# Guidance for Business Cases

## About this document

Business cases should provide an assessment of strategic fit, options appraisal, achievability, sustainability, value for money and affordability. A business case should contain an economic appraisal and other information including the proposed arrangements for financing, management, marketing, procurement, monitoring and evaluation of the relevant policy, programme or project. This document provides a guide to using the Business Case template. It sets out roles and responsibilities, governance arrangements and a step-by-step guide for filling in the template. The level of detail provided shall be appropriate to the stage the project is at and the size and the complexity of the project.

## Who needs to produce a business case?

Below are some examples of Estates projects where a business case would be required:

* Fit-out to bring buildings into use or projects to refurbish or adapt buildings, including IT, services etc.
* Extensions to existing buildings and new builds.
* Freehold acquisitions and associated running costs (including any new space, no matter the size).
* Lease acquisitions and renewals with associated costs including ongoing running costs; costs & benefits foregone when not exercising a fixed lease break opportunity; any lease surrender premium payable (including any new space, no matter the size).
* Dilapidations or restoration costs.
* Disposal proceeds, net book value write-off or estate cost savings from any estate transaction.
* Any other estates contingent liability or commitment.

A business case is required for **any estate transaction or project of £250,000 or above – irrespective of where the budget for the project is held**.

In addition, this process applies to any estates service contracts or outsourcing of a value of over £50,000 per annum.

This document should be read in conjunction with the New Space and Capital Projects Approval Policy.

## What is the purpose of a business case?

The effective use of Business Cases provides a robust means of ensuring UCL is making the best use of the funds available. A Business Case is required whenever there is a proposal for change. The Business Case sets out the net benefit in making the change and sets out options which have been investigated, ensuring that none of the possible alternatives gives better overall value than the one proposed.

The Business Case also acts as a baseline for the project, from which progress can be measured against. It sets out the agreed constraints, associated assumptions and risks, and the funding approved to deliver the agreed benefits.

**Guidance for completing the Business Case template**

## Committee Template

Each business case must include a committee template (see appendix)

## Title Page

**[Version]**

Please record the version number, and ensure that this is reflected as the most recent in the change control box located at the bottom of the Title Page.

**[Date]**

Input the revision date.

**[Project reference]**

As soon as work commences on any project at UCL, an application for a project reference should be made. This can be obtained from the Portfolio Services Office (portfolioservices@ucl.ac.uk).

**[Title]**

The Project Title should be agreed with the project sponsor and should consistently be referred to by the agreed name throughout the duration of the project.

**[School / Faculty]**

Input the School and Faculty name.

**[Building name]**

Input the building name where the works will be completed.

**[Type]**

Input the type of works that will be undertaken. I.e. new build or refurbishment.

**[Programme Alignment]**

Input the UCL Estates programme that the works will be undertaken as part of. i.e. capital Programme, Strategic Maintenance Programme or Residencies.

**[Estate Strategy Manager]**

Input the UCL Estates Strategy Manager’s name.

**[University Project Officer (UPO)]**

Input the UCL University Project Officer’s name.

 **[Project Sponsor]**

Input the Sponsor’s name.

The Sponsor owns the Business Case and is responsible for managing its production.

**[Committee Approvals]**

Use this table to record previous UCL committee approvals, as the Business Case moves up the approval process chain.

The Business Case Workflow [link], outlines which boards a project needs to seek approval from. The dates of upcoming boards can be found here [link]. Complete the relevant boxes with the meeting title, dates, business case value, and the programme start and end dates.

**Funding applications**

Include the amount of money granted during any previous applications, the amount being requested with the current application and the amount you expect to request in future applications.

Each box shall be completed. If there have been no previous applications or you do not anticipate any future applications then include a £0 in the relevant box.

Also, include the total amount of funding agreed on the Capital Programme baseline approved by CPSC.

**[Document Edit History]**

Use this table to record the Version history of the Business Case, including dates, information on what was amended, and who was responsible for these changes.

**[Sponsor Signature]**

The Sponsor should not sign the business case until they are satisfied that;

* All issues/concerns raised through the assurance process have been addressed or accepted
* All relevant stakeholders have been consulted

The Sponsor’s signature signifies that the Business Case is ready to be submitted to the relevant Governance Board.

