Newcastle City Council

Project Management System

Stage 3: Business Case

This stage of a project is where the detailed project planning will be undertaken, including appraisal of project delivery options and assessment of value for money; environmental impact; development of the project plan or timetable; resource planning; risk and stakeholder analysis; and development of the project structure and governance. The Business Case for the project will be compiled from these elements.

The size and complexity of the Business Case will depend very much on the project type and category. For major capital projects, it will be quite extensive, and will need to include detailed financial, environmental and technical analysis. In other cases, a much simpler analysis will be enough to answer three key questions which the Business Case needs to address:

- *Do we have a viable and worthwhile project?*
- *What are its environmental impacts; positive and negative?*
- *Is it measurable and will it achieve council objectives?*

The key elements of the Business Case are as follows:

Options Appraisal

- Clear, measurable objectives, including environmental aspects
- Weighted evaluation criteria
- Options for intervention
- Robust cost estimates (including whole life costs)
- Value for Money analysis

Delivery planning

- Confirm scope and exclusions
- Product / output definition
- Timescales and stages
- Resource requirements (capital and revenue)
- Funding plan
- Project team / structure; identify relevant participants
- Risk identification and management, to include environmental issues
- Application of lessons learned from previous projects

Consultation and engagement

- Stakeholder analysis

- Member involvement

- Partnership arrangements

- Governance, reporting and approvals for all relevant policies

On-line system and data entry

The on-line system that went live in November 2012 is intended to enable the straight-forward input of existing Project Management System (PMS) data. Once uploaded it will be held in a secure central database and will form an essential part of the project Governance process.

In common with other PMS Gateways, the Business Case for a project (Gateway 3) is uploaded onto the system using a number of pre-defined pages or sections. For the Business Case there are seven sections. The notes that follow below are ***intended to provide a step by step guide to enable completion of the document and submission to the appropriate Project Board and Programme Board for their written approval.***

Section 1 – Project title and key contacts

Project name – enter the formal name of the project, this should be the same as that used previously at Gateway 1 and 2 although project title occasionally change during the lifetime of a project

Project category - enter the category of the project, this is identified at Gateway 2 (Project proposal) and will have been formally confirmed by the relevant Theme or Programme Board on sign-off of this gateway.

There are four project categories, A to D. These are as follows;

Category A = high risk, high cost, high impact projects; require a Project Board and will be monitored by the Project Review Group (in addition to the Programme Board). The Theme Board may also be involved in gateway approvals;

Category B = projects also to be monitored by the Project Review Group, but do not require a separate Project Board;

Category C = projects approved and monitored by the Programme Board only; and

Category D = projects will be approved by the Programme Board, but ongoing monitoring will be by divisional

management teams (as part of "business as usual" delivery, such as the Local Transport Plan

investment programme), with reporting to the Programme Board by exception only.

Programme (or Theme) – identify the correct Programme from the drop-down menu. The Programme Board should be the same one that considered previous Gateways (Project Mandate, 1 and Project proposal, 2) although occasionally projects move from one programme to another as they develop or management structures are changed

LINK TO COUNCIL PRIORITIES (select <u>one</u> only) – Many projects will repsond tp anumber of Council Priorities. However please select only the main one that applies at this point on the form

Project manager – enter the full name and NCC Job Title of the project manager responsible for the day-to-day delivery of the project

Project sponsor - enter the full name and Job Title/role of the person that instigated and oversees the project. If this is Councilor or an external individual also identify the senior staff member within NCC that has "ownership" of the project

Contact Tel – enter the full telephone number and extension of Project Manager

Completed by – this will usually be the Project Manager, and will be populated automatically using your log-in details

Date – this will be populated automatically by the software as you upload data

Email – this will usually be the Project Manager, and will be populated automatically using your log-in details

Confirm email - this will usually be the Project Manager, and will be populated automatically using your log-in details

Section 2 – Options appraisal

Fundamental to the successful delivery of a project is the early review of potential options. In some, limited cases options are limited by the brief provided by the project sponsor or client body. Even in these cases if the project manager or the project team believes there may be other ways of delivering the project that may be more economic, more productive or sustainable these should be discussed.

Significant time and resources can be saved if initial assumptions are challenged at the start of a project. If this is not done at the start of the process then it may not be possible to change the project at a later date, or change will incur delay and additional cost.

Have you carried out an options appraisal? – You are asked to check one of the boxes, "*Yes*" or *"No"*

If you check "*Yes*" you will be asked to attach a copy of your detailed options appraisal and then completed the summary text fields below.

