### TEMPLATE 2: STRATEGIC OUTLINE CASE (SOC)

Project Title:

Strategic Outline Case (SOC)

Version No:

Issue Date

**Purpose of this document**

This document provides a template for a Strategic Outline Case (SOC), in support of an investment (project, procurement or scheme) which has been identified within a strategy and/or its supporting programme. The strategic outline programme (SOP) refers.

At an early stage, the main purpose of the SOC is to establish the need for investment; to appraise the main options for service delivery; and to provide management with a recommended – or preferred – way forward for further analysis.

In practice, the author will find this entails building on strategy documents to make the case for change within the strategic case; preparing and appraising the long list of options within the economic case; and recommending a preferred way forward, together with indicative costs, for much further analysis within the Outline Business Case (OBC).

Business planning is an iterative exercise, so the author should bear in mind the need to revisit earlier assumptions. Also note that the SOC should be prepared in accordance with best practice guidance provided 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 |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

# CONTENTS – SOC TEMPLATE

**HOW TO USE THIS TEMPLATE**

**OVERVIEW OF THE SOC PRODUCTION PROCESS**

**TEMPLATE AND SUPPORTING GUIDANCE**

## Executive summary

## Strategic case

## Economic case

## Commercial case

## Financial case

## Management case

## APPENDICES

## These must include:

## Strategic plans/ organisational/ business strategies (as appropriate)

## Strategic business plans/ SOP

## Risk potential assessment (RPA)

### HOW TO USE THIS TEMPLATE

There are four points that you should take into consideration:

* first, that 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 remarkably similar, the level of detail required will vary significantly over the developmental phases of a business case
* second, that the guidance provided in Departmental Capital Investment Manuals should continue to 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 SOC PRODUCTION PROCESS**

The table below shows the systematic approach to the preparation of the SOP and SOC development phases of the business case:

|  |  |  |
| --- | --- | --- |
| Stages | Development Process | Deliverables |
|  |  |  |
| Phase 0 – | Determining strategic context |  |
| Step 1/ action1 | 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* |  |

**SOC TEMPLATE AND SUPPORTING GUIDANCE**

**1. Executive summary**

### 1.1 Introduction

This SOC seeks approval to invest an estimated £…… in …….

### 1.2 Strategic case

***1.2.1 The strategic context***

The strategic drivers for this investment and associated strategies, programmes and plans are as follows: ……

***1.2.2 The case for change***

The existing situation is as follows: ……

The related business needs are as follows: ……

On the basis of this analysis, the potential scope for the scheme is as follows: ……

### 1.3 Economic case

### *1.3.1 The long list*

Within this potential scope, the following options were considered using the options framework……

***1.3.2 The preferred way forward***

On the basis of the above analysis, the preferred and recommended way forward is as follows: ……

The main benefits to stakeholders, customers/ users are as follows: ………

***1.3.3 The short list***

On the basis that the preferred way forward is agreed, we recommend the following options for further, more detailed evaluation within the Outline Business Case (OBC):

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

Consequently, the preferred option will be identified and recommended for approval within the OBC.

### *1.3.4 Indicative economic costs*

The indicative costs for the scheme are as follows:

|  |  |  |
| --- | --- | --- |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 1** | | |
| Capital  Revenue |  |  |
| Total costs |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non- cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 2** | | |
| Capital  Revenue |  |  |
| Total costs |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 3** | | |
| Capital  Revenue |  |  |
| Total costs |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |
|  | Undiscounted (£) | Net Present Cost (Value) (£) |
| **Option 4** | | |
| Capital  Revenue |  |  |
| Total costs |  |  |
| ***Less*** cash releasing benefits |  |  |
| Costs net cash savings |  |  |
| Non-cash releasing benefits |  |  |
| **Total** |  |  |

Note: it should be possible to provide indicative costs and benefits for all options.

