

**GUIDANCE ON COMPLETING
A BUSINESS CASE**

**Guidance on Completing
a Business Case**

Service Development
and Delivery Department



Trust Offices

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work

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HOW TO WRITE AN EFFECTIVE BUSINESS CASE

Before we consider how to write an effective business case, the following questions need to be addressed:

What are service and capital developments?



What is a business case?



When do I use a business case?



To whom is it submitted?



How do I prepare one?



Where do I go for help?"



1. Introduction

This document provides guidance on the preparation of revenue and capital business cases which must be completed when submitting an application for financial or other support.

Background

Before we consider how to write an effective business case, the following questions need to be addressed:

- What are service and capital developments?
- What is a business case?
- When do I use a business case?
- To whom is it submitted?
- How do I prepare one?
- Where do I go for help?"

2. What are Service and Capital developments?

Service developments are:

- Proposals which impact on service user activity on an ongoing basis which will have an effect on current or proposed contracts with commissioners.
- Proposals which require the establishment of new services.
- Proposals which will change the level of income received by a Clinical Business Unit or the Trust.
- Changes in service delivery which will require revision to existing agreed Trust policies.
- Has at least a £10k per annum financial impact

Capital developments are:

- Any scheme which requires the lease of buildings.
- The construction of new buildings.
- Major refurbishment and improvement work that requires funding in excess of £5,000
- Unidentified backlog maintenance
- Emergency repairs in excess of £5,000 which result in an improvement.
- Equipment which costs over £5,000 and is expected to last more than 12 months

3. What is a Business Case

A business case is a proposal seeking authorisation for the allocation of resource associated with change to the business e.g. to bid to provide new services, to purchase new services, to use capital or revenue to acquire or develop something.

It includes all relevant factors and tells people about the what, when, where, how and why of the proposed project.

- Why is the project needed (issues & opportunities)?
- How will the effort solve the issues or opportunities facing the organisation?
- What is the recommended solution(s)?
- How does the solution address the issues or opportunities (benefits)?
- What will happen to the business in a 'do nothing' scenario?
- When will the solutions be deployed
- How much money, people, and time will be needed to deliver the solution and realise the benefits?

The three roles of a business case are to:

(i) Capture the knowledge -

The business case serves as a reminder to capture the knowledge developed about how the business will function both with and without the final solution.

(ii) Secure resource (people) and funding and approval to move forward.

It provides a vehicle to review the facts and assumptions in the proposal and document what would happen to the business if the project was not undertaken i.e. 'do nothing.'

The development of the overall business case simplifies the process of financial justification, and will usually identify issues or potential problems with the solution.

It is also useful for prioritising a project against the many other initiatives that may require additional resource, revenue and capital investment etc.

(iii) Provide Consistency

The Business Case provides a consistent message to many different audiences. It is a high level view of the entire project and enables all departments and organisations affected by the effort to be knowledgeable about the project.

Make it interesting remember someone will have to read it

4. When Do I Use a Business Case?

A written business case is required whenever resource or expenditure on a project has to be justified, and approval from another party is required to undertake that project.

5. Who Is a Business Case Submitted To?

A business case has to be presented to the 'sponsor' for approval. The sponsor is the person or group of people who will decide whether the proposal and the allocation of resource is supported and authorised.

Bids within the Trust

(a) Bidding for new service provision

Where the proposal is associated with an external bidding process such as a tender for a new or retention of existing service the business case should be submitted to the appropriate Clinical Business Unit Director.

(b) Bidding for capital

Where the proposal is for capital funds the business case must be submitted to the Trust's Capital Investment Group (CIG). You should first seek approval from the Clinical Business Unit Director, or Director or Head of Service before submitting the business case to the Capital Investment Group. The business case should state in writing that this approval has been obtained and that you have involved your finance lead in any proposed costings.

Bids external to the Trust

Major business cases beyond the Trust's delegated limits (see Standing Financial Instructions / Scheme of Delegation), or where private finance (PFI) is involved, will follow separate routes, as determined by the Strategic Health Authority, PCTs (as commissioners) and Mersey Care Trust Board as appropriate.

