

Business Case Guidelines Overview

This is a summary of the key steps and questions to answer when developing a robust business case using the NSW Government Business Case Guidelines (TPP18-06).

What is a Business Case?

A multipurpose proposal for action that meets Government's objectives and informs an investment and policy decision.

What are the characteristics of a good business case?

A good business case should:

- Be clear and concise
- Be planned early in the investment process
- Reflect stakeholder views and consultation outcomes
- Contain the right evidence, inc. reference of previous experiences and outcomes in implementing similar initiatives
- Treated as a living document, that is continuously updated and repurposed

When should a business case be prepared?

Business cases are prepared for different reasons:

- To inform prioritisation, an investment or regulatory decision and an assurance process
- To demonstrate that adequate due diligence and thinking was undertaken
- To gain funding

How much time does it take to develop?

It depends on the complexity, size, potential risks etc. It can be a short document of few pages, but contain all relevant aspects including key objectives, costs, benefits, risks, stakeholders etc., which can be completed in a few days. Or it can involve a robust analysis, and hence require few months and be a more resource intensive process.

What are the key components of a business case?

A business case contains:

- A case for change i.e. a clear rationale for government action that is based on an identified community need
- Evidence that the options achieve selected objectives and maximise social welfare and value for money (cost benefit analysis)
- Evidence that the options are financially viable (financial analysis)
- Evidence that there is capacity and capability required to procure, implement and maintain the proposal and realise the benefits anticipated (commercial analysis)
- Evidence that the solutions put forward can be delivered (management analysis)

How is a business case developed?

A business case is a continuously evolving document that at its most complex can develop over three main stages:

- Stage 0: Problem Definition - Focus on a case for change
- Stage 1: Strategic Business Case – Focus on option identification and analysis
- Stage 2: Detailed Business Case – Focus on option selection and deliverability

Who should be contacted for questions relating to business cases?

Your relevant Agency Budget and Policy Group Treasury contact.

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	Stage 0: Problem Definition	Stage 1: Strategic Business Case	Stage 2: Detailed Business Case	Update of the Business Case*
I. Case for Change	<p>I. Case for Change Step 1: Define the business need/opportunity Step 2: Define objective of intervention Step 3: Define strategic context /intention and contribution to government priorities/ outcomes Step 4: Identify expected benefits and risks and link to Programs and Program KPIs Step 5: Identify relevant stakeholders Step 6: Identify potential strategic responses /interventions Step 7: Provide high level cost estimates</p>	<p>I. Case for Change Step 8: Review the Case for Change</p>	<p>I. Case for Change Step 13: Revisit the Strategic Business Case and confirm the case for change</p>	<p>I. Case for Change</p> <ul style="list-style-type: none"> Review the Case for Change
II. Cost Benefit Analysis		<p>II. Cost Benefit Analysis Step 9: Creating your options – Develop and refine the long list of options Step 10: Assessing and narrowing down your options (conduct a CBA for Stage 1)</p>	<p>II. Cost Benefit Analysis Step 14: Revisit the Stage 1 CBA to confirm the short list of options Step 15: Select preferred option – Conduct Stage 2 / Full CBA on short list of options</p>	<p>II. Cost Benefit Analysis</p> <ul style="list-style-type: none"> Revisit and update (if required) the options identified in the strategic and detailed business case
III. Financial Analysis		<p>III. Financial Analysis Step 11: Assessing and narrowing down your options (prepare a Financial Appraisal) Step 12: Assessing and narrowing down your options (prepare a Financial Impact Statement)</p>	<p>III. Financial Analysis Step 16: Revisit Stage 1 FAP and FIS to confirm the short list of options Step 17: Select preferred option (conduct Stage 2 FA on shortlisted options) Step 18: Select preferred option (conduct a financial impact statement on short list)</p>	<p>III. Financial Analysis</p> <ul style="list-style-type: none"> Revisit and update (if required) the financial implications
IV. Commercial Analysis			<p>IV. Commercial Analysis Step 19: Develop a procurement strategy Step 20: Specify technical requirements Step 21: Identify contractual issues</p>	<p>IV. Commercial Analysis</p> <ul style="list-style-type: none"> Revisit and update (if required) commercial analysis
V. Management Analysis			<p>V. Management Analysis Step 22: Establish governance arrangement Step 23: Develop project management plan Step 24: Develop a change management plan Step 25: Develop a benefits plan and register Step 26: Establish a risk management plan Step 27: Establish a post implementation evaluation plan</p>	<p>V. Management Analysis</p> <ul style="list-style-type: none"> Revisit and update (if required) management analysis