If you check "*No*" a further text field appears, entitled "Reason why not possible". This is to be completed with a comprehensive explanation as to why it has not been possible to consider alternative means of delivering the project.

Project Outcomes – earlier PMS stages (Project mandate, G1 and Project proposal, G2) describe the project and define what it consists of. The Project mandate also asks why the project is needed.

In order to consider alternative options for delivering the project it is first necessary to clearly define the Outcomes (objectives) for the project. For many projects these have been scoped in the initial brief or have been published as a part of the consultation process.

If this is not the case the project team should draft a set of clear, measurable Outcomes (objectives). As a minimum these should be agreed by the Project Board, and for larger, contentious projects elected members may also wish to review the Outcomes (objectives) before they are finalised.

In this section you should clearly identify how the implementation of the project will contribute to the relevant Council priorities.

Also show ho the environmental impact (Green Thread issues) have been taken into account.

In order to comply with corporate environmental management policies, projects and options must be assessed to determine their environmental impact, positive and negative, and establish appropriate mitigation measures when appropriate. An evaluation of this type can only be undertaken by those with relevant experience and qualification. ***Each project should be adequately resourced to provide the required level of expertise and identify the individual or organisation that has undertaken the evaluation of these important issues.***

It is important to recognise that all projects, programmes and on-going work have impacts on the environment. A relatively small but complex and sensitive project can have a greater environmental impact to a larger, straight-forward project. Consequently the level and extent of environmental management required for a project is not a simple reflection of the scale of a project.

For each project, an environmental assessment should be completed and included as part of the project documentation, and you should expect the project board to request to see this information. The table below sets out the way in which environmental issues should be assessed as part of the evaluation process (needs to be developed for specific issues that relate to individual project).

Will the proposal impact on...	Is there an environmental impact?	If yes, is impact ...	If yes...	
			Briefly describe impact	**Briefly describe Mitigation measures**
Emission of Climate Changing Gases?	Yes/No	+ve/-ve		
Vulnerability to the effects of climate change?	Yes/No	+ve/-ve		
Consumption of non-	Yes/No	+ve/-ve		

renewable resources?				
Production, recycling or disposal of waste	Yes/No	+ve/-ve	?	?
The appearance of the city?	Yes/No	+ve/-ve	?	?
Pollution to land, water, or air?	Yes/No	+ve/-ve	?	?
Wildlife and habitats?	Yes/No	+ve/-ve	?	?
	Yes/No	+ve/-ve		
	Yes/No	+ve/-ve		
	Yes/No	+ve/-ve		

Project options

It is very important that the various options for delivery are considered in detail at this stage to ensure the most appropriate solution is identified and taken forward.

Use the text field to identify and provide a brief description of each of the options that has been considered in the linked detailed options appraisal; see *Have you carried out an options appraisal?* above

Do not consider options for the various part of a project but rather consider options for the whole project. For example do not consider different ways to build a new school and then, separately consider the long-term revenue and environmental issues. We need to consider projects as a whole; taking into account whole-life costs, environmental impact.

Each project MUST complete a proper analysis of how outputs of each option deliver against corporate priorities, refer Link to Administration Priorities (refer start of Stage 3: Business Case)

Evaluation criteria – in order to ensure each option is evaluated against the same criteria, these should be identified and applied equitably.

For a straight-forward, small scale project it may be sufficient to consider only costs and quality when evaluation options. An example of this approach is provided by the exemplar project.

Large-scale and complex projects or those of a contentious nature are likely to need a more sophisticated evaluation. In these cases there is likely to be wider evaluation criteria, for example; costs; quality; risk; environmental aspects; and programme. Each of these key areas will then be broken down in to greater detail. An example of this approach is provided in Appendix B to these guidance notes

Cost estimates – use the table provided to summarise the capital and revenue cost elements of the options that has been considered in the linked, detailed options appraisal; see *Have you carried out an options appraisal?* above.

An example of a completed table is provided by the exempla project.

Preferred option – This section enables you to summarise how you have identified the preferred option.

If the evaluation process is complex or does not select the option which is the most economically advantageous, then a detailed explanation will be required.

Value for money - It is important to be able to demonstrate that the Preferred option represents Value for Money (VfM).

Use this section to summarise how VfM will be ensured for this project.

Section 3 – Delivery planning

Project scope – describe what the project involves. Include all stages of the process, not just the physical works. i.e. include planning, design and monitoring elements.