In these circumstances whilst business cases will be required, the format may differ to that of Mersey Care and appropriate guidance should be sought from the relevant commissioner.

6. How Do I Prepare a Business Case?

(i) Overall goals

Whilst your objective may be to secure resource or funding, your chances of success will be greater if you keep the following goals in mind:

Make it interesting; remember someone will have to read it.

- Keep it clear and concise.
- Minimise jargon and conjecture.
- Communicate all facts as part of the overall story - you've done your homework, here is the chance to prove it.
- Provide the reader with a picture or vision of the end position i.e. that which you seek to achieve.
- Demonstrate the value the project brings to the organisation and its financial bottom line.
- Demonstrate that it improves quality through innovation, improving productivity and prevention (QIPP)

When preparing and approving a business case, authors and sponsors should be aware of the potential readership and understand that it may be widely circulated. Discretion in detail and terminology should be exercised.

(ii) Who should write the business case?

The business case should be viewed as a story - **your team's story**.

All appropriate team members should contribute to its development as well as departments which can provide specialist information e.g. Finance, HR, Information, Estates, Service Development & Delivery and all information should come from team members themselves.

The business case writers should have an understanding of the project and the ability to merge the multiple and varied plans into one document. Keeping the authors to a minimum will ensure a consistent style throughout the document.

(iii) What goes into the business case?

Mersey Care requires all business cases to be in the format described. The level of detail expected will vary depending on the size, value and impact of the project.

Each business case should be able to demonstrate:

- It fits with the overall strategic direction of the Trust.
- The proposal can be referenced to one or more specific strategic objectives of the Trust.
- All options have been examined and the selected option will deliver the intended and optimum benefits.
- Financial information is robust. The costs of the project have been developed and the sources of revenue and capital required have been identified. Of particular importance is the demonstration that full ongoing revenue costs can be matched by income streams, or in the case of projects designed to improve efficiency, that they can deliver the required savings over an acceptable period.
- The project is realistic and deliverable in terms of time, cost, quality and other measures of achievability.
- A project management structure exists that is capable of delivering the project.
- A full risk analysis has been undertaken and a risk mitigation strategy is in place.
- Please ensure your objectives are Specific, Measurable, Achievable, Realistic and Timely (SMART). They should be linked to any relevant key performance indicators (KPI's) to enable you to measure your performance against activity for reporting purposes.

The following should be included in your business case as a minimum:

Executive Summary

Background Information

Current Position

Proposed Service or Capital Development

Market Assessment

Option Identification and Selection

Benefits Appraisal

Performance & Activity

Financial Analysis

Risk Analysis (including impact on environment)

Workforce & Leadership

Benefits Realisation Plan

Project Management Arrangements

Procurement Strategy

Exit Strategy

Conclusions

References

Guidance on the completion of each of these sections is given below.

(a) Executive Summary

The executive summary should be the first section of the business case, but it is the last section that is written. It is a short (one to three pages) summary of the entire business case.

It should succinctly convey vital information about the project, and communicate the entire story to the reader.

It is imperative to get this section right first time. "There is no second chance to make a good first impression"

(b) Background Information

This section should give a clear introduction to the business case. It should tell the reader how it is structured, who prepared it and if and where external advisors have been used.

A brief overview of your service, what it does and where it sits within the organisation is required within this section.

In larger business cases which are prepared for approval by external organisations, background information to the Trust and relevant services should also be given.

(c) Current Position

This section provides a description of existing services, or the lack of them, or in the case of capital investment the deficiencies of a current building or need for new / refurbishment etc.

It covers issues such as existing and potential service users, occupancy levels, expenditure, locations, accessibility and staffing levels etc.

In larger business cases it will also include demographic profiles, comprehensive statements on patient activity, estate condition surveys and land and building values and details of key commissioners and financial profiles.

Managers should not be concerned if this section demonstrates some short-comings in the existing service, as it is after all, being used to make the case for change.