Where a joint funder is involved, they should be a co-signatory on the UCL Business Case and any related third party Business Cases should be attached in an Appendix.

**Decisions Required and Key Issues**

Use this page to provide a brief bulleted summary of the purpose of the business case.

* State the key deliverables of the project.
* Note precisely what approval is required for, in terms of budget, programme and quality.
* State the key issues relating to the project, e.g. interdependencies, programme pressures.

## 1. Executive Summary

* 1. **Key points of the business case**

Summarise the key points from the business case. Emphasise the option evaluation and the reasons for selecting the preferred option.

Clearly state what is being requested to progress the project.

* 1. **Capital Impact**

Input the budgetary requirements for the project, split into the specified elements.

Amend the final line of the table to show the correct project stage.

* 1. **I&E Impact**

Input the Income & Expenditure impacts of the project, as calculated by Estates Finance and which departments are impacted how.

**1.4 Programme**

Use this table to enter projected and actual dates.

Portfolio Services undertakes assurance on projects primarily through Stage Gate reviews. For larger projects independent reviews and third party reviews may also take place.

Portfolio Services will assure that the project has been consulted on by the relevant people and that any residual concerns are captured within Stage Gate reviews to support the Sponsor in making informed decisions.
The Programme should identify the timeline for activities that are serial in nature and are dependent on a prior activity. This particularly relevant to IT fit-out (but no doubt to many other activities) where significant activities can only be completed once construction itself has completed and the project can not ‘go live’ until all such activities have been completed.

This section should be completed and signed off by Portfolio Services.

## 2. Strategic Case and Scope

**2.1 Project objectives and strategic fit**

The objectives should cover the reason the project arose (normally to address an opportunity, a problem or an obligation). Briefly explain the intended outcome/s and how these, not just the activity itself, relates to UCL’s strategic priorities and other third party strategies, where appropriate (e.g. link to UCL Strategy 2034, Faculty Strategic Operating plans and Estates’ strategy and policies).

The 6 strategic priorities are of particular importance when prioritising funding. Therefore as much supporting evidence should be included to describe the extent to which these priorities are supported by the project.

Attach the Academic Rationale (including clearly defined outcomes) in Appendix x. [Link to template of Academic Rationale]

**2.2 Financial benefits of the proposal**

All projects shall, as a minimum, track against impact on student numbers and research grants even where the impact is zero or a dis-benefit (these shall be entered as a negative number). The value of the benefit should be included in terms of £000s per annum.

A Benefits Management plan should be completed. This should cover how the value of the benefit has been derived, how it will be measured, who will measure it, when it will be measured and a risk assessment around dependencies and interfaces. It also needs to cover when the benefits will start being generated, any growth profile or step change in the benefits over time and number of years over which the benefits will flow.

The benefits shall be measured against the base option. The base option is defined as the minimum course of action that it would be reasonable to take. (Where the opportunity takes advantage of an opportunity rather than addressing a problem, the base option is likely to be Do Nothing).

**2.3 Non-financial benefits of the proposal**

Non-financial benefits need to be measurable. Implications for other areas of UCL should be included e.g. additional space for students etc.

Some to consider are;

|  |  |
| --- | --- |
| **Description** | **Measure** |
| Utilisation of space - staff offices |  |
| Utilisation of space - research labs |  |
| Student satisfaction scores  |  |
| Staff satisfaction scores |  |
| Reputation |  |
| Quality of students attracted |  |
| Quality of staff attracted |  |
| Lower staff turn over |  |
| Diversity of courses offered |  |
| Diversity of staff attracted |  |
| Meet statutory requirements |  |
| Meet corporate policies |  |
| Safety improvement |  |
| Reduced carbon emissions |  |
| Reduced steps in a process |  |

## 3. Economic and Finance Case

**3.1 Identification of options**

Summarise the options against a Base Option. The base option is defined as the minimum course of action that it would be reasonable to take. (Where the option takes advantage of an opportunity rather than addressing a problem, the base option is likely to be Do Nothing).

The scenarios when identifying options are Do Nothing, Do Bare Minimum or Enhance. Options should be identified systematically and evaluated rigorously. It is important that there are meaningful options to evaluate (e.g. the cost of completing the works at a high specification vs basic options).

