

Business Case

A **Business Case** boils down to the answering of two fundamental questions:

- should I be doing this; and
- should I be doing it this way?

The required scale of the tasks detailed here, probably more so than for any of the other activities in the procurement process, is dependent upon the value and risk of the overall procurement.

When is one needed?

As stated in the **Introduction** the principles apply to all transactions but the business case activity for buying some copy paper should be a few moments thought, whilst for a multi-million pound road scheme will be an extensive formal report.

All procurements from £100,000* must have a formally recorded business case. Capital projects from £1m+ have their own, additional, requirements. Guidance on which can be found at:

<http://kent304/cgi-bin/wdbcgw/CS/docs/CAPITALGUIDANCE/CAPITAL+PROGRAMME+PROCESS+AND+PROCEDURES.DOC>

* The value here is taken from the total cost implication of the decision and not the narrower valuation of a particular contract.

The Financial Regulations state:

A.22 The Chief Executive and Managing Directors are responsible for:

- i ensuring that capital proposals reflect agreed service plans, are prepared in line with guidance issued, are realistic, that necessary business case development and option appraisals have been carried out and any risks identified. Any impact of capital expenditure proposals on service running costs must be identified and included in revenue budget estimates or forecasts;

There is no requirement for an individual business case for each contract. Linked procurements or more formally established programmes will give the opportunity for an all-encompassing business case. Where this is applicable there must still be sufficient detail for appropriate judgements to be made for each contract.

What is it used for?

A well prepared business case will:

- challenge the options and allow an informed decision as to whether to commit to the expenditure or not;
- provide a benchmark against which to review progress; and
- provide the means against which to judge success.

In preparing your business case beware of similar activities potentially happening in parallel across the Council, i.e. be mindful that others may have a similar requirement which would be better if linked.

What should be in a business case?

As a minimum a business case will include the following:-

- description of the need ¹;
- linkages into wider Council objectives;
- details of all options looked at ²;
- description, including estimated quantities, of the resources necessary to cover the total impact of the decision ³;
- where the resources, including funding, will be provided from ⁴;
- description of benefits; and
- how success will be measured.

The business case will be completed with information gained from the **Understanding the Market** activity which is carried out in parallel.

¹ The medium term planning process and unit Business Plans will inform the planned needs across the Council. As part of those processes early work on resource allocation may also have been done.

² 'all options' should include those being put forward, those already dismissed and the 'do nothing' option.

³ It is not expected at this stage of the process that you will have detailed and firm figures on quantities and / or costs. However, no business case can be completed without meaningful figures.

A business case must reflect all costs and activities directly or indirectly caused by a particular option. For example the procurement might obtain some new equipment but there are knock on costs for maintenance, consumables and training that need to be included

⁴ It can be a well constructed business case but if you haven't got, or can't get, the resources the process goes no further. However, a well constructed business case could support a bid for the reprioritising of resources to this project that, if granted, would lead to the business case going through to the approval process. In general terms, Council/Cabinet approval of the revenue and capital budgets provides the authority to incur expenditure within those limits. It should be expected that the business case should detail where the resources will be provided from rather than the generic "from within existing budgets".

For contracts where there may be a change of contractor, the TUPE Regulations may apply. This is especially important if an in-house unit is involved where the full implications to the Council must be considered. Reference should be made to the "KCC TUPE Guide for Managers" but it should be realised that the interpretation and implications of the TUPE Regulations are always liable to change with case law. Specialist legal and personnel advice should be sought from the very beginning of a tendering exercise whenever the outcome could lead to a TUPE transfer, including the transfer of staff between two commercial companies.

[Insert KNet link here](#)

Is there one?

Where employee data is or will be required as part of the information to enable information to be gleaned make sure the incumbent is aware and more importantly make the relevant staff aware. Do not underestimate the amount of work involved with staff transfers.

Detailed guidance on the creation of business cases is provided in “**The Green Book, Appraisal and Evaluation in Central Government.**” published by HM Treasury.

<http://greenbook.treasury.gov.uk/>

It advises that all new policies, programmes and projects, whether revenue, capital or regulatory, should be subject to comprehensive but proportionate assessment, wherever it is practicable, so as best to promote the public interest. The Green Book presents the techniques and issues that should be considered when carrying out assessments and describes how the economic, financial, social and environmental assessments of a policy, programme or project should be combined.

Corporate Finance can assist with Green Book interpretation and can be contacted at:

ben.smith@kent.gov.uk

or by telephone on:

Maidstone (01622) 694597
Freecall 7000 4597

Words of caution

There is a demonstrated, systematic, tendency for project appraisers to be overly optimistic. This is a worldwide phenomenon that affects both the private and public sectors. Many project parameters are affected by optimism – appraisers tend to overstate benefits, and understate timings and costs, both capital and operational.

Taken from “The Green Book” published by HM Treasury 2003

A business case does not have to be positive. Whilst this may sound obvious there are examples where people have been engaged to prepare a business case who believed that they failed when they couldn’t show a positive case for proceeding. A well prepared business case will research and show the facts allowing a well-informed decision to be made.

The Council’s business cases are of potential interest to a number of parties and requests may be received for them under the Freedom of Information Act. There can be no standard response and each case will need to be treated individually as determining the correct response may be affected by the timing, in the procurement process, of the request. This is a specialist area and guidance should always be sought, initially from your directorate Freedom of Information co-ordinator.

Insert details of Directorate FOI co-ordinators here

Decision Point

Having prepared a business case now is the first major decision point in the process.

The Financial Regulations state:

A.22 The Chief Executive and Managing Directors are responsible for:

- iii ensuring that projects only proceed when they have received the necessary approval and confirmation that any external funding is secured. For schemes and headings where the total cost is estimated to be £1m or more this consent must be obtained from the Leader following procedures issued by the Director of Finance. The Leader may take the decision himself/herself or specifically delegate the decision to Cabinet or the relevant Cabinet Member. For schemes where the total cost is estimated to be less than £1m consent must be obtained from the relevant Cabinet Member.

Budgetary provision must exist before any business case is approved. This provision should be explicit in a budget, programme or resolution of the Council or a Committee where a budget, programme or other report contains a block allocation for multiple contracts for a class of service provision.

Where budgetary approval exists specifically for an item further Member approval is not required. The Cabinet Member/portfolio holder may need to be informed especially when the procurement is strategic or particularly sensitive.

Where there is no specific budget line, the Chief Executive and Managing Directors may approve expenditure of up to £100,000, provided the expenditure can be met within budget. Above £100,000 a formal decision by the Leader, the Cabinet or an authorised Cabinet Member is required in accordance with the Council's Constitution.

The Chief Executive and Managing Directors are free to determine the management processes and levels of delegation around non-capital business cases appropriate for their directorate. However decisions for all business cases from £100,000 upwards must be documented, making it clear who made what decision, and then retained with the other documents relevant to the procurement.

In view of the business case's importance throughout the procurement process it should be treated as a 'living' document and not frozen at the 'Decision Point'. However you need to be careful that whilst keeping it up to date you neither fundamentally change the basis on which the original decision was made nor move the procurement to a different authorisation level. The **Procurement Management** chapter covers this in more detail.

Procuring People

An approved business case will have said where the resources are to be provided from. Where these resources are people the business case should have detailed whether these are already employed within the Council or are additional. If additional, it will further detail whether the preferred route is to employ them and pay through the Council's payroll system or contract for them and pay against an invoice.

If individuals are to be paid through the payroll system then they must be sourced via the Council's HR recruitment processes resulting in a contract of employment. All other contracts are sourced in compliance with the Code.