

ELECTED MEMBER GUIDANCE

Scrutinising Business Cases





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Purpose of the guidance

This guidance will support elected members to more effectively scrutinise business cases presented to you by officers. The guidance highlights the type of information members should look and ask for from officers, to ensure they can make informed decisions. Sample questions that members can ask are also provided.

The guidance will provide members with a greater understanding of good business case practice, but not with the intention that members will be developing business cases or getting heavily involved in their development. Members should use the increased awareness and understanding to support scrutiny of business cases to ensure decisions are transparent and based on good evidence.

What is a business case?

In broad terms, a business case is:

“The justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.” (Association of Project Management)

Business case formats

Within councils there may be a variety of business case formats, depending on the approach taken by your council. There may be one corporate business case template that everyone in the council uses, but likewise each department or service may have their own approach. The content within this guidance is good practice. It should always be checked whether the organisation has a set template or format that should be followed first.

The [Green Book¹](#) is an example of an approach, which is commonly used with City deals. The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects.

The business case and format should also be proportionate to the project. For example, a £5,000 project with relatively low risk may only require the business case to be a few pages long whereas a high investment project with many risks will require a more detailed business case.



1 <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government> (Accessed on 25 March 2020).

When should a business case be developed?



Key points for this section

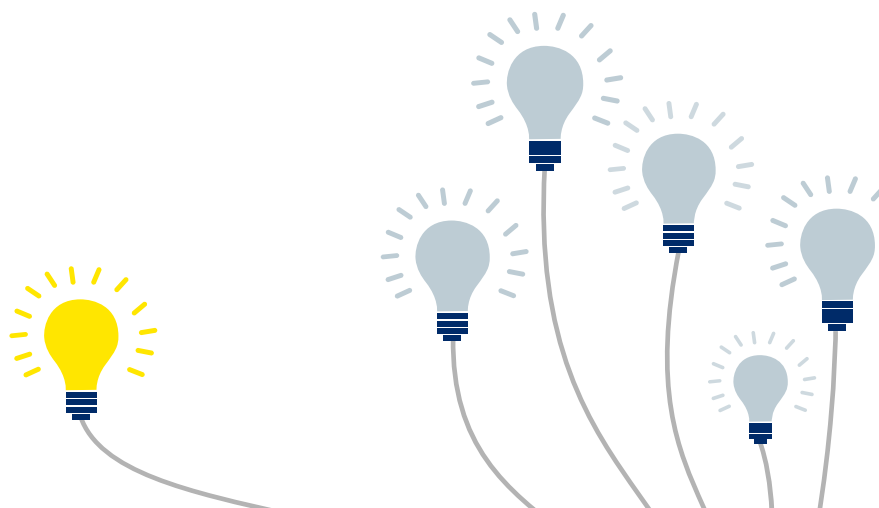
1. Project ideas must be evidence based and you have a responsibility to ensure the evidence is robust.
2. A business case is the justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.
3. Business cases should be proportionate to the size and scale of a project. However, every business case will have several key components in it regardless of size and scale.

As an elected member, it's important to understand when a business case would be needed. This will help you to know when you should expect to see business cases produced by officers.

Generally, business cases are used in organisations to seek approval for investment in a project. Your council's constitutional documents should outline when and how officers would be expected to seek approval for investments. This may include criteria for the types of investments which require business cases to be produced.

The business case is reviewed and revised at different decision points as more mature estimates and information becomes available. The approved business case provides a record of the decisions made by key decision makers and documents the options considered to achieve the required return on investment from the work. Through this approach, the business case becomes a record of the recommended option with rationale and evidence to support the decision.

Where you are undertaking post-decision scrutiny of a business case, for example scrutinising a decision taken at committee as a result of a call-in, you can



scrutinise whether the business case was robust and the rationale for the decision was sound.

Drivers for business cases

Firstly, before a business case should be produced, the initial project or programme idea **must be** backed with evidence. The evidence base that stimulates project ideas can be from numerous sources.

