

BETTER BUSINESS CASES FREQUENTLY ASKED QUESTIONS

Q: What is the purpose of the business case?

A: The business case is the repository for the evidence base in support of a spending proposal. They facilitate transparency, approval, post evaluation, the accountability of public funds and optimisation of public expenditure.

For further information see Chapter 1 (Introduction) of the [Better Business Cases Guides](#).

Q: Why do we have to do a business case; is it for everything or just big things/capital spend?

A: Business cases are required in support of new interventions and spend; and must account for whole life costs, in addition to capital spend. Their coverage includes novel and contentious expenditure, in addition to significant spending proposals.

Q: If the Minister has decided already what we are going to do, do we need to do a business case?

A: Ministers may decide policy objectives and the direction of travel. The role of public servants is to provide advice on the available options for successful delivery through the business case process in accordance with the guidance provided by the HM Treasury Green Book.

Q: What is the Five Case Model?

A: The Five Case Model is HM Treasury's approved standard for the production of public sector business cases. It comprises five dimensions and the answers to the following key questions:

The Strategic Case - what is the case for change and how does it provide strategic fit?

The Economic Case - what is the best choice for optimising social value?

The Commercial Case – what is the Deal and can the supply side deliver it?

The Financial Case – is it affordable within budget?

The Management Case – are the necessary arrangements in place for successful delivery?

Some Overseas Governments, International Bodies and parts of the Private Sector have adopted the standard.

For further information see Overview of the Five Case Model at Chapter 2 of the [Better Business Cases Guides](#).

Q: What is the business planning process?

A: The business planning process provides a framework for the systematic and holistic development of policies, regulations, organisational strategies, programmes and projects.

The process provides synergy and aims to ensure that projects are delivered as part of well-defined programmes in support of organisational strategies and their portfolios, in accordance with clear policies and regulations. For example:

Policy – to increase cancer survival rates

Strategy – early detection

Programme – cancer screening

Project – new cancer centre

For further information on the Business Case Development Process see Chapter 3 of the [Better Business Cases Guides](#).

Q: Does a project or a programme commence with the business case?

A: Managing Successful Programmes (MSP) requires a mandate and a programme brief before the programme commences, and similarly, PRINCE2 for projects. These are the recommended standards for the delivery of programmes and projects within the public sector.

Due diligence and research are required to provide the evidence base for intervention and option appraisal. Feasibility studies and benchmarking exercises will inform the scoping stages and full studies will inform the detailed planning stages.

Q: What are the different types of business case?

A: Delivery of the organisation's strategy and supporting portfolio requires the use of different types of business cases:

Programme Business Cases (PBC) for delivery of improved services and outcomes in the medium term.

For further information see the [Guide to developing the Programme Business Case](#) and [supporting template](#).

Project Business Cases for significant, complex and enabling outputs requiring procurement in the short-term; and the use of the Strategic Outline Case (SOC), Outline Business Case (OBC) and the Full Business Case (FBC) for the development of the Project Business Case over time.

For further information see [Guide to developing the Project Business Case](#) and [supporting templates](#).

Business Justification Cases (BJCs) for relatively minor items of spend that are not novel or contentious and generally available from a pre-competed procurement arrangement.

For further information see [BJC templates for the development of low value/low risk and medium value/medium risk schemes](#).

Q: What is the Cabinet Office Gateway Process and how does it align with business cases?

A: The Cabinet Office Gateway Process is the recommended tool and approved standard for programme and project assurance within the public sector.

Programme and project assurance are essential, and the Gateway method aligns with the business case development process. Gateway 1 (business justification) must be undertaken prior to the approval of the Strategic Outline Case (SOC); Gateway 2 (Delivery Strategy) prior to the approval of the Outline Business Case (OBC) and Gateway 3 (Investment Decision) prior to the approval of the Full Business Case (FBC).

For further information see the [Cabinet Office website](#) or contact your departmental hub (if available). The Welsh Gateway Hub can be contacted, [here](#).

Q: What is the HM Treasury Green Book and how does it apply to business cases?

A: The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also provides guidance on the design and use of monitoring and evaluation before, during and after implementation.

The Green Book should be used alongside accompanying HM Treasury Guidance:

- **Managing Public Money** which provides guidance on the responsible use of public resources
- the **Aqua Book** which sets out standards for analytical modelling and assurance
- the **Magenta Book** which provides detailed guidance on evaluation methods

The HM Treasury and Welsh Government Guides to developing the programme and project business cases provide supplementary guidance to the Green Book.

For further information see [HM Treasury Green Book: Central Government Guidance on Appraisal and Evaluation](#).

Q: What are the criteria for the selection of the preferred option?

A: Option selection is a balanced judgment looking at the net present social value (NPSV); the benefit to cost ratio (BCR); the assessment of overall risk (its likelihood, impact and cost); and decisively important factors, the benefit of which cannot be readily quantified.