### 1.4 Commercial case

### *1.4.1 Procurement strategy*

Subject to further analysis at OBC stage, we would envisage procuring this scheme as follows in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004)……

### *1.4.2 Required services*

The required products and services in relation to the preferred way forward are briefly as follows:……

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

The main risks associated with the scheme are as follows……

These could potentially be tied down contractually within the deal and associated payment mechanisms as follows: ……

### 1.5 Financial case

***1.5.1 Summary of financial appraisal***

The indicative financial implications of the proposed investment are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| £ 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** |  |  |  |  |  |  |  |  |

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

The overall affordability of the scheme is as follows: ……

The organisation’s commissioners/ stakeholders have expressed their support as follows: ……

The funding requirement (if any) is as follows: …….

The balance sheet treatment of the scheme is expected to be as follows: ……

### 1.6 Management case

### *1.6.1 Project 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 (SOP) for the project, which was agreed on……This is attached as an Appendix.

The following arrangements will be put in place to ensure the successful development of the scheme and production of the OBC……

### *1.6.2 Gateway reviews arrangements*

A Gate 0 (strategic fit) has been undertaken on the programme, in conjunction with agreement to the SOP. The consequent actions are as follows……

A Gate 1 (business justification) has been has been undertaken on the project, in conjunction with the submission of this SOC. The consequent actions are as follows……

### 1.7 Recommendation

We recommend ……

**Signed:**

**Date:**

**Senior Responsible Owner**

**Project team**

**2. The Strategic Case**

**2.0 Introduction**

This Strategic Outline Case (SOC) is for ……

##### Structure and content of the document

This SOC 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 a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM)
* the **commercial case** section. This outlines what any potential deal might look like
* the **financial case** section. This highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme
* the **management** **case** section. This demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

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 the existing and future operational needs of the organisation.

Please refer back to the Strategic Outline Programme (SOP) 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, with particular reference to purpose, structure, and operational environment.

**2.2 Business strategies**

Please reference the business strategy for the organisation(s) and any related national, regional or local strategies.

Other projects within the SOP should also be referenced.

**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.

Please note how these were derived with the involvement of 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.

There is no restriction on the number of investment objectives for a scheme, but a maximum of 5 is suggested in order to make the case manageable.

### 

### 2.5 Existing arrangements

This section describes the existing situation with regard to the investment – the status quo.

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.

### 2.7 Potential business scope and key service requirements

This section describes the potential business scope and key service requirements for the project in relation to the above business needs.

Note: it may be helpful to consider the potential business scope and key service requirements 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 criteria

| **Investment objectives** | **Main benefits criteria by stakeholder group** |
| --- | --- |
| Investment objective 1 |  |
| 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.

Note: the table that follows provides a starting point for consideration in relation to service risks. Business risks will need to be identified separately by the organisation on a case by case basis. The aim should be to identify the 20% of risks that account for 80% of the value on fruition. In some cases it may also be pertinent to consider any notable external environmental risks.

Table 4: 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 |  |

### 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.

### 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.

##### 

##### 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 SOC 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 key CSFs for the …. project were developed by an ‘options workshop’ held by …. on …..

The attendees included relevant stakeholders and customers (for example, patients, commissioners, clinicians, administrators) – see Appendix...

These CSFs have been used alongside the investment objectives for the project to evaluate the long list of possible options.

Note: You may find it useful to consider the following for this purpose:

* CSF1: business needs – how well the option satisfies the existing and future business needs of the organisation.
* CSF2: strategic fit – how well the option provides holistic fit and synergy with other key elements of national, regional and local strategies.
* CSF3: benefits optimisation – how well the option optimises the potential return on expenditure – business outcomes and benefits (qualitative and quantitative, direct and indirect to the organisation) – and assists in improving overall VFM (economy, efficiency and effectiveness).
* CSF4: potential achievability – the organisation’s ability to innovate, adapt, introduce, support and manage the required level of change, including the management of associated risks and the need for supporting skills (capacity and capability). Also the organisation’s ability to engender acceptance by staff.
* CSF5: supply side capacity and capability – the ability of the market place and potential suppliers to deliver the required services and deliverables.
* CSF6: potential affordability – the organisation’s ability to fund the required level of expenditure – namely, the capital and revenue consequences associated with the proposed investment.

