[Project name]

Business case

Documenting the business justification for undertaking this project

[Ref filename & version]

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# Executive summary

[should be limited to one page]

# Reasons

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# Business options

# Expected benefits

# Expected dis-benefits

# Timescale

# Costs

# Investment appraisal

# Major risks

# Guidance on how to complete

***(Note: following completion of the Business case the pages beyond this point can be deleted)***

## Purpose

A business case is used to document the business justification for undertaking a project, based on the estimated costs (of development, implementation and incremental ongoing operations and maintenance costs) against the anticipated benefits to be gained and offset by any associated risks. It should outline how and when the anticipated benefits can be measured.

The outline business case is developed in the starting up of a project process and refined by the initiating a project process. The directing a project process covers the approval and reaffirmation of the business case.

The business case is used by the controlling a stage process when assessing impacts of issue and risks. It is reviewed and updated at the end of each management stage by the managing a stage boundary process, and at the end of the project by the closing a project process.

## Composition

A business case includes the following:

* Executive summary

Highlights the key points in the business case, which should include important benefits and the return on investment.

* Reasons

Defines the reasons for undertaking the project and explains how the project will enable the achievement of corporate, programme management or customer strategies and objectives.

* Business options

Analysis and reasoned recommendation for the base business options of do nothing, do the minimum or do something. 'Do nothing' should always be the starting option to act as the basis for quantifying the other options. The difference between 'do nothing' and 'do the minimum' or 'do something' is the benefit that the investment will buy.

The analysis of each option provides the project board and the project's stakeholders with sufficient information to judge which option presents the best value for the organization. It provides the answer to the question: for this level of investment, are the anticipated benefits more desirable, viable and achievable than the other options available?

The business case for the chosen option should be continually assessed for desirability, viability and achievability as any new risks and/or changes may make one of the other options more justifiable.

* Expected benefits

These result from the desired outcomes to be achieved through the use of the project outputs. The benefits are expressed in measurable terms against the situation as it exists prior to the project. Benefits should be both qualitative and quantitative. They should be aligned with corporate, programme management or customer benefits. Tolerances should be set for each benefit and for the aggregated benefit. Any benefits realization requirements should be stated.

The quantification of benefits enables benefits tolerances to be set (e.g. a 10-15 per cent increase in sales) and the measurability of the benefits ensures that they can be proven. If the project includes benefits that cannot be proven, then it is impossible to judge whether the project:

* + has been a success
  + has provided value for money
  + should be (or have been) initiated.

There are many ways to verify the expected benefits. For example, sensitivity analysis can be used to determine whether the business case is heavily dependent on a specific benefit. If it is, this may affect project planning, monitoring and control activities, and risk management, as steps would need to be taken to protect that specific benefit.

* Expected dis-benefits

The impact of one or more outcomes of the project might be perceived as negative by one or more stakeholders. Dis-benefits are actual consequences of an activity whereas, by definition, a risk is uncertain and may never materialize. For example, a decision to merge two elements of an organization onto a new site may have benefits (e.g. better joint working), costs (e.g. expanding one of the two sites) and dis-benefits (e.g. drop in productivity during the merger). Dis-benefits need to be valued and incorporated into the investment appraisal.

* Timescale

The period over which the project will run (summary of the project plan) and the period over which the benefits will be realized. This information is subsequently used to help timing decisions when planning (project plan, stage plan and benefits management approach).

* Costs

A summary of the project costs (taken from the project plan), the ongoing operations and maintenance costs and their funding arrangements.

* Investment appraisal

Compares the aggregated benefits and dis-benefits with the project costs (extracted from the project plan) and ongoing incremental operations and maintenance costs. The analysis may use techniques such as cash-flow statement, return on investment, net present value, and internal rate of return and payback period. The objective is to be able to define the value of a project as an investment. The investment appraisal should address how the project will be funded.

* Major risks

Gives a summary of the key risks associated with the project, together with the likely impact and plans should they occur.

## Derivation

A business case is derived from the following:

* project mandate and project brief: reasons
* project plan: costs and timescales
* senior user(s): expected benefits
* executive: value for money
* risk register
* issue register.

## Format and presentation

A business case can take a number of formats, including:

a document, a spreadsheet or presentation slides

an entry in a project management tool.

## Quality criteria

The following quality criteria apply to a business case:

The reasons for the project must be consistent with the corporate, programme management or customer strategies.

The project plan must be aligned with the business case.

The benefits are clearly identified and justified.

How the benefits will be realized must be clear.

What defines a successful outcome is described.

The preferred business option is stated, along with the reasons why.

Where external procurement is required, the preferred sourcing option is stated, and why.

How any necessary funding will be obtained is described.

The business case includes non-financial, as well as financial, criteria.

The business case includes operations and maintenance costs and risks, as well as project costs and risks.

The business case conforms to organizational accounting standards (e.g. break-even analysis and cash-flow conventions).

The major risks faced by the project are explicitly stated, together with any proposed responses.