*These steps are recommended as updates post procurement once the preferred supplier has been identified

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Key steps and questions to answer to develop a robust business case

	Steps in business case	Key questions to answer	Page #
Stage 0: Problem Definition	Step 1: Define the business need/opportunity	<ul style="list-style-type: none"> •What is the reason for change that cannot be addressed through existing arrangements? •How are community outcomes and benefits improved? 	13
	Step 2: Define objective of intervention	<ul style="list-style-type: none"> •What are the objectives of the intervention? •What is the reason for change? •Are the objectives outcome focused and well defined to ensure options can be generated? 	14
	Step 3: Define the strategic context, intention and contribution to the relevant government priorities and outcome	<ul style="list-style-type: none"> •How does the objective align with agreed Government and State priorities, State Outcomes and overarching strategies? 	16
	Step 4: Understand how benefits and risks from the intervention (change) link to Programs and Program KPIs	<ul style="list-style-type: none"> •What are the advantages of the intervention? (qualitative and quantitative) •How do the benefits contribute to Programs and Program KPIs (linked to State Outcomes)? •Does existing evidence from similar interventions support the benefits identified? •What KPIs will measure the impact of interventions? 	16
	Step 5: Identify relevant stakeholders	<ul style="list-style-type: none"> •Who are the key stakeholders? (e.g. agency developing the investment proposal, impacted agencies, users, customers and central agencies.) •Have they been consulted early? 	18
	Step 6: Identify potential strategic responses and interventions to the problem	<ul style="list-style-type: none"> •What are the alternatives to meet the business case objectives? •What is the initial evidence to support these alternatives? •How are the business case objectives and benefits achieved by these responses? 	18
	Step 7: Provide high level cost estimates	<ul style="list-style-type: none"> •What is the high level cost of each identified strategic response? 	20
Stage 1: Strategic Business Case	Step 8: Review the Case for Change	<ul style="list-style-type: none"> •Has there been any significant changes in the political, social, economic and organisational environment? •Does this impact the problem definition, desired outcome/ objective, government priorities and stakeholders' landscape? 	22
	Step 9: Creating your options – Develop and refine the long list of options	<ul style="list-style-type: none"> •What are realistic options to meet the business case objectives? •What is the base case? 	23
	Step 10: Assessing and narrowing down your options (conduct a CBA for Stage 1)	<ul style="list-style-type: none"> •Have you performed a Stage 1 Cost Benefit Analysis (CBA) (TPP17-03 NSW Government Guide to Cost – Benefit Analysis) •Have both qualitative and quantitative factors been considered? •What assumptions were used to support the CBA? •Which options have the highest NPV and BCR? 	27
	Step 11: Assessing and narrowing down your options (prepare a Financial Appraisal)	<ul style="list-style-type: none"> •What are the cash inflows and outflows of the project? •What discount rate should be used? •What is the Net Present Value (NPV) of the cash flows for each option and which options are > 1? •Has sensitivity analysis been performed? •Have the results been independently reviewed? 	31
	Step 12: Assessing and narrowing down your options (prepare a Financial Impact Statement)	<ul style="list-style-type: none"> •What is the revenue impact on the budget? •What is the cost impact of the project on the budget and what are the funding sources involved? •What is the impact on other key financial metrics? 	34
	Rationale for short list of options	<ul style="list-style-type: none"> •What are the options with the highest BCR and NPV (CBA)? •What are the options with the highest NPV and Profitability Index (FA)? •What other factors were considered in shortlisting? (e.g. achievability, supplier capacity and capability, reputational risks, environmental impacts and qualitative factors) 	35