### 3.3 The long-listed options

The long list of options was generated by the workshop in accordance with best practice contained in the Capital Investment Manual.

The evaluation was undertaken in accordance with how well each option met the investment objectives and CSFs.

Note: the options framework can be used to generate the required number of options for the long list. It does so by systematically working through the available choices for what, how, who, when and funding.

This process results in options either being discounted, carried forward for further consideration in the short list or identified as a preferred choice and basis for the reference project (or outline Public Sector Comparator, as it is technically known).

In some cases, it may be necessary to redefine these ‘categories of choice’ in order to meet the specific needs of the investment.

The long list of options for this investment was generated by the workshop using the options framework. This generated options within the following key categories of choice:

***Scoping options – choices in terms of coverage (the what)***

The choices for potential scope are driven by business needs and the strategic objectives at both national and local levels. In practice, these may range from business functionality to geographical, customer and organisational coverage. Key considerations at this stage are ‘what’s in?’ ‘what’s out?’ and service needs. See 3.4 below.

***Service solution options – choices in terms of solution (the how)***

The choices for potential solution are driven by new technologies, new services and new approaches and new ways of working, including business process re-engineering. In practice, these will range from services to how the estate of an organisation might be configured. Key considerations range from ‘what ways are there to do it?’ to ‘what processes could we use?’ See 3.5 below.

***Service delivery options – choices in terms of delivery (the who)***

The choices for service delivery are driven by the availability of service providers. In practice, these will range from within the organisation (in-house), to outsourcing, to use of the public sector as opposed to the private sector, or some combination of each category. The use of some form of public private sector partnership (PPP) is also relevant here. See 3.6 below.

***Implementation options – choices in terms of the delivery timescale***

The choices for implementation are driven by the ability of the supply side to produce the required products and services, VFM, affordability and service need. In practice, these will range from the phasing of the solution over time, to the modular, incremental introduction of services. See 3.7 below.

***Funding options – choices in terms of financing and funding***

The choices for financing the scheme (public versus private) and funding (central versus local) will be driven by the availability of capital and revenue, potential VFM, and the effectiveness or relevance/ appropriateness of funding sources. See 3.8 below.

**3.4 Scoping options**

***3.4.1 Introduction***

This range of options considers coverage of ….

In accordance with the Treasury Green Book and Capital Investment Manual, the do nothing / status quo/ do minimum (delete as applicable) has been considered as a benchmark for potential VFM.

An infinite number of options and permutations are possible; however, within the broad scope outlined in the strategic case, the following main options have been considered:

* option 1.1 – do nothing
* option 1.2 – the ‘minimum’ scope – marginal improvements in …
* option 1.3 – the ‘intermediate’ scope – for improvements in …..
* option 1.4 – ‘maximum’ scope – for improvements in …..

***Option 1.1: do nothing***

*Description*

This option…

*Advantages*

The main advantages are:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would ….

Note: focus on how well the option meets the investment objectives and agreed CSFs for the project (SWOT analysis) and summarise the overall findings in the conclusion.

***Option 1.2: do minimum – marginal improvements in ….***

*Description*

This option…

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would …

***Option 1.3: intermediate scope for improvements in ……***

*Description*

This option …

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option provides …

***Option 1.4: maximum scope for improvements in ……***

*Description*

This option …

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option provides …

### *3.4.2 Overall conclusion: scoping options*

The table below summarises the assessment of each option against the investment objectives and CSFs.

