Date: August 4, 2015
Submitted to: Mayor and Council
Submitted by: Dennis Sloan, Deputy Director Financial Planning & Policy Development
Subject: Strategic Financial Plan Policy paper #4 - Capital Projects Prioritization Strategy

PURPOSE
- This report outlines the proposed structure and framework for evaluating and prioritizing Capital Projects and their funding according to capital project type.

RECOMMENDATION:
- THAT Council receives the Strategic Financial Plan Policy Paper #4; and,
- THAT Council approves the proposed ‘Pay As You Go’ funding approach; and,
- THAT all capital projects to be advanced be evaluated in accordance with the project priority classifications as outlined within this report; and,
- THAT Council approves the expanded use of a ‘Business Case’ approach for evaluating proposed projects.

1. BACKGROUND

Since the initial BMA report was made available to the Town of Collingwood in November 2013, it has been accepted that the Town of Collingwood has financial challenges.

These challenges include a high amount of debt (13% debt servicing costs as a percent of Own Source Revenues with a recommended target of 7%), low or inadequate reserves and a high tax rate (6th highest out of 95 municipalities in the annual BMA Ontario Municipal Study).

The Town’s Asset Management Plan (AMP), prepared by Watson and Associates in July 2014, revealed a considerable infrastructure funding gap which received significant attention in the 2015 budget. A contribution of $1.027M was achieved through one-time savings in Police Services and, although $1.6M was the recommended amount, it was a positive step in mitigating the shortfall. The funding of the AMP will continue to be a major focus of future budgets for several years.
The first three Strategic Financial Plan Policy papers provided further detail on the Town’s financial situation and policies to improve the financial health of the Town:

- a targeted debt level of 7% of Own Source Revenues,
- the introduction of a budgeted Capital Levy to mitigate the infrastructure funding gap,
- further development of the Asset Management Plan, and
- evaluation of existing reserve funds and reallocation of funding in accordance with the priorities recommended within this report.

The current financial situation makes it difficult to critically evaluate the many capital projects competing for the limited funds available. Presently this is done by prioritizing capital projects by type as part of the budget process. However, during the year, capital projects are advanced in the form of staff reports which may or may not include a business case analysis.

The Need For Project Priority Classifications

Essentially all proposed capital projects will fall into one of the following five categories included in the capital budgeting template (Appendix A):

1. Mandatory:
   - Must be completed due to regulatory requirements. Examples could include new legislation – “Clean Water Act”

2. Risk / expense mitigation (supported by cost benefit analysis/business case)
   - Health and safety / liability
   - To prevent or reduce liability
   - Safety issue has arisen due to an asset failure
   - To mitigate sudden or dramatic asset failure, related maintenance repair cost or resulting revenue loss

3. Asset management
   - Existing asset refurbishment or replacement to maintain related service levels.
   - Existing assets provide the services taxpayers pay for and expect. Asset degradation erodes service levels and user satisfaction.

4. New capital growth
   - New assets required to provide the same service levels to new residents and taxpayers as currently provided to existing residents and taxpayers.
   - New developments: either commercial or residential for which development charges are collected.

5. Discretionary
Discretionary projects which aim to increase or enhance service levels to the residents and taxpayers.

The above list is in order of priority which then becomes the basis for funding and budgeting decisions. In the analysis section this approach will be augmented with a ‘Pay As You Go’ funding philosophy.

Pay As You Go (PAYG) is most simply described as the process of using existing funds on hand (either from existing reserves or directly from current year taxes) for capital purchases as opposed to using debt or internal borrowing.

PAYG has a long history as a financial strategy used by municipal and other governments as a simple and effective way to ensure an organization does not live beyond its means with excessive debt especially in times of higher interest rates where debt is expensive.

However, PAYG is not just as an austerity measure in response to our current financial health, it is also a prudent and reasonable approach for many of Collingwood’s capital project funding needs. In the analysis section, PAYG and a more strategic use of debt will be discussed with respect to the five identified types of capital projects.

The Need for Business Case Evaluation of all Capital Projects

A business case is a tool that supports decision making and planning by forecasting the possible outcomes of an action, including financial implications and other business consequences. The analysis essentially asks “what happens if we take this or that action?” The analysis answers in business terms—business costs, business benefits, and business risks.

A business case serves four purposes:

- It helps the applicant think through the project in a systematic, step-by-step manner.
- It explains to program administrators, funding partners and other interested parties why the project should be undertaken.
- It helps potential funding partners understand the economic value of the project.
- It provides a framework for completion of the project on time and on budget.

The key elements that should form part of any business case are summarized below with a detailed description included in Appendix B:

- Executive summary
- Objective
- Alternatives
- Cost benefit analysis
- Project work plan
• Financial plan
• Capital asset management
• Conclusion

Most Town of Collingwood business cases are developed and advanced throughout the year and take the form of a staff report which is reviewed jointly with all department heads for their input before proceeding to Committee/Council for review and approval. In the analysis section an expanded use of the business case will be considered.