Often the most straight-forward approach is to describe the various elements of a project, from concept to completion in chronological or time order. This can be done against specific dates (refer *Project plan*, below) or as a sequence of bullet points

Exclusions – It is equally important to identify what a project does not include. This enables clear communication with the wider project team and avoids unnecessary confusion about the scope of the project. If there is any disagreement at this stage it can be addressed.

Product Plan

Identify the key elements (or "outputs") that will enable the progress of the project to be monitored.

For each key element ("output") identify what will be used to demonstrate its completion (termed "immediate product").   This will usually be in the form of paperwork, such as committee decisions recorded in minutes, a completion certificate for physical works or perhaps attendance records to demonstrate the start of a training programme.

For large or complex projects, a detailed product plan will be required. A generic template is available through the link provided.

Project Plan – (or programme) defines when each element of a project will take place.

In most cases a project programme is best shown in a graphical form For most projects this can be achieved with a simple bar-chart or GANTT chart (links to templates are provided). Append the Plan to this section and summarise the key activities in the table provided.

Project Team – identify the various members of the project team, their roles and the level of their input into the project (as days to be worked (FTE is Full Time Equivalent).

It is important that all relevant members of the team are identified (both internal and external). Reference to the project's Management Structure can be a useful check-list to ensure all disciplines are identified and adequately resourced.

Section 4 – External consultancy and budget (capital and revenue)

External consultancy – a project can benefit from the involvement of external advisor input. For example; they can bring experience from a range of other similar projects (greatly strengthening Lessons Learned experience); training programmes or specifications for design and works can be based upon previous projects (avoiding the need to "re-invent the wheel"); there may not be the resource or experience available within the authority to deliver the project.

It is important that the work of external advisors is clearly scoped, procured and managed. This in itself requires certain management experience and knowledge of the subject area to be effective.

As a minimum, when external advisors are proposed they should be identified together with their expertise; their area of work defined for the project; and a brief explanation as to why this role cannot be provided from internal resources

Capital budget

This section should be completed by the Capital Finance Team with supporting information provided by relevant members of the wider project team. A Quantity Surveyor may also be required to provide a full cost plan for the project, which should be linked to the G3 submission. A generic template for capital costs is available via the link included on the form. Most projects will need significant development of the template to provide the required level of detail for the project. An example is provided as an attachment to the exemplar project.

Summarise the Capital Costs in the table provided to show the full capital cost of the project.

Revenue budget – revenue costs are an important element of all projects. As above this section should be completed by the Capital Finance Team with supporting information provided by relevant members of the wider project team However they are not always considered in sufficient detail at the beginning of a project when larger, initial costs can dominate discussions (e.g. capital costs for a building project).

It is essential that the revenue costs are identified and understood for the full life of the project.

In the case of a capital building project you should consider revenue cost over a period of at least 25 years. This can make the estimation of future revenue difficult, for example energy costs, insurance. However it is important that the best possible predictions are made to demonstrate the true cost of the project.

A generic template for revenue costs is available via the link included on the form. Most projects will need development of the template to provide the required level of detail for the project. An example of a 25 year budget is provided as an attachment to the exemplar project.

Summarise the Revenue Costs in the table to show how implementation of the project will affect the revenue budget.

Funding plan

Identify all sources of funding, the financial year of expenditure and provide evidence that the funding has (or has not) been secured.

Input from the Finance Team will be required to ensure appropriate agreements are in place with funders and that all cost implications are understood and taken in to account. For example any form of borrowing to fund a project will incur finance or interest charges which will be added to the costs of the project.

Early discussions with the relevant member of the finance team supporting your project are important to enable the appropriate completion of Capital budget, Revenue budget and Funding plan elements of the Business case (refer to the Finance and Resources section of the Gateway 2, Project Proposal to identify correct contacts within the Finance team for your project).

Section 5 – Risk identification and management

The successful delivery of a project requires the early identification and subsequent management of project risks. This can only be done with experience and a detailed knowledge of the project in question.

Without this experience and knowledge, risks that are identified tend to be high-level and generic. This can lead to false sense of confidence with real risks perhaps missed by less experienced project team while decision making proceeds without knowledge of relevant risks

Risk analysis – the complexity of a risk analysis required depends upon the scale of a project, but more significantly on its complexity and sensitivity.