- ▶ **Strategic direction (e.g. new/revised policy)** – whether it is national or local policy, this may require changes to service delivery.
- ▶ **Statutory requirements** – this might be new legislation or new powers to local councils
- ▶ **Service review** – a review using business analysis techniques may have taken place which has identified problems/inefficiencies with current service delivery.
- ▶ **New working arrangements** e.g. replacing ageing systems; software updates; new management requirements.
- ▶ **Benchmarking** – other councils or organisations may have similar operational systems in place and redesigned how they deliver their service with good evidence to show the successes.
- ▶ **Service users/citizens** – feedback from service users / citizens can provide insightful data that can be used to improve or redesign services.

You should make sure the rationale for a project is sound and that it aligns with the strategic objectives of the council.

Components of a business case

We've established why and when you'd expect to see a business case produced, now it's necessary to know what key components you should expect to see in a business case and how you might scrutinise each of these components.

These components are the key sections that should be included within a business case:

- ▶ Project overview – description, background, vision, objectives, strategic fit
- ▶ High level scope
- ▶ Interdependencies
- ▶ Lessons learned
- ▶ Benefits – financial cost saving, financial cost avoidance, non-financial measurable, non-financial non-measurable
- ▶ Options appraisal and recommendation
- ▶ Indicative project plan
- ▶ Stakeholders and communications
- ▶ Governance and resource requirements
- ▶ High level risk review
- ▶ Costs and funding plan
- ▶ Business impact assessment – Including business as usual (BAU) impacts



However, the business case should be proportionate to the project. For example, a £5,000 project with relatively low risk may only require the business case to be a few pages long whereas a high investment project with many risks will require a more detailed business case. The components above should be used as a guide, but always consider what is needed and appropriate for the project when carrying out scrutiny.

As an elected member there are some components of a business case that you should be aware of to provide you with information to make informed decisions. We explore the key components you should consider in the following sections.

Key questions

- ▶ Is there a specific approach to writing business cases in the organisation?
- ▶ Where has the project/ problem come from? Is there evidence to support the project idea?
- ▶ How does your project contribute to the stated organisation goals/ council plans and strategic documents?
- ▶ Does the business case take into account the external environment? What might be the impact of the external environment on the project and how will this be addressed by the project?

Vision



Key points for this section

1. The vision is the desired outcome(s) and/or change the project will bring about.
2. In scrutinising the vision, consider whether it aligns with relevant council plans and strategic documents.

The vision is the desired outcome(s) and/or change the project will bring about. The vision is the end point. The vision should be short, and, easy to remember and share with others. In scrutinising the vision, consider whether it aligns with relevant council plans and strategic documents.

Key questions

- ▶ Is there a clear vision?
- ▶ Does the vision align with relevant council plans and strategic documents?
- ▶ Is the vision ambitious and forward thinking?

Objectives



Key points for this section

1. Objectives are specific actions for achieving the overall vision.
2. To ensure objective are clear and reachable, each one should be specific, measurable, achievable, relevant and time based.

Objectives are clear, measurable statements that describe the things a project is trying to achieve.

- ▶ Objectives should be identified at the beginning of a project.
- ▶ Objectives should be written by key stakeholders of a project to ensure buy in from everyone.
- ▶ Objectives may even be developed with involvement from elected members in some instances

Objectives can be written and presented in various ways, however as an elected member, you should review the objectives presented in a business case to ensure they are SMART (Specific, Measurable, Achievable, Realistic and Time-based).

SMART is a well-established tool that can be used to plan and achieve goals. Following the SMART tool approach helps narrow down the objectives and focus thinking to set more achievable goals.



<u>Specific</u>	<u>Measurable</u>	<u>Attainable</u>	<u>Relevant</u>	<u>Time-based</u>
Objectives should be brief descriptions	Objectives should be able to be monitored for progress	Objectives should be agreed by all key stakeholders	Objectives should be reasonable and realistic	Objectives should be achievable within the project start and end point

Example:

“To increase savings.”