The Need for the Development of a New Approach to Funding

Historically, debt has been employed for major capital projects as debt has been relatively inexpensive in recent years. Debt can be and is an appropriate approach for funding many capital projects. However, there are certain capital projects for which debt is not appropriate.

The overall funding approach the Town should employ is Pay As You Go with debt employed only in response to limited and specific situations.

2. INPUT FROM OTHER SOURCES

This report was reviewed by the CAO and recommended to be forwarded to Committee.

The report was reviewed by the Strategic Initiatives Standing Committee July 6th, 2015 and recommended to proceed to Council for approval.

3. APPLICABLE POLICY OR LEGISLATION

Strategic Financial Plan Policy Papers #1, #2 and #3
Capital Asset Management Plan
Building Together: Guide for Municipal Asset Management Plans

4. ANALYSIS

The following discourse will outline the proposed funding policy to be implemented for each category of capital project to ensure that the allocation of scarce financial resources meet the most critical requirements of the community first.

1. Mandatory & 2. Risk Expense / Revenue Loss mitigation

Mandatory projects are those items that are legislated and require compliance, in some instances in a very short timeframe. The municipality has no discretion in these projects and therefore they take precedence over all other projects. Risk mitigation is the process by which an organization introduces specific measures to minimize or eliminate
unacceptable risks associated with its operations. Risk mitigation measures can be directed towards reducing the severity of risk consequences, reducing the probability of the risk materializing, or reducing the organizations exposure to the risk. In general, the planning and forecasting for roads, water and wastewater infrastructure consider all known factors however, in both types of capital project there exists the potential for an unexpected occurrence that necessitates an immediate response. If there are no funds available in contingency reserves then debt can be the only response.

In the event that such a situation should arise it is therefore necessary for the municipality to retain significant debt room within the 7% debt cap. A PAYG approach needs to be the primary funding method used by the Town to leave room for potential requirements of these critical categories.

Internal borrowing from existing reserves as has been used in the past to avoid interest costs is discouraged for the following reasons:

- It simply diverts a requirement for debt from one capital need to another.
- If a funding gap already exists, internal loans add to it.
- The tendency to compress repayment timeframes for internal loans increases the burden to the current taxpayers and creates intergenerational inequity (further explanation below).
- Internal loans are considered debt the same as external third party debt.

3. Asset Management

Existing assets provide the current service levels residents and taxpayers fund and expect. Failing to maintain, refurbish, or replace existing assets reduces or degrades the current service levels to existing taxpayers. A reserve fund (capital levy) for the replacement of existing assets should always be funded based on PAYG, except for instances where projects fall into the categories of Mandatory or Risk / Expense Mitigation.

In addition to the necessity to reserve debt room for emergency and contingency responses, a PAYG approach is also considered the fairest approach as it accounts for the full lifecycle costs of an asset including its eventual replacement cost. Lifecycle costs is a concept of Lifecycle Asset Management:

“The Lifecycle Asset management strategy is the set of planned actions that will enable the assets to provide the desired levels of service in a sustainable way, while managing risk, at the lowest lifecycle cost. Lifecycle costs are the total cost of constructing, maintaining, renewing and operating an infrastructure asset throughout its service life.”

---

1 Building Together: Guide for Municipal Asset Management Plans
The fairness of the PAYG approach provides what is known as “intergenerational equity” where each generation can be expected to pay the same cost relative to an asset and the services it provides.

For example, if the entire cost of an asset with a 40-year life were expensed in the year of purchase, the current generation would be paying for the full cost of the asset and future generations none and thus intergenerational equity would not be satisfied. Intergenerational equity is often touted in support of debt for the purchase of large assets as long-term debt does, in fact spread initial costs out over many years (and generations).

However, municipal assets for the most part have much longer lives than the typical debenture period of 20 years. As a result, it is the first generation that pays for the initial cost of the asset but they are not likely paying for any of the eventual replacement cost. After the debt payment is complete, often an asset is maintained at minimal cost until its eventual replacement is required. If sufficient funds have not been set aside or if a municipality has reached its maximum debt level, the asset replacement is postponed. As a result, the asset will continue to degrade, service levels and user satisfaction decrease, and repair and maintenance costs will increase. This also drives up the ‘whole life cost’ of an asset as the asset is not replaced at its optimal replacement point according to a lifecycle asset management approach.

It is helpful to think of the PAYG reserve allocations for asset replacement or refurbishment as a commitment of future financial resources or funds. With a long lived asset, you are committed to its eventual replacement or refurbishment in order to continue to provide the services it renders. By creating a reserve fund for its eventual replacement, there is recognition of a commitment with earmarked cash reserves.

There have been political and technological developments over the last decade which favour a PAYG approach for asset management over the use of debt. It is well known that, over the last few decades, there has been downloading of responsibilities from the province to municipalities, which essentially doubled the amount of assets that municipalities are responsible for maintaining and replacing. This places a considerable burden on the municipal taxpayer which must be carefully managed to maintain affordability. Property tax has remained and will continue to remain the primary revenue source for municipalities.