Table 5: summary assessment of scoping options

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reference to:** | Option 1.1 | Option 1.2 | Option 1.3 | Option 1.4 |
| **Description of option:** | Do nothing | Minimum | Intermediate | Maximum |
| **Investment objectives** |  |  |  |  |
| 1 | *x* | ? |  |  |
| 2 | *x* | ? |  |  |
| 3 | *x* | ? |  |  |
| 4 | ? | ? |  |  |
| 5 | *x* | ? |  |  |
| **Critical success factors** |  |  |  |  |
| Business need | *x* | ? |  |  |
| Strategic fit | *x* | *x* |  |  |
| Benefits optimisation | *x* | ? |  | ? |
| Potential achievability |  |  | ? | ? |
| Supply-side capacity and capability |  |  |  | ? |
| Potential affordability | *x* |  | ? | *x* |
| **Summary** | **Discounted** | **Possible** | **Preferred** | **Discounted** |

*Option 1.1: do nothing*

This option has been discounted because it does not satisfy …..

*Option 1.2: minimum scope – marginal improvements*

This option would deliver …

This option is possible because…

*Option 1.3: intermediate scope for improvements*

This option would deliver…..

This option is preferred because…

*Option 1.4: maximum scope*

This option would deliver…..

This option has been discounted because…….

Note: one option is carried forward as the preferred choice for assessment within the next category – in this example it is option 1.3.

**3.5 Service solution options**

***3.5.1 Introduction***

This range of options considers potential solutions in relation to the preferred scope.

The range of options that have been considered are:

* option 2.1
* option 2.2……

***Option 2.1***

*Description*

This option is for……

*Advantages*

The main advantages are that: ……

*Disadvantages*

The main disadvantages are that: ……

*Conclusion*

This option meets……

***Option 2.2***

*Description*

This option is for ……

*Advantages*

The main advantages are that: ……

*Disadvantages*

The main disadvantages are that: ……

*Conclusion*

This option meets …

And so on…

### *3.5.2 Overall conclusion: service solutions options*

The table and narrative below summarises the assessment of each option against the investment objectives and CSFs.

Table 6: summary assessment of service solutions options

|  |  |  |
| --- | --- | --- |
| **Reference to:** | Option 2.1 | Option 2.2 |
| **Description of option:** |  |  |
| **Investment objectives** |  |  |
| 1 |  |  |
| 2 | ? |  |
| 3 | ? |  |
| 4 | ? |  |
| 5 | *x* |  |
| **Critical success factors** |  |  |
| Business need | ? |  |
| Strategic fit | ? |  |
| Benefits optimisation | ? | ? |
| Potential achievability | ? | ? |
| Supply-side capacity and capability | ? |  |
| Potential affordability |  | ? |
| **Summary** | **Possible** | **Preferred** |

***Option 2.1***

This option is possible because …….

***Option 2.2***

This option is preferred because ….…

Note: the preferred option, with previous choices, is carried forward for subsequent assessment in the next category of choice.

3.6 Service delivery options

***3.6.2 Introduction***

This range of options considers the options for service delivery in relation to the preferred scope and potential solution.

The ranges of options that have been examined are:

* option 3.1: in-house
* option 3.2: outsource
* option 3.3: strategic partnership.

***Option 3.1: in-house***

*Description*

This option describes the provision of……

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would ……

***Option 3.2: outsource***

*Description*

This option describes the provision of……

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option would……

***Option 3.3: strategic partnership***

*Description*

This option describes the provision of……

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

***Conclusion***

This option would……

***3.6.2 Overall conclusion: service delivery options***

The table below summarises the assessment of each option against the investment objectives and CSFs.

