the purposes of this appraisal, given that they are common to all options.

A workshop was held at ….. on ……. to evaluate the risks associated with each option.

***3.7.1 Methodology***

Risk appraisal has been undertaken and involved the following distinct elements:

* identifying all the possible business and service risks associated with each option
* assessing the impact and probability for each option
* calculating a risk score.

### 3.7.2 Risk scores

The workshop assigned the risk scores shown in the following table on the basis of participants’ judgment and assessment of previous procurements. A more detailed assessment of the individual risks is shown in the risk register.

The range of scales used to quantify risk was as follows:

* low equals 2
* medium equals 3
* high equals 5.

Table 11: summary of the risk appraisal results

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Summary of Risk Appraisal Results: OBC**  **(Pr = probability)** | **Risk category no.** | **Impact** | **Option 1 – do minimum** | | **Option 2 – PSC** | | **Option 3 – PSC more ambitious** | | **Option 4 – PSC less ambitious** | |
|  |  |  | Pr. | Tot. | Pr. | Tot. | Pr. | Tot. | Pr. | Tot. |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| Risk description |  |  |  |  |  |  |  |  |  |  |
| **Total** | | | |  |  |  |  |  |  |  |
| **Rank** | | | |  |  |  |  |  |  |  |

The key considerations that influenced the scores achieved by the various options were as follows:

* option 1 – do nothing/ do minimum/ status quo

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* option 2 – reference project/ outline PSC

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* option 3 – reference project/ outline PSC (more ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

* option 4 – reference project/ outline PSC (less ambitious)

This option ranks…..

It provides ……

Key considerations influencing its score are ……

**3.8 The preferred option**

The results of investment appraisal are as follows:

Table 12: summary of overall results

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Evaluation Results** | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| Economic appraisals |  |  |  |  |
| Benefits appraisal |  |  |  |  |
| Risk appraisal |  |  |  |  |
| **Overall Ranking** |  |  |  |  |

Conclusion:  the preferred option is ….. because……..

### 3.9 Sensitivity analysis

The methods used were:

1. ‘switching values’
2. scenario planning / analysis (‘what if ‘) by altering the values of the ‘uncertain’ costs and benefits to observe the effect on the overall ranking of options.

***3.9.1 Results of switching values***

Table 13 shows the values (in %s) at which the preferred option would change in the overall ranking of options.

Table 13: changes (%) required to equate with the preferred option

| **Change in Costs (%)** | **Option 1** | **Option 2**  **Preferred Option** | **Option 3** | **Option 4** |
| --- | --- | --- | --- | --- |
| Capital costs |  | 0 |  |  |
| Current costs |  | 0 |  |  |
| Total costs |  | 0 |  |  |
| Cash releasing benefits |  | 0 |  |  |
| Non releasing cash benefits |  | 0 |  |  |
| NPV/C |  | 0 |  |  |

***3.9.2 Key observations***

These are: ……

***3.9.3 Results of scenario planning***

The table below summarises the results associated with increasing uncertain costs by …% and reducing uncertain benefits by ….%.

Table 14: Summary of results from scenario planning

|  |  |  |
| --- | --- | --- |
|  | **Option 1 – benchmark** | **Option x – the preferred option** |
| Sensitivity analysis on benefits |  |  |
| Sensitivity analysis on costs |  |  |
| New order in ranking |  |  |

***3.9.4 Key observations***

These are: ……

### 3.10 Preferred option

The preferred option remains/has altered (delete as appropriate), because……

##### 4. The Commercial Case

### 4.1 Introduction

This section of the OBC outlines the proposed deal in relation to the preferred option outlined in the economic case.

This is for the provision of …. under a …. contract.

### 4.2 Required services

These are as follows: ……

### 4.3 Potential for risk transfer

The general principle is that risks should be passed to ‘the party best able to manage them’, subject to value for money.

This section provides an assessment of how the associated risks might be apportioned between……

Table 15: risk transfer matrix

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk Category** | **Potential allocation** | | |
| **Public** | **Private** | **Shared** |
| 1. Design risk |  |  |  |
| 2. Construction and development risk |  |  |  |
| 3. Transition and implementation risk |  |  |  |
| 4. Availability and performance risk |  |  |  |
| 5. Operating risk |  |  |  |
| 6. Variability of revenue risks |  |  |  |
| 7. Termination risks |  |  |  |
| 8. Technology and obsolescence risks |  |  |  |
| 9. Control risks |  |  |  |
| 10. Residual value risks |  |  |  |
| 11. Financing risks |  |  |  |
| 12. Legislative risks |  |  |  |
| 13. Other project risks |  |  |  |

### 4.4 Proposed charging mechanisms

The organisation intends to make payments in relation to the proposed products and services as follows: ……

### 4.5 Proposed contract lengths

The following contract lengths will be considered…….