In addition, funding and grants from the federal and provincial governments have decreased dramatically. In the past, it was reasonable to assume that many large infrastructure assets would receive support. Furthermore, if large assets were primarily paid for through grants and program funding, it would stand to reason that the eventual replacement or refurbishment of these assets would be similarly funded and therefore a municipal reserve fund would not necessarily be required. That is no longer the case. The paradigm has shifted and, in order for municipalities to guard their own financial health, they need to operate on the assumption that no funding will be forthcoming from
other levels of government and build reserve funds accordingly. In the event a funding application is successful, funds can be redirected to the next priority item.\(^2\)

Software is available that makes the proper lifecycle management of municipal assets manageable as each asset requires many individual pieces of information to be tracked over the course of its lifecycle such as replacement cost, asset condition assessments, estimated replacement date, usage to date, amortization, original cost etc.

Just as important is the ability of this software to model funding requirements, reserve balance, and generate scenarios based on many different “what if” variables. Without this capability, it is much more likely that asset management “slippage” would occur, such that assets are replaced based on a risk or expense mitigation basis rather than lifecycle needs. As already noted, this approach also leads to a more expensive asset lifecycle management approach.

4. New Growth

Capital growth projects provide the existing service levels currently enjoyed by existing residents and taxpayers to new taxpayers and town residents. The overriding objective of growth projects is that there should be no cost to current taxpayers or residents either in the long term or in the short term. In other words, growth pays for growth. However, the reality is that growth does not entirely pay for growth, and growth typically comes at a cost to existing taxpayers. One reason for this is that soft service assets are only eligible for 90% or less DC funding which means existing taxpayers must provide the remaining required funds. In 2010, a reserve fund entitled “10% Non DC Reserve” was created in recognition of this fact and it has been funded on a best effort basis since then from the year-end annual surpluses.

There are complexities with respect to the timing of new growth in that many of the new growth capital projects precede developers’ construction and the corresponding receipt of DCs by the municipality can lag behind capital outlay requirements for many years. In some instances, there may be insufficient DCs available to enable a given project to proceed.

Front ending agreements are one solution to the problem. In these agreements, a developer pays for the capital costs of projects and the municipality repays the developer over an agreed time. In effect this allows the development to proceed and passes the risk of funding to the developer.

These agreements can be effective if managed properly (it would be equivalent to a short-term loan and would be included in 7% debt cap) but it must be understood there

\(^2\) Information received from the Ministry of Municipal Affairs and Housing indicates that having an up to date AMP that is fully funded would make it more likely for a municipality to be successful in an infrastructure grant application.
is a corresponding risk for the municipality. Not all development projects are successful and a municipality can find itself having invested in infrastructure for which returns may not be forthcoming. Developers, by nature, are entrepreneurs undertaking high-risk projects in exchange for high rewards whereas municipalities are their partners in growth but are seeking only cost recovery.

For a municipality, “in fill” development within existing Town infrastructure is typically much less expensive and risk free. It may even decrease costs to existing taxpayers by increasing the cost-sharing base of existing assets. New development on municipal borders, where all new infrastructure must be provided, is typically higher risk and higher cost.

The Town of Collingwood is designated as a growth area under Ontario’s Places to Grow Act, 2005. The Town of Collingwood’s population growth has been 20% since 2006 as highlighted in the recent Economic Development Strategy and is considered “fast” at twice the provincial average. As a result, a disciplined approach is critical for managing the interests of current and future taxpayers with respect to paying for growth as well as the development of a Growth Management Strategy based on affordability.

Included in the asset management software mentioned previously is the ability to model future assets from growth and discretionary spending, and their impact on reserve funding requirements and tax payer affordability. This is currently being implemented in conjunction with the in-house AMP model.

5. Discretionary Capital Projects

Discretionary projects are those which enhance or increase the service levels to residents and taxpayers, and as such, they are the lowest priority for funding and for advancement in the capital project pipeline. These projects cannot proceed before the commitments to existing assets which are required to maintain existing service levels are fulfilled. Nor can they usurp regulatory, mandatory, risk mitigation and existing commitments to development and growth.

New discretionary undertakings to enhance service levels should always be understood to come at a cost to the taxpayer and should be evaluated based on their affordability.

The use of debt to finance a discretionary project is appropriate from an intergenerational equity point of view, as it would be unfair to current taxpayers to contribute to a PAYG reserve for a future asset that they may not in fact use. However, other capital commitments need to be a priority and sufficient room would need to exist within the 7% debt cap.

---

3 The Collingwood Economic Development Action Plan was approved by Council on June 1, 2015. It can be referenced at [http://www.collingwood.ca/EDAP](http://www.collingwood.ca/EDAP).
The other potential source of funding for discretionary projects could be windfall money that can occur due to the sale of obsolete non-core assets, or if an application for funding from provincial grants is successful for any of the other capital project categories such that reserves that have already been set aside are no longer required.