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Steps in business case	Key questions to answer	Page #
Step 13: Revisit the Strategic Business Case and confirm the case for change	<ul style="list-style-type: none"> •Has there been any significant changes in the political, social, economic and organisational environment? 	38
Step 14: Revisit the Stage 1 CBA to confirm the short list of options	<ul style="list-style-type: none"> •Has there been any changes that could impact the CBA conducted in Stage 2? 	39
Step 15: Select preferred option – Conduct Stage 2 / Full CBA on short list of options	<ul style="list-style-type: none"> •Have you performed at Stage 2 CBA based on more accurate evidence? •Which option has the highest NPV and BCR? 	40
Step 16: Revisit Stage 1 FAP and FIS to confirm the short list of options	<ul style="list-style-type: none"> •Has there been any changes that could impact the FA results at Stage 2? 	40
Step 17: Select preferred option (conduct Stage 2 FA on shortlisted options)	<ul style="list-style-type: none"> •Have you performed a Stage 2 FA based on more accurate evidence? •What are the options with the highest NPV and Profitability Index? 	41
Step 18: Select preferred option (conduct a financial impact statement on short list)	<ul style="list-style-type: none"> •What is the revenue impact on the budget? •What is the cost impact of the project on the budget and what are the funding sources involved? •What is the impact on other key financial metrics? 	42
Selecting the preferred option	<ul style="list-style-type: none"> •Which option has the highest BCR and NPV (CBA)? •Which option has the highest NPV and Profitability Index (FA)? •What other factors were considered in selecting the preferred option? 	42
Step 19: Develop a procurement strategy	<ul style="list-style-type: none"> •What is the profile of the supply market, its capabilities and key drivers? •How can the risks between supplier and purchaser be balanced? 	42
Step 20: Specify technical requirements	<ul style="list-style-type: none"> •What are the technical requirements of the intervention? •What are the quality and performance standards for the service/asset? 	44
Step 21: Identify contractual issues	<ul style="list-style-type: none"> •What is the appropriate form of contract between the organisation and the supplier? •Have you considered the type, contractual terms and incentives in the contract? •Have you considered the relevant accounting standards, regulatory and other implications? (e.g. privacy, conflict of interest, necessary certifications/planning approvals etc) 	44
Step 22: Establish clear governance arrangements	<ul style="list-style-type: none"> •What is the governance structure, roles and responsibilities? •What is the project management structure, project reporting, monitoring and evaluation arrangements and other supporting arrangements? 	45
Step 23: Establish a project management strategy, framework and plan	<ul style="list-style-type: none"> •What is the project management strategy? •Have you developed a project plan? 	45
Step 24: Establish a change management strategy and plan	<ul style="list-style-type: none"> •How does the proposal impact the culture, systems, processes and people? •Has the change management process been inclusive? 	46
Step 25: Develop an active benefit realisation management plan and register	<ul style="list-style-type: none"> •How are actual benefits going to be tracked against forecast benefits in the business case? 	47
Step 26: Establish a risk management strategy, framework and plan	<ul style="list-style-type: none"> •Has a robust risk management plan been developed to manage project specific risks and is this integrated with the agency's Enterprise Risk Management framework? •Is a risk register maintained? •Are risks being managed continuously? 	48
Step 27: Establish a post implementation evaluation plan	<ul style="list-style-type: none"> •Has a post implementation evaluation plan been developed? (i.e. how will the project will be monitored and evaluated against what was expected) •Have benefits outweighed the costs? 	49
Updating the business case	<ul style="list-style-type: none"> •Are there changes to the inputs, assumptions and evidence? •Any legislative and regulatory factors impacting the business case? •Any substantial changes in time, costs, contingency funds, scope and approved budgets during implementation? 	50

Stage 2: Detailed Business Case

Next steps