As this objective is very broad with no timescales attached to it is likely that this would not happen at all or that it would take a long time to do so. By setting a goal of how much savings should be increased by and a timeline this objective is more likely to be achieved. Using the SMART tool, the objective should now be:

“To increase savings by 10%, by the end of the year.”

Of course, judgements need to be made as to whether the objective is attainable, relevant and realistic. This can be difficult as you may not have all the necessary information and professional expertise to make such judgements. However, using appropriate opportunities (committee meetings, briefings etc.) to ask officers to explain the rationale for the objectives should help with this. For example, what was the rationale for the 10% target and end of year timescale?

Key questions

- ▶ Have the project objectives been identified in the business case?
- ▶ Is there evidence to show that objectives have been agreed with all key stakeholders?
- ▶ Are the project objectives SMART?
- ▶ Does the business case include a timeline for when each objective should be met?

High level scope



Key points for this section

1. Scope refers to what is included and what is not included in a project. A business case should make reference to both.
2. Scope should be set out at the beginning of a project.
3. A well-defined project scope is a necessity to ensure the success of a project.

Managing project scope is concerned with defining and controlling what is and is not included in the project. As an elected member, you should ensure that the business case makes reference to both:

- ▶ **In scope** - What is included in the project? What is the project responsible for delivering?
- ▶ **Out of scope** - What is not included in the project? What is the project not responsible for delivering?

It is important this information is set out from the beginning of a project. If this is not done, it may mean that additional elements are added to the project as it progresses, resulting in going over budget or initial timescales.

Elected members may, on occasions, be involved in the process of agreeing what is in and out of scope.

Key questions

- ▶ Does the business case define what the project will be responsible for delivering (in scope)?
- ▶ Does the business case define what the project will NOT be responsible for delivering (out of scope)?

Interdependencies



Key points for this section

1. Projects are not delivered in isolation and often have an impact on other projects or are impacted by other projects.
2. Interdependencies with other projects should be identified, understood and managed by officers.
3. Effective scrutiny of interdependencies should ensure any gaps are identified and rectified or learned from.

As an elected member it is important to consider the bigger picture. Projects are not delivered in isolation. They often have an impact on and are impacted by other projects and the environment. It is essential that any interdependencies with other projects — particularly in relation to risks — are identified, understood and managed. Primarily, this is the responsibility of officers, however, members have unique insights given the breadth of roles they undertake and your scrutiny of a project should consider the bigger picture and the interdependencies. You should look for evidence in the business case that interdependencies have been considered.

Impact of other projects

For example, a council has a project to expand the number of funded hours of early learning and childcare available for eligible children. To do this they need to build new nurseries and change existing nurseries' opening hours. However, to build new nurseries requires the estates team to identify suitable locations, tender contractors etc. The expansion of funded hours project can't therefore be complete until new nurseries are built, and opening hours are changed.

Impact of the project

The expansion of the number of funded hours of early learning and childcare would have an impact on other areas of the organisation. For example, requiring extended opening hours will mean more staff need to be hired.



Key questions

- ▶ Does the business case consider how other work or projects within the organisation might impact the project?
- ▶ Does successful delivery of the project depend on the delivery of another project first? If yes, are there contingencies in place to mitigate the impact of these interdependencies?
- ▶ Does the business case consider what impact the project will have on other work or projects within the organisation?

Lessons learned



Key points for this section

1. Lessons learned reflect both the positive and negative experiences of a project.
2. A business case should make reference to lessons learned and what those mean for the delivery of the project.
3. Furthermore, a business case should make reference to how lessons from the project will be captured and shared with others across the organisation.

Lessons learned are positive and negative experiences distilled from a project that should be actively taken into account in future projects. Lessons learned include what has worked well or what should be done differently or avoided.