As part of Option Identification, parameters to be considered should include;

* non-estates solutions
* property options
* whole life costs
* IT options
* funding options
* environmental sustainability options

In determining the options, it is worthwhile asking which of these parameters can be varied, which are important, which parameters are dependent and can be combined. With the remaining parameters consider meaningful combinations to arrive at a span of options.

Action A.15 - See Appendix 1

**3.2 Financial appraisal of options**

The financial appraisal provides details of the future cash flows relevant to the project, which will typically span a period of between ten and twenty-five years. The net present value (NPV) of the cash flows should be calculated to provide an indication of the returns from the initial investment, and is helpful when comparing different options, and for determining whether the investment in the project achieves good value for money.

In order to calculate the Net Present Value/Cost, the following should be considered.

1. Use the correct discount rate (see discount factor below for details);
2. Figures shown are in real terms, with a constant price at base year. Costs that are already sunk/incurred should be excluded;
3. Residual value of assets should be included;
4. Grant Income and operational income for options should be included
5. Financing sources should be excluded e.g. use of UCL reserves, bank loans;
6. All costs including all relevant taxes, insurances should be included;
7. Care should be taken not to double count income which has already been included in a business case for a different proposal which has been given approval to proceed.

The following Excel templates for the NPV calculation are available:

* BusinessCaseFinancial AppraisalTemplate10yrsNov2012.xls
* BusinessCaseFinancial AppraisalTemplate25yrsNov2012.xls

The financial appraisal should include a projected Cash Flow Statement and Income and Expenditure Account for each option, together with a schedule showing how the assumptions vary between options. The figures should only reflect incremental activity which is a direct result of the proposal and option under consideration. Income and expenditure should be expressed at present day values and should not normally be inflated. The following should be separately identified:

**Total income over full period**: this will include all additional income derived from the project and will include: research grants and contract income; HEFCE research resource (QR); HEFCE Teaching resource (where applicable) and tuition fee income; income from other services rendered (editorial services, diagnostic work; external hire of equipment). Care should be taken not to double count income which has already been included in a business case for a different proposal which has been given approval to proceed.

**Total expenditure over full period** should combine the three elements below:

**Capital cost**: this should include the costs of all the capital items within the proposal as identified in the business case template.

**Direct expenditure**:  this should include all additional staffing, maintenance, premises and other costs directly relevant to the proposal. Research costs will include staff and non-staff costs with details of the numbers of research fellows/assistants/ technicians, and costs relating to research postgraduates.

**Other central costs**: data from the full economic costing (FEC) exercise is used to inform indirect costs (Premises, Professional Services, Library, ISD etc) for inclusion in the financial appraisal.  The calculation of indirect costs might include: (1) an indirect cost charge, applicable to the increased number of academic FTEs; (2) a charge applied to increased space (relevant to the category of space occupied) or an incremental charge where the nature of usage results in a change from one category to another; (3) where there is no space increase but there is a change in usage, e.g. from office to high-tech laboratory, a new rate of space charge will be applied.  The lead should contact Finance and Business Affairs to agree the appropriate level of indirect costs for inclusion in the appraisal.

**VAT**: VAT should be included on all items of expenditure, where this is to be incurred by UCL. If zero rating is to be secured on certain elements of the costs e.g. equipment used for medical research or training, this should be stated.

**Residual Value**:  It is important, particularly in the case of new buildings or extensions, to include for the value of the capital asset at the end of the investment appraisal period (25 years).  Unless otherwise advised the residual value attributable to the building at the end of the 25 year appraisal period should represent 50% of the real terms value of the building construction costs at the date of completion.

**Discount Factor**: the value of the cash flows shown in the financial model should be discounted to give a present value for the project as a whole - a positive NPV would usually demonstrate the financial viability of the project. The discount factor to be applied in any financial appraisal will comprise three elements:

* the real terms cost of borrowing, which for UCL is currently assessed at 2% p.a;
* a risk factor, which would typically fall within the range 1% to 5% depending on the inherent risks of the particular project and the extent to which the project entails significant additional risk to UCL; and
* where income and expenditure includes inflation the discount factor should incorporate an inflation factor representing the general rate of inflation for the life of the project, currently assessed as 3% p.a.