For further information see the [Generic Appraisal Summary Template \(Table 3\)](#) shown in the [HM Treasury Green Book](#)

Q: What is the public sector discount rate and how is it calculated?

A: The UK public sector discount rate is 3.5% for the first 30 years of the scheme and 3.0% thereafter. The public sector discount consists of 2% for the wealth effect (because society tends to get richer over time), plus 1.5% for time preference (because people prefer goods and services sooner rather than later) and systemic and catastrophe risk (because of uncertainty about the future). An exception to this is health, where for health treatment equipment and medicines the discount rate is 1.5%, which excludes the wealth effect. Any discount rates to the contrary must be cleared with HM Treasury.

Q: What is the appraisal period for a scheme?

A: The spending proposal should be appraised over the expected life span of the service or asset. The convention is 60 years for new infrastructure (buildings, roads and railways etc) and 30 years for refurbishments. For administrative changes, a 10 years appraisal period is the standard assumption. For privately financed, outsourced services and leases etc, the appraisal period is the expected life span of the contract.

For further information see the [HM Treasury Green Book](#).

Q: What is the purpose of the scoping document?

A: The scoping document records how the team producing the business case, and those reviewing/funding it, have agreed the business case guidance will be used and applied proportionately in compliance with the HM Treasury Green Book. For example, this includes the type of business case; the use of workshops; the application of optimism bias. The scoping document should be agreed at the outset of a programme or project.

For further a copy of the scoping document see Annex C of the [Better Business Cases Guides](#).

Q: What is the purpose of the Investment Assurance and Approval Plan (IAAP)?

A: The investment assurance and approval plan (IAAP) sets out the arrangements and timescales for programme and project assurance and the approval points that need planning from the outset in order to achieve successful delivery of the scheme.

For a copy of the [integrated assurance and approval plan](#) (IAAP) template see Treasury Approval Process (TAP) publication.

Q: What are the recommended workshops for the development of the business?

A: The key steps and actions for the development of the business case are explained in the Business Case Guides and summarised in the appendices. Stakeholder engagement is crucial and for significant spending proposals the use of five key workshops is recommended. Of these, the first two - Workshop 1 for *Making the Case for Change* and bottoming out the investment objectives for scheme and Workshop 2 for *Identifying and Assessing the Options*, are considered essential.

For further information see the [Better Business Cases Guides](#).

Q: What is a spending objective?

A: Spending objectives (formerly Investment objectives) are *targeted outcomes* for the intervention and spend made SMART (specific, measurable, achievable, relevant and time constrained) for the purpose of delivery and post evaluation. The focus should be on the target for service delivery rather than the solution.

For further information on investment/spending objectives see Step 2, Action 3, Chapter 5 of the [Guide to developing the Project Business Case](#).

Q: How should the long list be generated and assessed?

A: A wide range of possible options must be considered for the delivery of the spending proposal at the Strategic Outline Case (SOC) stage. The recommended approach is an independently and impartially facilitated gathering (Workshop 2) of key stakeholders, including the Senior Responsible Officer (SRO), using a tool and technique called the Options Framework. The long list of options must be revisited at the Outline Business Case (OBC) stage.

Q: What is the Options Framework?

A: The options framework provides a structured approach to identifying and filtering a broad range of options for delivering policies, regulations, strategies, programmes and projects. The framework considers the creation of options as a series of choices to be made in sequence for scope, solution, delivery, implementation and funding.

For further information see HM Treasury Green and Step 3, Action 7 of the [Guide to developing the Project Business Case](#).

Q: What options should be included in the short list?

A: The short list must include at least three options: *Business as Usual (BAU)*; a realistic and achievable *Do Minimum* that meets the core needs and essential requirements for the scheme; and the *Preferred Way Forward (PWF)*. More ambitious and less ambitious variants of the Preferred Way Forward may be considered.

Q: What is the difference between the Preferred Way Forward (PWF) and the Preferred Option?

A: The preferred way forward is identified from the long list at the Strategic Outline Case (SOC) stage following Workshop 2 and the use of the Options Framework Filter. The preferred option emerges from appraisal of the short list at Outline Business Case (OBC) stage following the use of cost benefit analysis (CBA).

For further information see the [Better Business Case Guides](#) and [HM Treasury Green Book](#).

Q: What is the difference between Cost Benefit Analysis (CBA) and Cost Effectiveness Analysis (CEA)?

A: Cost Benefit Analysis (CBA) quantifies in monetary terms as many of the costs related to a proposal as feasible (financials), including items for which the market does not provide a satisfactory measure of economic value, whereas Cost Effectiveness Analysis (CEA) compares the cost of alternative ways of producing the same or similar outputs.

Q: What is optimism bias and how should it and the value of risk (£) be treated in the business case?