For smaller, more straight-forward projects a Risk log is adequate, certainly initially. This can either be attached as a separate file (use *Browse* function) or complete the *Risk/Cause/Impact/Controls/Mitigation* table, adding additional rows until all relevant risks have been identified

If you are not confident that the project team can identify all relevant risks then discuss the position with your Directorate Risk Adviser

For more complex/sensitive projects it will be appropriate to develop a detailed risk register. A generic example is provided via the *template* hyper-link.

The most important aspects of risk management are;

- o to involve all relevant individuals;
- o ensure they have relevant experience;
- o that the register is reviewed on a regular basis; and
- o the team's consensus is communicated to the Project Board and all relevant parties

Lessons learned – lessons learned from other projects; their delivery and operation are a valuable source of ideas and advice when managing any project. In particular lessons learned can inform the creation of a comprehensive risk log/register

Use the *Project/Lesson learned/How you will apply this* table to identify the lessons that have been learned from elsewhere

Section 6 – Consultation and engagement

The Council and its Leadership places emphasis on Local Choice with the requirement that we engage in a meaningful way with local communities. This should be during the design and delivery of a project (e.g. a school, community hub or training programme) and in the setting of priorities for the spend of resources (e.g. highways maintenance, park maintenance and leisure facilities)

Understanding the full range of individuals and organisations that are involved in a project is central to its effective management and timely delivery. Only by identifying and engaging with all relevant parties is it possible to ensure good communications and identify concerns and risks at an early stage, thereby enabling effective, early mitigation.

As a general approach the greater the level of consultation and engagement the more smoothly a project will be delivered and the better it will integrate with existing communities and business.

Stakeholder analysis - for a large or complex project this will require detailed work and assessment by specialists.

For medium and smaller projects a more straight-forward approach can be adopted with the project team either completing the hyper-linked template or by completing the *Stakeholder/Point of view/Level of interest/Influence/General Approach* fields. Keep adding rows to the table using the Add key until you are confident all relevant Stakeholders have been identified.

Member involvement - as noted on the submission form you are required to summarise how relevant Ward Councilors and Scrutiny Committee Members will be informed about and involved in the project.

For larger, complex and/or contentious projects it will also be relevant to consider the local MP(s) and MEP. Where a project is close to a ward or constituency boundary, or could impact on adjacent areas representatives from these areas should also be consulted and informed of the project.

Partnerships – larger and complex projects are often delivered with partner organisations, examples include Newcastle Science Central which is being delivered jointly by NCC and Newcastle University.

These projects require careful, detailed pre-planning and for a formal agreement(s) to be in place between the various partner organisations. This section of the submission form requires project partners to be identified and the formal agreement between them to be identified.

Agreements of this type are by their nature unique and generally require specialist legal drafting. Prior to completion of a full Partnership Agreement by all relevant parties it is normally the case that the various parties sign an early, simplified agreement. This is often refereed to as a Memorandum of Understanding (a straight-forward example of an MoU is available as a template, follow hyper-link).

Any project that involves a Partnership (and therefore an MoU) will require early and specialist legal advice.

Governance – the way in which a project is managed and decisions made, recorded and communicated is central to the successful delivery of all projects

In this section of the form you are asked to state how decisions relating to the project will be made, including any Delegated Decisions needed. Reference should be made to the various stages of the Corporate PMS (Project Management System), relevant policies and the experience of the team in delivering projects of this type

The most straight-forward way to explain the Governance of a project is to refer to a management structure, see example in Appendix 3 to these guidance notes. The complexity and the number of individuals included in a management structure will depend upon a number of factors, for example the scale and duration of the project, the number of partner organisation, whether the project is straight-forward or contentious.

A management structure (graphical form) is an excellent way of illustrating relationships and can be used to show how a project will be managed, and explain how various decisions will be made and communicated.

Reports and approvals – delivery of most projects requires a number of key documents to be created. These may be demand studies, environmental impact, user/customer surveys, technical feasibility, capital and revenue cost estimates. This section of the submission form provides an opportunity to identify and locate these documents. These may be existing documents (in which case a link can be provided) or they may be reports that will be required at a later date.

It is also important to use this section of the form to identify the various approvals that a project will require. These may be internal such as providing a report to a Project/Programme Board on a procurement process, regulatory, or external (e.g. partner organisation will have its own approvals process).