Again, the provision would be that any unfunded, higher priority, capital projects would be addressed first, before the funds would be available for discretionary spending.

**Conclusion**

The approach detailed above is similar to the way individuals handle their personal finances for homes, cars or even RSPs, but on a larger scale. Many of the ideas presented in this policy report are already employed in Collingwood’s finances and budgeting process.

*The basic idea is common sense, but the key component is having the discipline to stick to the plan. A critical element to the success of a capital project strategy is the commitment and continued support of management, including the CAO, the Mayor, and Council.*

The application of the business case philosophy and principles will enhance the decision making process that is already in place.

### 5. EFFECT ON TOWN FINANCES

There is no cost to the Town to implement the process and approach to capital project funding as outlined in this policy paper.

However, implementation will help the municipality to progress toward several financial goals:

- Provide direction on how to achieve the debt target of 7% debt servicing costs of owns source revenues.
- Provide direction on how to close (or at least narrow) the infrastructure AMP gap.
- Re-establish and subsequently maintain taxpayer and resident affordability.
- Focus the capital budgeting decision process in terms of affordability related to prioritized capital investment needs.

### 6. APPENDICES & OTHER RESOURCES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A</td>
<td>Collingwood Capital Budgeting Template</td>
</tr>
<tr>
<td>Appendix B</td>
<td>Business Case Template</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resource 1</th>
<th>Description</th>
</tr>
</thead>
</table>

### SIGNATURES

<table>
<thead>
<tr>
<th>Prepared by:</th>
<th>Department head:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dennis Sloan</td>
<td>Marjory Leonard</td>
</tr>
<tr>
<td><strong>Deputy Director Financial Planning and Policy Development</strong></td>
<td><strong>Treasurer</strong></td>
</tr>
<tr>
<td>Town of Collingwood</td>
<td>Town of Collingwood</td>
</tr>
</tbody>
</table>
## Town of Collingwood
### Multi Year Capital Project
#### 2015 Budget

<table>
<thead>
<tr>
<th>Priority:</th>
<th>Description Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Acquisition</td>
<td></td>
</tr>
<tr>
<td>Asset Purchase</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td></td>
</tr>
</tbody>
</table>

### Priority Rating (0-5)

<table>
<thead>
<tr>
<th>Category</th>
<th>Priority</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislated Requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health or Safety Issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Savings/Payback</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Maintenance/Replacement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Related Need</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Enhancement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linked to Other Project/Municipality</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Acquisition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------</td>
<td>------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>Financing:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Municipalities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recoveries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internal Financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development Charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Gas Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial Gas Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parkland Levy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debenture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Financing Sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reminder: If this project has as operating budget effect remember to include the financial impact in the appropriate operating budget year(s).
NOTE TO READER:

“Business Case Usage Guidelines” have been developed to accompany this template.
# Table of Contents

- Executive Summary ................................................................. 2
- Background .................................................................................. 3
  - Problem / Opportunity ................................................................. 3
  - Current Situation ........................................................................ 3
- Project Description ........................................................................ 4
  - Project Description .................................................................... 4
  - Objectives .................................................................................. 4
  - Scope .......................................................................................... 4
  - Out of Scope .............................................................................. 4
  - Anticipated Outcomes ................................................................. 4
  - Stakeholders .............................................................................. 5
- Strategic Alignment ....................................................................... 6
- Environment Analysis ................................................................... 7
- Alternatives .................................................................................. 8
- Business & Operational Impacts ................................................... 9
- Project Risk Assessment ............................................................... 10
  - Risk of Project and each Alternative (Not including Status Quo) ......................................................................................................................... 10
  - Risk of Not Proceeding with Project (Status Quo) ................................................................. 11
- Cost/Benefit Analysis .................................................................... 12
  - Quantitative Analysis – Financial Cost & Benefit: ................................................................. 12
  - Qualitative Analysis – Non-Financial Benefits & Costs: ................................................................. 14
- Assumptions ................................................................................ 14
- Conclusions & Recommendations ................................................ 15
  - Conclusions .............................................................................. 15
  - Recommendations ................................................................. 15
  - Project Responsibility ............................................................... 15
  - Project Accountability ............................................................... 15
- Implementation Strategy .............................................................. 16
- Review & Approval Process ......................................................... 17
  - Review Process ........................................................................ 17
  - Approval Process ....................................................................... 17
  - Business Case Signoff ............................................................... 17
Executive Summary

[Project Name]

Purpose of an Executive Summary:

The reason for writing an Executive Summary is to provide a concise summary of the key highlights of the business case. The reader should be able to understand what the project is about, the role of the project in the department’s business plan/direction, and the business justification of the project. The reader should understand how the project improves the overall efficiency and/or effectiveness of the government.

Description:

While the Executive Summary appears at the beginning of a business case, it is written last.