**Core Staffing**:

The costs of core staffing should not be included in a business case as the purpose of the business case is to recognise additional cost. However, if backfill is required as part of the project, then the cost of this temporary resources should be included.

**3.3** **NPV after applying sensitivities**

**Sensitivity**: various sensitivities, both adverse and positive.

Choose variables where small differences will have the largest impact and those which are most likely to vary from the values assumed. These should be applied to the financial model to demonstrate the continued financial viability of the development, if certain of the assumptions (e.g. in respect of income generation, student numbers, service rendered) are not achieved or are exceeded.

**3.4 Impact on the Income & Expenditure Account**

The template for the NPV calculation also contains a section for assessing the impact on the I&E Account by removing the capital costs and replacing these with the relevant annual depreciation charge. The I&E position both in years 1-3 and at steady state for each option should be summarised on the Business Case template.

**3.5 Central re-current costs**

This section should identify all additional recurrent costs arising as a direct result of the project which are to be met from central budgets and how they are to be met, ie who is going to cover these costs (enhanced central budget, savings from decommissioned premises, departmental contribution, third party (eg NHS) contribution, etc.). These include (but are not restricted to) the following:

* Rent, rates and service charges associated with new leased accommodation
* Additional premises running costs associated with new space or new equipment
* Additional IT running costs associated with new space or new equipment

**It is particularly important to consider additional premises, IT and other running costs associated with premises which are remote from existing UCL locations, eg where new services including guarding, staff/student transport, building maintenance, IT support, etc. will be required**

**3.6 Preferred way forward**

State clearly the preferred way forward in relation to the options identified and reasons for eliminating other options.

The Option Analysis should be included in an Appendix and set out how the options were assessed to achieve the best weighing up of benefits, costs, time and risks. A cost benefit analysis should be undertaken for each option using 3-point estimating for both benefits and costs.

Actions A.16 – A19 - See Appendix 1

**3.7 Capital funding**

The total costs reported under this section should tie up with the cost breakdown indicated on the Project Account Request (PAR) form with a copy of the PAR form attached to the submission at Appendix x. Where funding for the project has been approved at previous stages (Section A) the actual expenditure incurred to date and any outstanding commitments should be indicated.

All costs should include VAT (where applicable). If zero rating is to be secured on certain elements of the costs (eg equipment used for medical research or training) this should be stated.

Actions A.20 – A22 - See Appendix 1

**3.8 Cash flow comparison**

Enter the anticipated cash flow as outlined in the PAR form.

**3.9 VAT Implications**

This section should identify all additional recurrent costs arising as a direct result of the

Project which are met from central budgets.

**4.0 Risk assessment and contingency**

The contingency provision is to cover expenditure arising from identified risks as defined in the risk register. Agreed mitigation costs should be included in the project base costs.

The risk register should be attached to the Business Case. From this the top 5 risks should be included within this section along with any mitigating actions.

Within the risk register consider including;

* Scope uncertainty appropriate to the stage of the project
* Design reserve
* Market risks appropriate to market conditions
* Construction risk regarding site conditions or co-ordination/logistical risks
* Academic and reputational risks
* Financial and funding risks
* Contractual and procurement risks
* Project risks around realising benefits
* Strategic
* Safety
* Operational
* Maintainability
* Should there be something in here about time especially where there are drop dead dates and contingency funding can be used to incentivise completion to deadline?

The likelihood and impact of the risks should be assessed and a sensitivity test should be performed. Choose variables where small differences will have the largest impact and those which are most likely to vary from the values assumed.

It should be clear where the risk is held, either at the project level in the form of contingency or at the programme level.

Once a risk has passed the funds allocated in the contingency should reduce accordingly.

Actions A.23 – A26 - See Appendix 1

**5.0 Environmental sustainability**

Identify how this project will contribution to sustainability and environmental performance – both through construction and through changed departmental activities and practice as a direct consequence of this project.

**6.0 ISD involvement**

If there are IT elements to your ‘project’ (such as networking, wi-fi, telephony, AV for teaching or meeting, space availability, PCs for learning, laptop loans, teleconferencing, printing, specialist software, BMS software, agile working configurations, etc. ) then please engage with ISD at an early stage to get advice and information. If you are not sure whether IT elements are required, please contact ISD for advice.