A: Optimism bias is the demonstrated systematic tendency for appraisers to be over-optimistic about costs, benefit and time taken to complete a proposal and must be estimated at the Strategic Outline Case (SOC) stage. The value of risk is the cost of mitigation multiplied by the likelihood of its occurrence. As risks are identified in more detail and their values calculated at the Outline Business Case (OBC) stage, the allowances made for optimism bias must be reduced accordingly. There should only be a relatively small allowance for optimism bias at the Full Business Case (FBC) stage.

For further information see [HM Treasury Green Book](#) and Step 3, Action 8 and Step 4, Action 12 of the [Guide to developing the Project Business Case](#).

Q: What is the difference between optimism bias and risk and how are they accounted for within the business cases?

A: Optimism Bias is unmeasured uncertainty; whereas risk (£) is measured uncertainty. Both are features of the economic appraisals, where optimism bias (OB) is applied at the Strategic Outline Case (SOC) stage and reduced at Outline Business Case (OBC) stage, as specific risks and their values (£) are identified and recorded in the risk register. At Full Business Case (FBC), the key risks should be identified and valued, such that the allowance for optimism bias is minimal. Thus, the challenge once the risks have been identified and quantified (£) is to manage and mitigate them and to put in place countermeasures, and not reflect their costs per se in the cost envelope and budget for the scheme.

The contingency for the scheme is a feature of the financial appraisals, which is informed by, but not the same as, the risk values (£) and residual optimism bias in the economic appraisals, converted from real to nominal prices. Care must be undertaken to avoid duplicating and double counting values (£) in OB, risk and contingency, and conflating the economic and financial appraisals.

Q: Should optimism bias (OB) and risks values be included in the cost envelope and budget for the scheme?

A: Only the contingency for the scheme should be included in the cost envelope and budget

for the scheme. The contingency for the scheme is informed by the risk values and residual optimism bias for the scheme; but not the same, given the expectation that schemes will put in place countermeasures to manage and mitigate the risks.

Contingency provision should be allocated to the reserves of the overseeing or approving authority, not the project or programme.

Q: What form of Multi Criteria Analysis (MCA) is supported by the HM Treasury Green Book?

A: A form of multi-criteria decision analysis (MCDA), making use of a professionally trained facilitator, using swing weighting to guide a team of expert representatives and stakeholders, can be useful for considering certain options at the longlist stage. This kind of objective, consultative weighting and scoring should only be undertaken by experts and will require several long meetings, if undertaken to the required standards. The participants contributing to the analysis should be identified in the business case.

Q: What is sensitivity analysis?

A: Sensitivity analysis provides an analysis of the effects on an appraisal of varying the projected values of important variables. In accordance with the HM Treasury Green Book, it is mandatory to undertake sensitivity analysis on the preferred options at the Outline Business Case (OBC) and Full Business Case (FBC) stages.

Q: What should be included in the benefits register?

A: The benefits register should be attached to the Outline and Full Business Cases (OBC and FBC) and completed in accordance with the HM Treasury Green Book and BBC Guidance. The benefits claimed in the economic appraisals must be recorded in full.

For further information see Step 7, Action 22 of the [Guide to developing the Project Business Case](#).

Q: What should be included in the risk register?

A: The risk register should be attached to the Outline and Full Business Cases (OBC and FBC) and completed in accordance with the HM Treasury Green Book and BBC Guidance. The risks shown in the economic appraisals must be recorded in full.

For further information see Step 7, Action 22 of the [Guide to developing the Project Business Case](#).

Q: How many pages should a business case include?

A: There is no specified number of pages for a business case. They should, however, be prepared in accordance with the business case guidance and as concisely as possible, with an Executive Summary consisting of 4 to 5 pages.

Q: How long does it take to prepare the business case?

A: There are no established timescales for the production of the business case. The timescales are dependent upon the size and complexity of the scheme; the amount of due diligence and prior research and investigation required; and the available resources.

For further information on the key activities required see Annexes B and D of the [Better Business Case Guides](#).

Q: What is the Better Business Cases (BBC) Programme?

A: The initiative, **Better Business Cases: for better outcomes**, is a programme jointly owned by HM Treasury and Welsh Government for improving the scoping, planning and delivery of programmes and projects and their supporting business cases.

The programme has delivered the Guides to developing the programme and project business case across the public sector, and an accreditation scheme for training that has resulted in internationally over 11,000 practitioners being trained to date in the methodology.

Q: What business case courses are available?

A: Two courses are commercially available to people developing the business case: the foundation and practitioner courses. A reviewers' course is currently available inhouse.

For further information see the HM Treasury website or, in Wales, you can contact the [BBC Mailbox](#).

Q: Should consultants undertake business case training?

A: HM Treasury's expects Consultants undertaking public sector assignments to be qualified: the foundation and practitioner levels of the accreditation scheme for Better Business Cases refer.

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