The Executive Summary will describe the objective of the project, the current state of the problem and the resulting opportunity. It outlines the scope of the project in general terms, and briefly describes the competitive environment i.e., what other government jurisdictions and/or corporations are doing. The Executive Summary also provides a brief description of the business impact, and the risks of undertaking the project. Finally, it concludes with recommendations and the financial impact of the project. This summary should also be written with the media in mind as this is often the only part of a report that the media read. The Executive Summary is also often used to prepare a press release.

The summary should be a maximum of 2 pages in length.

Checklist for Executive Summary:

1. Will the reader get a clear understanding of the reasons for the project and its outcome by outlining the “Why, What, When, Who, and How” of the project?
2. Does it contain any information that is not contained in the body of the business case? (should not)
3. Is the Executive Summary less than 2 pages?
4. Can the Executive Summary be treated as a stand-alone document?
**[Project Name]**

**Purpose of the Background Section:**

The reason for writing the Background Section is to provide the reader with an introduction to the subject of the business case. This section describes the history and current state of affairs giving rise to or relating to the general business problem or opportunity that is the subject of the business case.

**Problem / Opportunity**

**Description:**

Provide a brief description of the business problem or opportunity that the project is trying to address.

Examples of general business problems are:

- Not meeting service level expectations
- Escalating service costs
- Change in business requirements
- Change in Legislation

**Current Situation**

**Description:**

This section provides a synopsis of what is happening currently within the ministry, if applicable, what has led to the current situation, and what is likely to happen if the current situation is maintained. The current situation can be defined in terms of relevant legislative requirements, organization structures and responsibilities, human resources, processes, and technology.

**Checklist for Background Section:**

1. Is the business problem or opportunity clearly defined in general terms?
2. Are the relevant facts outlined so that the reader has a clear understanding of the relevant history and current situation and the resulting problems or opportunities?
3. Where necessary, does the current situation include available statistical information?
Purpose of the Project Description Section:

The reason for writing the Project Description Section is to provide the reader with a clear definition of what the project will accomplish (objective), what the project will and will not include (scope), what are the expected results (outcomes) and who are the players (stakeholders).

Project Description

This section provides an explanation of how the project will address the business problems/opportunity identified in Section 2.

Objectives

Outlines what the project will accomplish, in clear and measurable terms within a specified time frame. These objectives can be used in a post-implementation review to review and assess the success of the project. The objectives should be formulated broadly enough so that meaningful alternatives are not ruled out, and narrowly enough so that only relevant alternatives are considered and that costs and benefits can be formulated. Objectives should be focused on goals, not operations, and on outputs, not production.

Examples of objectives include:

- Reduce processing time from 1 hour to 30 minutes, by March 2003
- Reduce administration costs from $1.2 to $1.1 million for the 2003 fiscal year

Scope

This section defines parameters of the project. Specifically, it describes the timeframes, department/organization, function and technology.

- **Timeframe**: Explains specific details about when the project will start and end
- **Department/Organization**: Details the specific locations/sites, if applicable and departments or group of departments who will be involved in the project.
- **Function**: Describes what functions of the department/organization the project involves.
- **Technology**: Defines the boundaries within which the project must work, i.e. use of existing systems, compliance with established standards.

Out of Scope

This section includes items that are specifically excluded from the project.

Anticipated Outcomes

This section itemizes specific and measurable deliverables of the project. Each outcome includes an estimated time frame of when the outcome/deliverable will be completed (in terms of elapse time from project start).
### Stakeholders

List all interested parties that may be impacted (positively or negatively) by the project. Categorize the parties between internal (a party within the government) / external (party outside of government) and primary (directly impacted and involved in the project) / secondary (impacted but is not directly involved in the project). For each party include an overview of their business requirements of the project.

<table>
<thead>
<tr>
<th>Stakeholders:</th>
<th>Overview of Business Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary – Internal</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Stakeholder 1 | Requirement 1  
| | Requirement 2 …  |
| Stakeholder 2 | Requirement 1  
| | Requirement 2 …  |
| **Primary – External** |  |
| Stakeholder 1 | Requirement 1  
| | Requirement 2 …  |
| **Secondary – Internal** |  |
| Stakeholder 1 | Requirement 1  
| | Requirement 2 …  |
| Stakeholder 2 | Requirement 1  
| | Requirement 2 …  |
| **Secondary – External** |  |
| Stakeholder 1 | Requirement 1  
| | Requirement 2 …  |
| Stakeholder 2 | Requirement 1  
| | Requirement 2 …  |

### Checklist for Project Description Section:

1. Is it clear what the project will accomplish?
2. Is it clear what is not included in the project and what it will not accomplish?
3. Will the reader know all parties that will be impacted by the project?
4. Are the general requirements of each stakeholder clearly laid out?
5. Are the timelines of the project clearly outlined?
6. Does the business case mention consultation that has taken place with stakeholders?
Purpose of the Strategic Alignment Section:

The reason for writing the Strategic Alignment Section is to provide the reader with an understanding of how the project aligns with the overall business plan of the ministry and how it may impact other initiatives.