Conclude this section with a SWOT (Strengths, Opportunities, Weaknesses and Threats) Analysis. This will demonstrate your understanding of the environment you are working in. The SWOT analysis should be used as an integral part of the process and not just an 'add on'.

When completed this section should demonstrate that there is a case for change.

(d) Proposed Service Development

This section outlines the drivers for change and sets out your vision for the service proposal.

It should include local and national strategies or directives that can be used to promote the proposed service development.

Every business case must be in line with at least one of the Trust's four key strategic objectives and not in conflict with the other three. These are:

- To improve the quality and increase the value of services
- To consolidate, develop and expand the range of services we provide
- To enhance partnership arrangements to deliver a better range of integrated services
- To become a better organisation by building on our involvement with stakeholders and strengthening our governance

This section should provide a statement identifying where you will be providing the service from, who you will be providing it for, how, and what staffing is required.

It should establish what the proposal will be capable of delivering e.g. additional bed capacity, transfer of activity to community services, provision of a new or extended service.

On completion, this section will fully describe how the proposed development addresses any short comings of existing services and implementation of the proposed new service key objectives.

(e) Proposed Capital Development

This section outlines the reasons for the capital investment.

In terms of a new building or major refurbishment it may be –

- In support of new service business and where new or refurbished premises are required.
- To re-provide a building or part of a building which has deteriorated beyond economic repair
- To meet statutory or regulatory requirements e.g. Asbestos removal, health & safety, fire regulations.
- To address planned backlog maintenance eradication.

It may be for equipment of more than £5,000 value and of life of more than one year. Remember any capital bids must comply with the Trust's Estates and Environment Strategies which can be obtained from the Estates Department.



Every business case must be in line with at least one of the Trust's four key strategic objectives and not in conflict with the other three.

- To improve the quality and increase the value of services
- To consolidate, develop and expand the range of services we provide
- To enhance partnership arrangements to deliver a better range of integrated services
- To become a better organisation by building on our involvement with stakeholders and strengthening our governance

You will need to be able to quantify the following:

- Demographics of the population being served ✓
- The demand for the service ✓
- The capacity required to meet the demand ✓
- The milestones and measurable benefits required to ensure the realisation of measurable benefits at operational service and corporate levels. ✓

**MAKE
A GOOD
FIRST
IMPRESSION**

“ There is no second chance to make a good first impression ”

(f) Market Assessment

You need to ensure that your business case demonstrates a thorough understanding of your market place and your position within it and the external environment in which you operate and how this business case impacts upon that environment. You should carry out a PESTLE (Political, Economical, Social, Technological, Legal and Environmental) Analysis.

All analytical data, such as needs assessments, market analysis and performance targets should be included in this section. The establishment of these targets is crucial as they will be used in both the assessment of the financial viability of the proposal and in the post-project evaluation of the success of its implementation.

A number of targets may inevitably have to be presented as estimates. Where this is the case this should be stated and presented in the form of 'worst case'; 'best case'; and 'most likely' estimates.

You will need to demonstrate how you have analysed and anticipated your response to the market forces/changes borne out of research or competitor/market analysis.

On completion of this section you should have fully described how the proposed service development will address any short-comings of existing services and have taken account of any local, national or commissioner intentions which are known at the time.

(g) Option Appraisal – Identification and selection

The option identification process is undertaken in two stages.

The first is to draw up a 'long list' of options that covers all possibilities. The long list is then reduced to a 'short list' by eliminating unrealistic options. In most cases this is a fairly simple exercise. However, the reason for rejection needs to be articulated to demonstrate that all options have been considered.

In most cases the short list will contain between three and five remaining options including 'do nothing' or 'do minimum', as this will be used as the benchmark against which the other options will be judged.

Remaining options should then be described in some detail, with any costs, staffing or building information that may be available. This description is important as it is used in both the financial and risk analysis. Every effort should be made to ensure this information is accurate and where assumptions have been made this should be indicated.