Table 7: summary assessment of service delivery options

|  |  |  |  |
| --- | --- | --- | --- |
| **Reference to:** | Option 3.1 | Option 3.2 | Option 3.3 |
| **Description of options:** | *In-house* | *Outsource* | *Strategic partnership* |
| **Investment objectives** |  |  |  |
| 1 |  | ? |  |
| 2 |  | ? |  |
| 3 |  | ? |  |
| 4 |  |  |  |
| 5 |  |  | *x* |
| **Critical success factors** |  |  |  |
| Business need |  | *?* | ? |
| Strategic fit |  | *x* | ? |
| Benefits optimisation |  | *x* |  |
| Potential achievability |  | x |  |
| Supply-side capacity and capability |  | ? | ? |
| Potential affordability |  | ? | ? |
| **Summary** | Preferred | Discounted | Possible |

*Option 3.1: In-house*

This option would/would not ……

This option is preferred because……

*Option 3.2: outsource*

This option would/would not ……

This option has been discounted because ……

***Option 3.3: strategic partnership***

This option would/would not ……

This option is possible because ……

**3.7 Implementation options**

***3.7.1 Introduction***

This range of options considers the choices for implementation in relation to the preferred scope, solution and method of service delivery.

* option 4.1: ‘Big Bang’
* option 4.2: phased.

**Option 4.1: ‘Big Bang’**

*Description*

This option assumes that all the required services could be delivered within the initial phase(s) of the project.

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option is ……

***Option 4.2: phased***

*Description*

This option assumes that the implementation of the required services would be phased on an incremental basis ……

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

This option is ……

### *3.7.2 Overall conclusion: implementation options*

The table below summarises the assessment of each option against the investment objectives and critical success factors.

Table 8: summary assessment of implementation options

|  |  |  |
| --- | --- | --- |
| **Reference to:** | Option 4.1 | Option 4.2 |
| **Description of options:** | ‘Big Bang’ | phased |
| **Investment objectives** |  |  |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| 5 |  |  |
| **Critical success factors** |  |  |
| Business need |  |  |
| Strategic fit | *x* |  |
| Benefits optimisation | ? | ? |
| Potential achievability | *x* |  |
| Supply-side capacity and capability | *x* |  |
| Potential affordability | ? | ? |
| **Summary** | Discounted | Preferred |

***Option 4.1: ‘Big Bang’***

This option has been discounted because……

***Option 4.2: Phased***

This option is preferred because ……

**3.8 Funding options**

Note: where it has been agreed that the scheme will be publicly funded as part of the capital expenditure programme, it will be unnecessary to consider the use of alternative methods of finance. However, where the funding mechanism has **not** been agreed this set of options may still have a use for appraisal purposes – for example, as in the case of central versus local funding.

It should also be noted that the use of private finance does not simply consist of Public Private Partnerships (PPP) and the Private Finance Initiative (PFI). In this context, the use of financial leases and operating leases, and other forms of rental payment might also be considered, together with sponsorship arrangements.

***3.8.1 Introduction***

This range of options considers the choices for funding and financing in relation to the preferred scope, solution, method of service delivery and implementation.

The options are as follows:

* option 5.1: private funding
* option 5.2: public funding.

***Option 5.1: private funding***

*Description*

Under this option, the required services might be provided on a PPP (PFI) basis from a single service provider or consortium made up of potential service providers on the private sector side.

The assets underpinning the provision of services would be an integral part of the service and indistinguishable within the resultant service charge. All elements of the service would be within the potential scope of the deal.

*Relevant background*

The Confederation of British Industry (CBI) has developed the following criteria for assessing the eligibility of public sector investment schemes against private funding arrangements (CBI Report: Private Skills in Public Service).The Project team has assessed the potential for private finance using these criteria.