Description:

Review the business plans of all internal stakeholders and identify specific goals that the project will help achieve. Identify the level of impact the project has on achieving the various business plan’s goals by scoring the impact high, medium, or low, using the following guidelines:

- High indicates that the project is critical to the achievement of the goal
- Medium indicates that the project directly impacts the goal but it is not critical to its attainment
- Low indicates an indirect impact to the achievement of the goal

<table>
<thead>
<tr>
<th>Goal from Ministry Business Plan</th>
<th>Level of Impact</th>
<th>Explanation (if required)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Checklist for Strategic Alignment:

1. For goals that have been assigned a high level of impact, is the project truly critical to achieving the goal?
2. Does the explanation support the evaluation of how the project impacts the goal?
3. Does the project align with the business plan? Will there be support for this project?
Purpose of the Environment Analysis Section:

The reason for writing the Environment Analysis Section is to provide the reader with an understanding of what other organizations (internal and external) have done or are doing to address similar types of problems. The reader can use this section to compare the proposed business case direction to that of other organizations and industry trends.

Description:

The Analysis should include what is happening in other government departments, other government jurisdictions and private industry, that directly relates to the scope of the project. Research may include such information as:

- The length of their project
- Specific project outcomes
- Critical success factors
- Project Cost
- Benefits achieved
- What the organizations would have done differently
- Lessons learned

This section includes any findings from research studies that identify industry trends and best practices.

Checklist for Environmental Analysis:

1. Are the organizations chosen for the Environmental Analysis representative of your situation, specifically in terms of size and complexity?
2. Are the sources of the research reliable and has the data been verified?
3. Is the time period of the research study applicable to the current situation?
4. Have conclusions have been made from the research?
5. How is the research incorporated or considered in the business case?
Purpose of the Alternatives Section:

The reason for writing the Alternatives Section is to provide the reader with an outline of the realm of possibilities that are available to address the problem or opportunity. It provides the reader with rationale to why some have been eliminated as viable alternatives. Finally, it provides a detailed description of viable options that will address the business problem or opportunity. A viable option usually includes a ‘do nothing’ option (status quo).

Description:

List all possible solutions that may meet the business problem or opportunity. Based on a practical and common sense analysis, narrow the list to include only viable alternatives, stating the reason for excluding an alternative. Valid alternatives should not be simply excluded due to funding constraints. Only the viable alternatives will be further detailed and carried forward into following sections of the business case.

For each viable alternative, explain the key features including people, processes and systems. Discuss how each viable option addresses the business problems and meets the objectives of the project within the outlined scope as stated in Section 3 – Project Description.

Each alternative must be defined in sufficient detail to enable identification of specific impacts (Section 7 – Business & Operational Impacts), project risks (Section 8 – Project Risk Assessment), and benefit and costs (Section 9 – Cost Benefit Analysis). Include partnership and shared service opportunities that may enhance the business outcome of an alternative.

Include any detailed requirements analysis in an appendix.

Checklist for Alternatives

1. Have all possible solutions been identified?
2. Have all viable alternatives been determined? Is there sufficient reason for the exclusion of possible solutions?
3. Are the alternatives truly distinguishable?
4. Are the viable alternatives defined at a sufficient level of detail to define costs and benefits?
5. Where possible, do alternatives take advantage of partnerships and shared service opportunities?
6. Have any critical success factors been highlighted for each alternative?
7. Have all constraints for each alternative been identified?
Purpose of the Business & Operational Impacts Section:

The reason for writing the Business & Operational Impacts Section is to provide the reader with a list of all business and operational impacts for each stakeholder. Each impact is described and analyzed for each viable alternative.

Description:

For each stakeholder (outlined in Section 3) identify all business (strategic, longer term focused) and operational (procedural, detailed focused) impacts that may arise from the project.

Examples of business impacts are:
- Change in service and/or products being provided
- Change in focus or direction of the department

Examples of operational impacts are:
- Staff training required
- Reduction of staff resources

For each impact identify the magnitude of impact (high, medium, low, or none) for each alternative using the following guidelines:

- High indicates that the magnitude of impact is significant and stakeholder support and preparation is critical to the alternative’s success
- Medium indicates that there is a manageable impact to the stakeholder
- Low indicates the alternative will have a minor impact to the stakeholder
- None indicates that the stakeholder will not be impacted by the alternative

If necessary, document the rationale for the evaluation.

<table>
<thead>
<tr>
<th>Impact &amp; Description</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder 1:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact 1 – a description of impact 1</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Impact 2 – a description of impact 2</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder 2:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Checklist for Business & Operational Impacts

1. For each stakeholder, have all business & operational impacts been identified?
2. Has the magnitude of impact been accurately evaluated for each alternative?
3. Have all stakeholders been considered?
4. Have risks that specifically relate to each alternative been included?
Purpose of the Project Risk Assessment Section:

The reason for writing the Project Risk Assessment Section is to provide the reader with an understanding of the risks that are related to the project and how these risks may vary by viable alternative. This section includes a risk mitigation strategy for each risk.