On completion of this section, you will have produced a short list of realistic options, capable of achieving the project objectives.

(h) Benefits Appraisal

This structured process is the means of analysing each option to identify the one that most meets the project objectives. It should be a fully transparent exercise.

You could host a stakeholder workshop. The inclusion of stakeholders at this stage gives a degree of ownership and makes future consultations easier. Wherever possible, service users/carers should take part.

The team draws up a list of all the benefits that the proposal is intended to deliver. This should be well established by work already done. This can be an exhaustive list grouped under a smaller number of headings. For example:

- **Quality** (including privacy and dignity, improved environments etc)
- **Operational** (good functional relationships between departments, access control, good observation etc)
- **Accessibility** (public transport links, separate access points etc)
- **Flexibility** (management of case mix, recognition of specialist needs, adaptable for other uses etc)
- **Acceptability** (to patients, staff, public, planners etc)
- **Strategic intentions** (able to deliver strategic objectives of the Trust)

In order to accurately reflect the relative importance of each of the benefits, the team should rank and assign weights to each criterion.

Each option is scored against the benefits criteria and the weighted score is calculated. By this process a preferred option will emerge. It remains only the preferred (as opposed to the selected) option until the financial appraisal has been completed.

On completion of this section you will have considered all options, articulated the benefits that the preferred option should best be capable of delivering and identified the preferred option.

Most business improvement projects will make assumptions in order to develop the solution

(i) Performance & Activity

In this section you must demonstrate a clear understanding of how you will be monitored in terms of your performance against targets as part of the expected service level activity.

You will need to be able to quantify the following:

- Demographics of the population being served
- The demand for the service
- The capacity required to meet the demand
- The milestones and measurable benefits required to ensure the realisation of measurable benefits at operational service and corporate levels.

Be clear about the contract 'currencies' the commissioners are using and how these will be used to record patient activity, monitor performance and the workforce implications

Consider what systems should be in place and ensure that this information can be collected and reported via the existing clinical information systems such as Epex or PACIS.

On completion of this section you will have a clear understanding of your projected activity/demand levels and how these will be managed on an operational basis. You will also have made clear the systems/processes in place to support monitoring of performance against targets.

(j) Financial Analysis

This section of the business case should always be completed with advice on content and presentation from the Finance Department, and in the case of capital developments, the Estates Department and Information Technology where appropriate.

This advice should be evidenced/supported in writing.

The financial appraisal can be a highly technical exercise and should be undertaken in conjunction with a Business Analyst from the Finance Department.

The reasons for a financial appraisal are to:

- Ensure that all financial consequences of a proposal have been identified and accurately reflected.
- Allow a comparison of costs between various options.
- Allow comparison between different procurement scenarios, e.g., between the (capital) cost of a new building and the (revenue) cost of rental.
- Assess both the costs and income implications of the performance targets contained within the proposal.

- Indicate cash flow (i.e., the spread of the cost and income over the period of the project).
- Ensure the affordability of the project.
- Ensure value for money.
- Consider reference cost position or any costs relative to tariffs.

Business case appraisals cover the following areas of costs:

- Capital
- Activity and Income
- Revenue Expenditure
- Contingency (risk)
- Affordability

(k) Critical assumptions and risk assessment

Most business improvement projects will make assumptions in order to develop the solution. It is vital that the business case documents these assumptions.

You should test your assumptions with project stakeholders and operational managers prior to placing them in the business case.

The statement of assumptions should be followed by an impartial discussion of the strengths, weaknesses, opportunities and threats (SWOT) that are associated with the recommended solution.

Risks to the project / business case must be;

- a. Identified
- b. Quantified i.e. major, minor, high possibility, low possibility etc.
- c. Manageable.

You should link risks back to the option appraisal and highlight risks even if you decide not to take action.



PERFORMANCE & ACTIVITY

Business case appraisals cover the following areas of costs

- Capital ✓
- Activity and Income ✓
- Revenue Expenditure ✓
- Contingency (risk) ✓
- Affordability ✓

(L) Implementation Timeline

This section should demonstrate that your team has carefully and professionally considered all major issues of the implementation. A number of major elements are important to successful implementation. Your implementation section should address each area.