Table 9: assessment of favourable characteristics for a privately financed project

|  |  |  |  |
| --- | --- | --- | --- |
|  | High | Medium | Low |
| 1. Output/service-delivery driven |  |  |  |
| 2. Substantial operating content within the project |  |  |  |
| 3. Significant scope for additional/alternative uses of the asset |  |  |  |
| 4. Scope for innovation in design |  |  |  |
| 5. Surplus assets intrinsic to transaction |  |  |  |
| 6. Long contract term available |  |  |  |
| 7. Committed public sector management |  |  |  |
| 8. Political sensitivities are manageable |  |  |  |
| 9. Risks primarily commercial in nature |  |  |  |
| 10. Substantial deal |  |  |  |
| 11. Complete or stand alone operations to allow maximum synergies |  |  |  |
| **Note: none of these conditions will themselves guarantee success but they point to a particular direction and allow for a more informed decision** |  | | |

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

*Conclusion*

In the context of this investment it is considered….

***Option 5.2: public funding***

*Description*

The options for public funding are essentially to ……..

*Advantages*

The main advantages are that:

*Disadvantages*

The main disadvantages are that:

**Conclusion**

Under this option ……

### *3.8.2 Overall conclusion: funding*

Use of the CBI table above indicates that the deal would be suitable/ not suitable for private finance because ……

### 3.9 The long list: inclusions and exclusions

The long list has appraised a wide range of possible options.

Table 10: summary of inclusions, exclusions and possible options

|  |  |
| --- | --- |
| **Options** | **Finding** |
| **1.0 Scope** | |
| 1.1 ‘Do Nothing’ | Discounted - because |
| 1.2 Minimum | Possible - because |
| 1.3 Intermediate | Preferred - because |
| 1.4 Maximum | Discounted – because |
| **2.0 Service solutions** |  |
| 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 |  |

### 

### 3.10 Short-listed options

***3.10.1 Overview***

The ‘preferred’ and ‘possible’ options identified in table 6 above have been carried forward into the short list for further appraisal and evaluation. All the options that were discounted as impracticable have been excluded at this stage.

On the basis of this analysis, the recommended short list for further appraisal within the OBC is as follows:

* option 1 – the do minimum, do nothing 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 ambitiouspossible 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.

Note: please provide full descriptions of each option and note that indicative amounts (in £s) for the benefits and costs associated with each of the above short listed options should be provided within the SOC.

Also, if it is possible to go on to the next stage in more detail, then the guidance provided in the template for the OBC in relation to the economic case (short list) should be pursued. In other words, the above information and analysis constitutes the minimum requirement for the purpose of the SOC.

Finally, when calculating the estimated costs for the scheme, please note the need to make some allowance for optimism bias or risk adjustment.

##### 

##### 4. The Commercial Case

### 4.1 Introduction

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

Note: the detailed consideration of the commercial case takes place at OBC stage. However, you need to start thinking about it in outline terms now. The SOC should contain an initial, less detailed review

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

### 4.2 Required services

These are as follows …

### 4.3 Potential for risk transfer

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

Note: detailed analysis of risks takes place at OBC stage

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

The table below outlines the potential allocation of risk …

Table 11: 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 with respect 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…

Subject to agreement of the SOC, 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 the delivery of 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 indicative financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case section).

Note: detailed analysis of the financial case including affordability takes place at OBC stage.

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

The anticipated payment stream for the project over its intended life span is ……

### Table 12: 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 capital expenditure will have the following impact…

### 5.4 Overall affordability

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

The organisation’s commissioners have signified their agreement to the required level of funding required…

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 SOC addresses the ‘achievability’ of the scheme. Its purpose is to set out 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 SOP 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 Outline project reporting structure***

***6.3.2 Outline project roles and responsibilities***

***6.3.3 Outline project plan***

Table 12: milestones

| **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**.**

Details are set out in the table below:

Table 13: special advisers

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

### 6.5 Gateway review arrangements

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

A Gate 0 (strategic fit) has been undertaken on the programme, in conjunction with agreement to the SOP. The consequent actions have been as follows…

A Gate 1 (business justification) has been has been undertaken on the project, in conjunction with the submission of this SOC. The consequent actions have been addressed as follows …

Further reviews are planned as follows…

**Signed:**

**Date:**

**Senior Responsible Owner**

**Project Team**