Risk of Project and each Viable Alternative (Not including Status Quo)

Description:

Identify all project risks that may relate to the project. A risk is a factor or event that may jeopardize the project from achieving the anticipated benefits or increase the cost of the project.

Examples of project risks are:

- Lack of Senior Management Support
- Legislative changes
- Insufficient training
- Inadequate communication
- Conflicting priorities
- Inability to free-up critical business resources

For each project risk, identify the probability of the risk occurring and the impact it may have on each alternative, using the following guidelines:

**Probability of Risk**
- High indicates that the event is high likely to occur
- Medium indicates that the event is likely to occur
- Low indicates that the event is not likely to occur

**Impact of Risk**
- High indicates that the event has a significant impact to the project
- Medium indicates that the event will impact the project
- Low indicates that the impact is relatively minor to the project
- None indicates that the risk will not impact the project

If necessary, document the rationale for the evaluation.

<table>
<thead>
<tr>
<th>Project Risk Assessment</th>
<th>Viable Alternative 1</th>
<th>Viable Alternative 2</th>
<th>Viable Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Probability</td>
<td>Impact</td>
<td>Probability</td>
</tr>
<tr>
<td>Risk 1 – a description of risk 1</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Risk 1 General Mitigation Strategy</td>
<td>Specific Strategy</td>
<td>Specific Strategy</td>
<td>Specific Strategy</td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk 2 – a description of risk 2</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Risk 2 General Mitigation Strategy</td>
<td>Specific Strategy</td>
<td>Specific Strategy</td>
<td>Specific Strategy</td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Risk of Not Proceeding with Project (Status Quo)

<table>
<thead>
<tr>
<th>Project Risk Assessment</th>
<th>Status Quo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Probability</td>
</tr>
<tr>
<td>Risk 1 – a description of risk 1</td>
<td>High</td>
</tr>
<tr>
<td>Risk 1 General Mitigation Strategy</td>
<td>Specific Strategy</td>
</tr>
<tr>
<td>…</td>
<td></td>
</tr>
<tr>
<td>Risk 2 – a description of risk 2</td>
<td>Low</td>
</tr>
<tr>
<td>Risk 2 General Mitigation Strategy</td>
<td>Specific Strategy</td>
</tr>
<tr>
<td>…</td>
<td></td>
</tr>
</tbody>
</table>

### Checklist for Project Risk Assessment

1. Have all general project risks been identified?
2. Have all risks specific to each alternative been identified?
3. For each risk has the specifics of each alternative been taken into consideration when evaluating the probability and impact?
4. Has a risk mitigation strategy been identified for unacceptable levels of risk?
5. Have the risks related to Status Quo been identified?
Purpose of the Cost/Benefit Analysis Section:

The reason for writing the Cost/Benefit Analysis Section is to provide the reader with an evaluation of the costs and benefits associated with each viable alternative. The reader can easily understand and compare the initial and ongoing expenditures to the expected financial and non-financial benefits, for each viable alternative.

Quantitative Analysis – Financial Cost & Benefit:

Description:

**Full Cost Analysis**
Where possible all costs and expected benefits resulting from this opportunity should be analyzed for each viable alternative (including the costs and benefits of status quo). This methodology provides the reader with a total cost picture and is much more informative that an incremental approach. Any detailed worksheets should be attached as an appendix.

**Incremental Cost Analysis**
If it is not possible or practical to fully analyze the entire cost or where the incremental project costs are relatively small to the entire cost, an incremental approach may be used. This methodology involves identifying the changes or differences between each alternative, using the projected benefits/costs of the status quo alternative as a basis.

**Timeframe:**
Identify an appropriate project timeframe over which both the cost and benefits will be analyzed. Timeframe should be appropriate to the expected lifecycle of the project, from incurring costs to achieving the anticipated benefits.

**Costs:**
Identify all relevant costs incurred by all stakeholders over the chosen project timeframe:
- Direct costs
- Indirect costs
- Initial costs
- On-going costs
- Capital costs
Consideration should be given to:
- When the costs will be incurred
- Who will incur the costs
- Certainty of costs

**Benefits:**
Identify all quantifiable benefits related to all stakeholders, over the chosen project timeframe.
Consideration should be given to:
- When the benefits will be achieved
- Who will be the be the recipient of the benefits
- Certainty of benefits
A sample of a Summary Cost Benefit Template:

<table>
<thead>
<tr>
<th>Summary of Quantitative Cost/Benefit</th>
<th>Viable Alternative 1</th>
<th>Viable Alternative 2</th>
<th>Viable Alternative 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Value of Total Benefits:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Present Value of Total Costs:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Net Present Value of Project</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Sample Costing Template for each Viable Alternative:

<table>
<thead>
<tr>
<th>Quantitative Analysis – Viable Alternative 1</th>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Design</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Implementation</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Ongoing Operational Costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Administration</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Net Benefit or Cost of Viable Alternative 1</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Net Present Value (xx% Discount Rate)</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Analysis:

A “Net Present Value” calculation is used to account for the fact that $1 today is not worth the same as $1 five years from now, due to inflation and interest rates. The use of a “Net Present Value” calculation should be used to take into account the time value of money, for regardless of whether the full or incremental cost approach is used.