- Implementation components
- Implementation timeline
- Major milestones
- Major dependencies
- Procurement arrangements need to be considered as this is likely to affect timeline

(m) Leadership & Workforce

You should be familiar with the Six Steps approach to workforce planning and this model should be utilised here.

Step 1 – Defining the Plan – include here the structure for the service and how it links into the existing staffing structures.

Step 2 – Force for Change – what forces act on your service and how will they affect your service what can you control, e.g., recruitment and what can't you control, e.g., TUPE issues.

Step 3 – Assessing Demand – how will the changing service provision affect the current and future demand of the service? What will be your future staffing needs – succession planning.

Step 4 – Assessing Supply – how many staff will you need now and in the future, recruitment and training issues.

Step 5 – Develop an Action Plan – look at the current and future requirements of the workforce and map out how you will bridge the gaps.

Step 6 – Implementation and Review – identify how you will ensure the success of the workforce and the factors that may influence your ability to keep it on track in the future.

(n) Exit Strategy

If you are currently providing a service that is out for tender at the end of a current contract, then your business case should include an 'exit strategy' to ensure you have a plan in place should the service not be required at the end of the new contract term. This should consider staff, premises and other assets in the event of decommissioning. You may be required to demonstrate how you will manage the transfer of staff under the arrangements of TUPE. Support for this will be given by the Human Resources Department.

You will also need to have a clear plan for the remaining assets with regard to lease agreements, dilapidation issues around estates, rental agreements for photocopiers and other equipment etc.

(o) Conclusions

Finally you will need to summarise your proposal. This needs to be brief and can reiterate what you have highlighted in your service proposal – where you are, where you want to be and how you are going to get there.

You may be asked to present your business case to the Capital Investment Group (capital only) or to commissioners or to the Trust Board. This will be your opportunity to demonstrate your knowledge and skills around the content of your bid, and where applicable the tender specifications by summarising the salient points of your business case/tender submission.

(p) References

You will need to reference any documents you have referred to in your business case for further reading and clarification purposes.

7. How will a business case be prioritised?

A business case should aim to meet one or more of the following goals –

- (i) Patient & Staff Safety
 - (ii) Statutory / Legislative
 - (iii) NHS / DoH Directive
 - (iv) Patient areas
 - (v) Staff areas
 - (vi) Improvement to the environment
 - (vii) Other
-

8. Where do I go for help?

If in doubt on content or preparation of a business case colleagues should seek advice and support as follows –

- (i) General and service advice - Service Development & Delivery team on **0151 471 2676**
- (ii) Build schemes/ major refurbishments – The Estates capital team on **0151 473 2862**
- (iii) Financial matters
 - High Secure and SaFE Clinical Business Units **0151 471 2346**
 - Addiction and Rebuild Clinical Business Units, **0151 472 4052**
 - Medical, Exec Nurse, HR, IM&T & Finance SMS, **0151 472 4052**
 - Liverpool and Positive Care Clinical Business Units, **0151 473 2792**
 - Corporate, Board and Facilities SMS, **0151 473 2792**
 - Capital issues – Capital Accountant, **0151 471 2465**
- (iv) Contracts – Contracting Team on **0151 250 5079**
- (v) IMT – on **0151 472 4079**
- (vi) Workforce – HR Department on **0151 473 2943**

Quarterly training sessions are available on:

- How to undertake an Option Appraisal
- How to undertake a Benefits Analysis
- Marketing Analysis
- Business Planning

Details of training will be issued on the Service Development & Delivery Department web pages on the Trust web site.

9. Project evaluation

If approved and the scheme or project commences there should be regular reference to the agreed business case to ensure it remains “on track”.

At the end of the project, success is determined by measuring the outcomes against the objectives defined in the business case.

The effective preparation of a business case is therefore critical to the achievement of approval for a project.

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