### 4.6 Proposed key contractual clauses

These are as follows: ……

### 4.7 Personnel implications (including TUPE)

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will/ will not apply to this investment as outlined above.

### 4.8 Procurement strategy and implementation timescales

It is anticipated that the procurement strategy will follow: ……

It is anticipated that the implementation milestones to be agreed for the scheme with the service provider will be as follows: ……

### 4.9 FRS 5 accountancy treatment

It is envisaged that the assets underpinning delivery of the service will/will not be on the balance sheet of the organisation…..

**5.0 The Financial Case**

### 5.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case).

### 5.2 Impact on the organisation’s income and expenditure account

The anticipated payment stream for the project over its intended life span is set out in the following table:

### Table 16: summary of financial appraisal

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| £ xxx | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Total |
|  | £ | £ | £ | £ | £ | £ | £ | £ |
| **Preferred way forward:** | | | | | | | | |
| Capital |  |  |  |  |  |  |  |  |
| Revenue |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |
| **Funded by:** | | | | | | | | |
| Existing |  |  |  |  |  |  |  |  |
| Additional |  |  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |  |  |

### 5.3 Impact on the balance sheet

The proposed expenditure will have the following impact……

### 5.4 Overall affordability

The proposed cost of the project is … over the …. years of the expected lifespan of the contract.

Our commissioners have signified their agreement to the required level of funding as follows: ……

Note: costs should be broken down, as appropriate, within the categories shown for the design, build and operational phases of the scheme. In all cases, capital charges, VAT, and the cost of risk (any contingency or allowance for risk adjustment and optimism bias) should be shown separately.

**6. The Management Case**

### 6.1 Introduction

This section of the OBC addresses the ‘achievability’ of the scheme. Its purpose, therefore, is to build on the SOC by setting out in more detail the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

### 6.2 Programme management arrangements

The scheme is an integral part of the …… programme, which comprises a portfolio of projects for the delivery of……

These are set out in the Strategic Outline Programme for the Project, which was agreed on…….

The programme management arrangements are as follows: ……

**6.3 Project management arrangements**

The project will be managed in accordance with PRINCE 2 methodology.

***6.3.1 Project reporting structure***

The reporting organisation and the reporting structure for the project are as follows: …..

Note: a diagram with named individuals is required.

***6.3.2 Project roles and responsibilities***

These are as follows: ……

***6.3.3 Project plan***

This is as set out in the following table:

Table 17: project plan

| **Milestone Activity** | **Week No.** |
| --- | --- |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

### 6.4 Use of special advisers

Special advisers have been used in a timely and cost-effective manner in accordance with the Treasury Guidance: Use of Special Advisers**.**

Table 18: special advisers

| **Specialist Area** | **Adviser** |
| --- | --- |
| Financial |  |
| Technical |  |
| Procurement and legal |  |
| Business assurance |  |
| Other |  |

### 6.5 Outline arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management is as follows……

### 6.6 Outline arrangements for benefits realisation

The strategy, framework and plan for dealing with the management and delivery of benefits are as follows……

A copy of the project benefits register is attached at appendix ……..

This sets out who is responsible for the delivery of specific benefits, how and when they will be delivered and the required counter measures, as required.

### 6.7 Outline arrangements for risk management

The strategy, framework and plan for dealing with the management of risk are as follows……

A copy of the project risk register is attached at Appendix ……..

This details who is responsible for the management of risks and the required counter measures, as required.

### 6.8 Outline arrangements for post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with best practice and are as follows.

***6.8.1 Post implementation review (PIR)***

These reviews ascertain whether the anticipated benefits have been delivered and are timed to take place……..

***6.8.2 Project evaluation reviews (PERs)***

PERs appraise how well the project was managed and delivered compared with expectations and are timed to take place ……

### 6.9 Gateway review arrangements

The impacts/risks associated with the project have been scored against the risk potential assessment (RPA) for projects. The RPA score is ….. The report is attached at Appendix….

A Gateway 2 (procurement strategy) has been undertaken on the project, in conjunction with the draft OBC. The consequent actions have been addressed as follows……

Further reviews are planned as follows: ……

### 6.10 Contingency plans

In the event that this project fails, the following arrangements are in place for continued delivery of the required services and outputs……

**Signed:**

**Date:**

**Senior Responsible Owner**

**Project Team**