

Project Initiation and Business Cases Handbook

Chapter 4

Business Case and Appraisal

Contents:

Section	Subject
1.	<u>Overview</u>
2.	<u>Guidance</u>
3.	<u>Summary</u>

Overview

1.1. All projects need a business case and approval system to allow them to proceed. Construction projects are no different, it is likely that a construction project will be a constituent part of a programme and consequently part of the delivery of wider outcomes and impacts.

1.2. Business cases examine the purpose of the project and consider the best means of delivery of that purpose and are essential for the successful delivery of projects and programmes. They should be proportionate to the scale of the project. It would be unrealistic to create a business case for a very small and simple project which was of the same scale and detail as one for a very large and complex project. Whatever the size, a process of setting out the case for the project and obtaining formal approval should be carried out for all projects.

Guidance

2.1. All programmes and projects should be appraised following [The Green Book, Appraisal and Evaluation in Central Government](#) published by HM Treasury. The process should follow the 'Five Case Model' set out in the Green Book. This model has been described as a 'framework for thinking' about how interventions (projects) can be delivered and, in essence, asks three questions:

- *Where are we now?*
 - This requires an understanding of the existing arrangements in terms of agreed services and policy outcomes, taking account of existing policy, strategy and programmes
- *Where do we want to be?*
 - Understand what the goals are in terms of agreed services and policy outcomes
- *How are we going to get there?*
 - What the potential options are in terms of potential scope, solution, delivery, implementation and funding
 - How to deliver the project
 - What the short, medium and long terms costs are
 - Whether the resources are available to deliver the project

2.2. The Five Case Model comprises the following five key components:

- The Strategic Case – identify a robust case for change that provides strategic justification for undertaking the project

- The Economic Case – optimise value for money, not simply the financial consequences of an investment decision but wider economic consequences. e.g. - How does the project meet the [Scottish Government's National Performance Framework](#)?
- The Commercial Case – is the project commercially viable – how will it be procured?
- The Financial Case – is the project financially affordable?
- The Management Case – is the project achievable?

2.3. Business areas within the core SG, Crown Office and Procurator Fiscal Service, SG Executive Agencies and non-ministerial departments must seek advice from the Scottish Government's Property Division at the earliest opportunity when an acquisition or disposal of property or interest in a property is being considered and when drafting a property business case including for construction of a property. Other organisations to which the Scottish Public Finance Manual is directly applicable^[1] may seek advice from Property Division on a voluntary basis or, in the case of bodies sponsored by the Scottish Government, where required to do so under the terms of their framework document. The Property Division can be contacted at propertydivision@gov.scot.

Quality

3.1 The Business Case should not only set the case for why the project should be undertaken but also set objectives and parameters for delivery. This must include how the organisation's quality culture will be imposed on the project and fed through to the output to be delivered and consequently the outcomes and impacts to be derived from it.

3.2 The Business Case should include a description of how quality will be assured and the quality management systems to be employed, this may also include the expectations for the use of clerks of works and how quality aspects will be reported to the project board or through the relevant project governance structure if a board has not been appointed.

Summary

4.1 Business cases provide a process of assessing the costs, benefits and risks of alternative ways to meet objectives. They help decision makers understand the potential effects, trade-offs and overall impact of options by providing an objective evidence base for decision making and are essential to successful delivery of projects. They also set the environment for project delivery and importantly ensure that all involved fully understand the reason for and expected outputs and outcomes of the project.

^[1] Organisations to whom the Scottish Public Finance Manual (SPFM) is directly applicable are described in Paragraph 8 of the SPFM chapter [Background and Applicability](#)