Lessons learned can come from different sources:

- ▶ Projects within your own council;
- ▶ Projects from other organisations e.g. other local authorities;
- ▶ Wider sector, or private sector;

As an elected member, it is important you ensure the business case takes into account lessons learned from other projects, including how these will help the delivery of the project and what impact these may have on the project.

Furthermore, the business case should also explain how lessons from the project will be recorded and shared with others across the organisation. Sharing lessons learned will prevent the organisation from repeating mistakes and allow others to take advantage of best practices.

As an elected member, you have a role to play in ensuring the type of scrutiny you apply to projects is geared towards acknowledging lessons learned and not



apportioning blame. Consider whether you and your fellow members are supporting an environment where learning lessons is all part of a culture of continuous improvement within the council.

Key questions

- ▶ Does the business case consider lessons learned from other work / projects previously carried out in the organisation? If yes, what impact do these have on the project?
- ▶ Is there anything else that might help or impact the delivery of the project?
- ▶ How will lessons learned from the project be recorded, stored and shared with others within the organisation?

Benefits



Key points for this section

1. The business case should identify the criteria that will be used to determine the success of the project upon its completion.
2. Benefits should be identified at the beginning of a project.
3. Benefits can be financial and/or non-financial.
4. Benefits should be reviewed and updated throughout the lifecycle of a project.
5. It is worth noting that project objectives should be identified and measured first to show what the goals of the project are; the benefits should be identified at a later stage to show what the project will bring if the objectives are met.

The business case should identify the criteria that will be used to determine the success of the project upon its completion. This needs to be done at the very outset of the project and it's important to consider the different type of benefits that a project may bring:

- ▶ **Financial Cost Saving** - any action that results in a tangible financial benefit. For example, this could be an increase of online transactions which are cheaper than face to face interactions.
- ▶ **Financial Cost Avoidance** – any action that avoids having to incur costs in the future. For example, this could be improving a process which leads to a lower demand for another service.
- ▶ **Non-Financial Measurable** – any action that results in non-financial benefit which can be measured, for example an annual user survey; using the same set of questions meaning results can be measured year on year (User satisfaction with the service was 80% in 2018/2019; and 85% in 2019/2020).
- ▶ **Non-Financial Non-Measurable** – any action that results in non-financial benefit which cannot be measured, for example, this could be customer satisfaction in the



form of qualitative information such as user testimonials or feedback. This benefit is non-measurable as there is no criteria or measure to compare it against.

- ▶ **Income Generation** – any action that results in generating an income.

As an elected member you should look out for the following:

- ▶ Ensure each benefit has a baseline measure. A baseline is a minimum or starting point to be used for comparison. This will help track progress.
- ▶ Targets for each benefit where appropriate (beware not every benefit is measurable, and you should be careful not to impose perverse targets that drive counterproductive behaviour).
- ▶ Measurement frequency – how often each benefit will be reviewed. Benefits should be reviewed continually throughout the lifetime of the project to reflect any project changes.

A good business case will include a wide range of benefit types and recognise all possible benefits.

Key questions

- ▶ Does the business case set out what criteria will be used to determine the success of the project?
- ▶ Does the business case set out at which points in the project lifecycle these measures will be reviewed and how?
- ▶ Are there clear targets for each measure?
- ▶ Has a baseline been set for each measure of success? If not, how will progress be measured?
- ▶ Does the business case include information on how progress will be monitored over time?
- ▶ Does the business case set out both financial and non-financial benefits?

Options appraisal and recommendation



Key points for this section

1. The Options Appraisal is the most important component of a business case.
2. The Options Appraisal process helps to analyse the situation and make an informed decision based on evidence.
3. Through undertaking the Options Appraisal it may become apparent that continuing with the status quo may be the acceptable and right thing to do, as long as it is the best option.
4. If the Options Appraisal shows that continuing with the status quo is the best option going forward, this should be seen as positive, as it is better to find out at an early stage.