By identifying all the relevant approvals a project may require early in its development the wider project team will be able to avoid unnecessary delays by planning these events into the development, delivery and operational phases of a project

Section 7 – Sign-off and submission

Finance lead Comments – as noted on the submission form the Head of Finance has requested that all business cases with financial implications should be cleared by the relevant finance lead before they are submitted to the Programme Board

Contacts are identified on the form; use the relevant hyper-link (underlined name) to forward the Gateway 3 document to the relevant Finance colleague and ask them to undertake a final review of capital and revenue cost sections. This should be straight-forward as these sections of the Business Case will have been compiled and finalised by the Finance team, see relevant sub-sections within Section 4, External consultancy and budget (capital and revenue) of these guidance notes

It is the project manager's responsibility to forward the forms to Finance colleagues and secure their sign-off, and any relevant comments, in sufficient time for the forms to be returned and submitted, refer below

Documents attached – this is a checklist to help you ensure you have attached all relevant supporting information, it requires no direct action

Submit to – once complete use the drop-down menu to identify the relevant Directorate Programme Manager and then submit the form by pressing *Submit*

GATEWAY 3

Theme or Programme Board, Comments, Confirm appropriate consultations and approvals are in progress

BMG, Comments, Technical and Environmental review of business case - Long-term, sustainable solutions have to be the default option, if not then comprehensive explanation required

Appendix A – Example of high-level evaluation criteria for a major project

New Tyne Crossing, contents and summary table only

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A table showing the ITN qualitative evaluation scores appears below:-

Workstream	Weighting %	Supplier X Score (1-10)	Supplier X weighted score	Supplier Y Score (1-10)	Supplier Y weighted score
Technical and Service Delivery	50	6.1	3.06	5.6	2.80
Financial	10	7.3	0.73	7.0	0.70
Legal, Commercial & Insurance	10	5.0	0.50	6.0	0.60
Staff	15	5.8	0.88	6.1	0.91
Partnering & Community Management	15	7.3	1.10	5.7	0.86
Totals			6.27		5.87

Appendix B – Example of a relatively complex management structure for a major project

New Tyne Crossing

Tyne and Wear Passenger Transport Authority
New Tyne Crossing, wider project team

Tyne and Wear Passenger Transport Authority

Tyne Tunnel Working Group
Cllr. Tom Hanson (Chair)
Cllr. Dave Wood - NCC Cllr. (PTA Chair)
Cllr. Ed Hodson - NT Cllr.
Cllr. Stuart Green - GC Cllr
Cllr. Dave McGarr - NT Cllr.
Cllr. Michael Clare - ST Cllr.

Senior User
Engineer to Tunnels, John Miller

Project Board
Clerk to PTA
Engineer to Tyne Tunnels
Treasurer to PTA
Project Director
Barry Rowlands

Steering Group
Engineer to Tyne Tunnels
Project Director
Int. Legal & Finance Officers
North Tyneside Council PM
South Tyneside Council PM
GONE
Highways Agency
Regional Transport Board when formed
4Ps
D R Pigg (DRP Associates)
Advisor (as required)

Procurement Board
Project Director
Project Manager
Int. Legal & Finance Officers
Advisor - Technical
          - Legal
          - Finance/Commercial
4ps

Project Director
Paul Fenwick
(with Delegated Powers)

Internal Support
HR, Accounts, Admin etc

Project Manager
Cliff Jessett

Workstream Technical	Workstream Legal	Workstream HR	Workstream Transfer	Workstream Financial	Workstream Property	Workstream Insurance	Workstream Communication	Workstream Community
Internal Technical Officer — David Dingwall	Internal Legal Officer — John Softly	Internal HR Officer — Pam Perry	Internal Officers — Karina Murphy/ Peter Hedley	Internal Financial Officer — Ian Sewell	Internal Property Officer — Paul Fenwick	Internal Insurance Officer — Joanne Walters	External Communication Officer — Doug Pigg	Internal New Tyne Crossing Community — Peter Hedley
Advisors — Arup — Nigel Hailey/ Malcolm Shaw — Tim Fay, Royal Haskoning/ De Weger	Advisors — 1. Herbert Smith — David Moore — 2. Dickinson Dees — Michael Brown	Advisor — Internal NCC/TWPTA — Gerardine Fagan	Advisor — Internal NCC/TWPTA — Brian Archer/Jeff Shaw	Advisor — PwC — Anne Vivian	Advisor — GVA Lamb & Edge — Keith Frazer	Advisor — AON — Mike Durejko	Advisor — Bradley O'Mahoney — Richard Simpson	Advisor — Community representatives — [To be advised]