Note especially that:

* a project which requires new IT equipment or services will almost certainly commit UCL to additional recurrent costs for support and maintenance and may incur increased recurrent license costs
* a project which requires decants/recants is likely to require IT elements related to the core project and the decants/recants
* a project which involves premises will almost certainly require secure, environmentally controlled comms room space and existing spaces may not be adequate if the scope and volume of existing IT services required is increased by the project
* by default all teaching spaces and study spaces will require space availability facilities unless otherwise advised
* the longest lead time in an IT enabling project is usually network connectivity to central UCL IT services and may be more complex for premises remote from Bloomsbury campus or shared premises with restricted access for cabling and multiple occupants, so early stage engagement on projects for new spaces is essential
* premises remote from Bloomsbury campus may require additional Local but Central IT support services
* IT provision must comply with UCL standards

Please channel your requests through the ISD Portfolio Management Team (isd-pmo@ucl.ac.uk) in ITCPD (IT Change & Project Delivery).  They will log your request and direct it to the relevant people to ensure that it is handled efficiently.

By using this approach you can be assured of durable and accurate IT information and costs for your Business Case.

The typical process will be:

1.            Email ISD Portfolio Management Team (PMO) at isd-pmo@ucl.ac.uk with your summary requirement

2.            PMO Team directs query accordingly

3.            ISD Senior Project Manager will contact you and arrange kick-off meeting

4.            ISD Senior Project Manager will engage with all stakeholders to build an IT budget for the project

5.            ISD Senior Project Manager will meet with you to go through project figures

If you require an urgent response then the PMO will be able to chase the relevant people for you.

ISD ITCPD are always happy to provide estimates to meet your project budget – long or short term occupancy and there are always options which we are happy to discuss and advise on. Please do remember though that whatever the budget, the solution will need to be fit for purpose and has to comply with UCL IT standards.

## 7.0 Procurement

**7.1 Procurement strategy**

The procurement strategy focuses on how the required services, supplies or work can best be procured.

Provide details of the;

* Choice of procurement method
* Degree of early consultation with supply side
* Whether acting as a single procurement entity or procuring collaboratively with a third party.

Richard Lakos Procurement to be consulted in agreeing a procurement strategy.

Note that different procurement rules may apply for different procurement activities, eg OJEU thresholds have different levels depending on the type of goods/services being procured which may impact the programme

**7.2 Contract strategy**

State the standard form of contract to be used and why this form was chosen. The Estates’ Contract team should be consulted prior to contract format selection.

Contract management arrangements and key contractual issues should be considered and recorded including the following;

* Duration of the contract and break clauses
* Payment mechanism
* Change control
* Remedies
* Disputes and disagreements
* Agreed allocation of risk
* Any options at the end of the contract.

Include in the Appendix any relevant legal documents such as;

* Heads of Terms
* Principal parties involved
* Commercial details, sale/purchase price
* Lease details, inc. rent and review provisions, use, breaks etc.
* Other Due Diligence information

Actions A.28 - See Appendix 1

## 8.0 Project Management Case

**8.1 Governance**

State the key stakeholders

State the Project Board members.

Where there are multiple user groups, joint delivery with third parties, projects which span across multiple departments or other complicated stakeholder arrangements – please state how the project will be governed (decision making process).

**8.2 Management of interfaces**

Define the key interfaces on the project, who is accountable, key milestones for deliverables for which individuals will be held to be accountable for. Clearly state other projects, parts of UCL or third parties with the potential to impact the cost or schedule and with whom you will need to facilitate agreements regarding the timing of providing interface information in a clear, accurate, timely and consistent manner.

Include a list of interface agreements you have developed or intend to put in place, setting out roles and responsibilities, and timing for providing interface information and identification of critical interfaces in a structured way.

**8.3 Decant/recant strategy**

Describe the decant/recant strategy, including key dates and dependencies – include this in the table provided.

**Decant/recant strategy must include a**dditional premises running costs including IT running costs associated with any decant space

Action A.32 - See Appendix 1

**9.0 Consultation**

Use this section to list the relevant stakeholders who have been consulted.

**Appendices**

Indicate which appendices are included with the Business Case.