The Options Appraisal is the most important component of a business case. This is where different options are assessed as to how the project should be delivered and what the best way to solve the business problem is. The options appraisal process helps to analyse the situation and make an informed decision based on evidence about the costs, benefits and risks of each delivery option. Stakeholders should be included in the options appraisal process as people score options differently.



The Options Appraisal is a point in time assessment. Doing this will help with a decision on what options would not work, what might be a way forward and what further information might be needed so that a decision can be taken.

The options appraisal process should be underpinned by both evidence and assumptions.

For example, if one of the benefits for option A is increased engagement with users,

consider how you would know that? Evidence for this could be data available internally or it could be data from market research. The more evidence there is to back up each option the better, however, in some cases it may be that there is limited or no evidence available. In this case the options appraisal would include assumptions for each option. For example, if the business case is making the case for the reopening of a new service, an assumption might be made as to what the uptake of the new service is going to be.

If a particular objective is of extremely high importance, there may be weightings associated with the objectives and the options.

Most Options Appraisal have a 'Do Nothing' option, considering what the consequences would be if continuing with the status quo. The Options Appraisal might show that it is best to continue with the status quo. If so, this should not be seen as a negative outcome, as it is better to find this out at an early stage than to take forward the wrong option. You should also be wary of the 'sunk cost fallacy', where the resource already put into the business case leads to a feeling of needing to take forward an option other than the status quo, so as not to feel the investment in the Business Case was wasted.

Key questions

- ▶ Does the options appraisal consider a 'do nothing' option?
- ▶ If a decision is made that the preferred option is to continue with the status quo, how will lessons from this be recorded and shared with others in the organisation?
- ▶ What will happen if things remain as they currently are?
- ▶ Is there evidence to support each delivery option?
- ▶ Is there anything else that should be considered?
- ▶ Have assumptions been included in the options appraisal?
- ▶ What if the risks of going ahead are greater than the benefits?
- ▶ Are assumptions unreasonably optimistic? What are the assumptions based on?
- ▶ How is the project being funded:
 - Departmental budget
 - Spend to save
 - Change funding
 - Capital programme
 - External funding/ grants
- ▶ What benefits does each option bring? What's the evidence behind this?
- ▶ What are the risks associated with each option? What's the evidence behind this?

Indicative project plan



Key points for this section

1. A project plan is a document which guides how a project will run.
2. The project plan should show the key project phases and activities, their start and end dates as well as any interdependencies between tasks.
3. The business case should include a project plan with rough timescales.
4. The project plan is a live document which should be updated as the project progresses over time.

A project plan is a document that shows each step to take projects from A to B. A project plan will show the key project phases, key activities, start and end dates and interdependencies between tasks. A project plan may be referred to as a Gantt chart. A Gantt chart is just one way of presenting key stages of a project.

A business case should include expected timescales (summary of the project plan). The timescales might not be very precise however, this is perfectly normal for an early stage project plan where officers are trying to determine the best way forward. As the project evolves, the plan should also do so.

Key questions

- ▶ Does the business case include a project plan?
- ▶ Is the plan up to date?
- ▶ How will the plan be kept up to date?
- ▶ Does the project plan include interdependencies?

Stakeholders and communication



Key points for this section

1. Any person, or organisation, with a vested interest in the successful operation of a company, or organisation.
2. The business case should identify both internal and external stakeholders.
3. A stakeholder may be an employee, customer, supplier, partner, or even the local community within which an organisation operates.
4. Project stakeholders should be identified as early as possible.
5. Identifying stakeholders early in the process and engaging them effectively and regularly throughout the project would mean they are more likely to support the project and contribute ideas.
6. For each stakeholder, the business case should make reference to: what influence they have over the project, what interest they have in the project, what benefits and disbenefits the project is likely to bring for them.
7. Over the lifecycle of the project, the power or influence stakeholders have may change. Stakeholders can become more or less powerful/influential. In addition, throughout the lifecycle of a project new stakeholders may become present therefore, it is important to regularly review who the project stakeholders are.

What is a stakeholder?

*“Individuals or groups who have an interest in the project, programme or portfolio because they are involved in the work or affected by the outcomes”.
(Definition by: Association of Project Management (APM))*

Project stakeholders should be identified as early as possible. Identifying stakeholders early in the process and engaging them effectively and regularly throughout the project would mean that they are more likely to support the project and



contribute ideas, rather than express resistance. The business case should identify both internal and external stakeholders for the project. Following identification of all project stakeholders, the business case should make reference to:

- ▶ What power or influence each stakeholder will have over the project
- ▶ What interest each stakeholder will have in the project
- ▶ What benefits and disbenefits the project might bring to them

This is key to understanding where effort needs to be focused and for the identification of groups which may have a negative impact on the project.

As an elected member, you should scrutinise whether the appropriate stakeholders have been identified and involved. Of course, there can be different views about which stakeholders should be involved.

Key Questions

- ▶ Have all project stakeholders been identified?
- ▶ What are the benefits of the project to each stakeholder?
- ▶ What are the disbenefits to each stakeholder?
- ▶ What influence/power does each stakeholder have over the project? Is their influence low/high?

Communication



Key points for this section

1. A communication plan is a road map for getting messages delivered to stakeholders.
2. Once all project stakeholders are identified, the project plan should explain how each stakeholder will be communicated with, by what method and how often.
3. The communication plan should be a live document. As the project goes through its lifecycle, the communication plan should be updated.

Stakeholders and communication go hand in hand.

A good business case will contain a communication plan. As an elected member, you should look out for the following information within the communication plan:

- ▶ How each stakeholder identified will be kept up to date with progress of the project
- ▶ When will stakeholders be communicated with e.g. at the start of the project, throughout the duration of the project
- ▶ The method that will be used to communicate with stakeholders. Different stakeholders will require information to be presented in various ways e.g. high level overview, detailed plan, statistics, visual information.
- ▶ The business case is an early stage plan and as the project progresses, it is highly likely that the communication plan will also develop and change.

Project teams are key stakeholders of a project and should be communicated with and kept up to date on a regular basis.

Key questions

- ▶ What communications are required for the project?
- ▶ How will each stakeholder be communicated with?
- ▶ At what intervals will communications be sent?
- ▶ How often will the communications plan be updated?

Governance and resource requirements



Key points for this section

1. Roles and responsibilities of stakeholders should be identified at the beginning of a project.
2. It is essential that all roles and responsibilities are set out at the start to ensure all stakeholders know what is expected of them.

As an elected member you should check that roles and responsibilities for the project have been outlined within the business case and that stakeholders have agreed on these.

Setting out roles and responsibilities at the beginning of a project is beneficial for the following reasons:

- ▶ All involved know what they are expected to deliver.
- ▶ Should conflict arise within the project, there are clear reporting lines.

The business case should include a clear plan indicating:

- ▶ Who will be involved with the project?
- ▶ At what stage of the project they will be required
- ▶ Outline of their role and responsibilities
- ▶ Governance structure showing reporting lines for the project. There are various ways in which this can be demonstrated however, a good way of showing this is by using a network or hierarchy diagram.



Key questions

- ▶ Are key project roles identified in the business case?
- ▶ Are responsibilities of all stakeholders set out in the business case?
- ▶ Have key stakeholders agreed on their roles and responsibilities? Is there evidence of this?
- ▶ What would happen if the project stakeholders are required to help with the project for longer than initially planned? How would such situation be handled?
- ▶ Is there a clear governance structure?
- ▶ How will it be ensured that the project runs on time and within the budget allocated?
- ▶ How will project documentation be kept up to date?



Summary

This guidance covers a lot of information, and you are not expected to become an expert in scrutinising business cases at once. If you refer back to this guidance each time you scrutinise a business case, you'll become more confident in knowing what to look for, what level of detail is appropriate based on the size of the project, and what questions to ask to assure yourself the business case for a project is robust.

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