If there are some assumptions that have a significant impact on the cost or benefit, a sensitivity analysis should be presented. Contingency allowances or interest rate premiums should be used to account for differences in certainty/risk. The cost/benefit analysis should be reviewed for reasonableness through the use of benchmarks, other organization’s experience, industry data etc. This would include the use of a public sector comparator for public-private partnership projects.
Qualitative Analysis – Non-Financial Benefits & Costs:

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value). For example non-quantifiable benefits may be: increased customer satisfaction or increased staff morale. Non-quantifiable costs may be: reduced corporate image or adverse public perception. Where reasonable, these should be translated into quantifiable benefits ie. increased staff morale, may lead to high productivity, which may lead to less over-time. However, the non-quantifiable cost/benefits that cannot be translated into quantifiable cost/benefits should be summarized in the following manner:

Viable Alternative 1

<table>
<thead>
<tr>
<th>Qualitative Summary</th>
<th>Description</th>
<th>Stakeholder(s) Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit 1</td>
<td>Description of benefit 1</td>
<td></td>
</tr>
<tr>
<td>Benefit 2</td>
<td>Description of benefit 2</td>
<td></td>
</tr>
<tr>
<td>Costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost 1</td>
<td>Description of Cost 1</td>
<td></td>
</tr>
<tr>
<td>Cost 2</td>
<td>Description of Cost 2</td>
<td></td>
</tr>
</tbody>
</table>

Assumptions

All assumptions used to determine, both quantitative and qualitative, costs and benefits should be clearly documented. This would include general assumptions as well as assumptions specific to each alternative.

Checklist for Cost/Benefit Analysis Section

1. Have all quantitative costs and benefits been identified?
2. Have all qualitative costs and benefits been identified?
3. Is the timeframe appropriate considering the expected life span of the project?
4. Can any of the non-financial items be converted to financial items?
5. Are all the assumptions clearly identified?
6. Have all common/general assumptions been applied consistently to each alternative?
7. Have assumptions been reviewed to identify the sensitivity of their estimate on the impact of the results?
8. Have benchmarks, other organization’s experience, industry data been used to validate costs and benefits?
Section 10

Conclusions & Recommendations

Purpose of the Conclusion & Recommendation Section:

The reason for writing the Conclusion & Recommendation Section is to provide the reader with a selected alternative based on an overall evaluation of the alternatives in terms of impact, risk, and cost/benefit. Specific recommendations for moving the project forward are also presented.

Conclusions

Description:

This section will recap each of the alternatives based on their Business & Operational Impact, Project Risk Assessment, and Cost/Benefit Analysis. Based on these results, a conclusion on which alternative should be chosen would be made.

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Business &amp; Operational Impact</th>
<th>Project Risk Assessment</th>
<th>Cost/Benefit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative 1</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
</tr>
<tr>
<td>Alternative 2</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
</tr>
<tr>
<td>Alternative 3</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
<td>Describe overall assessment</td>
</tr>
</tbody>
</table>

Choose the recommended alternative based on the above recap, selecting the alternative that maximizes the effectiveness and efficiency while minimizing risk and cost.

Recommendations

Description:

This section will make specific recommendations on proceeding with the project.

The extent of the recommendation may range from recommending approval for full project implementation to recommending a more detailed requirements analysis be done to validate some key business case components.

Project Responsibility

Description:

Recommend who should be the Project Manager and as such have responsibility for managing the implementation. This section would include any additional governance aspects related to cross-government projects.

Project Accountability

Description:

Recommend who should be the Project Sponsor and as such have overall accountability to ensure the project is completed. This section would include any additional governance aspects related to cross-government projects.
Purpose of the Implementation Strategy Section:

The reason for writing the Implementation Strategy Conclusion & Recommendation Section is to ensure that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the project.

Description:

Outline the proposed implementation plan for the recommended next steps at a high level. Enough detail should be provided so that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the project.

This section should include:
- Major project phases
- High-level work plan, deliverables and target dates for completion
- Costs ($) required to carry out the implementation plan
- Personnel (departments, roles) required
- Proposed project structure
- Assign responsibility for implementing and monitoring the risk mitigation strategies (Section 8)
## Purpose of the Review & Approval Process Section:

The reason for writing the Review & Approval Section is to clearly present the reader with who and how the business case has been reviewed and approved. This section will also contain the final outcome of the business case. If the business case is approved the evidence of the approval should be included. If the business case is not approved, the business decision behind either rejecting the project or deferring the project should be documented.

## Review Process

**Description:**

Who will review the business case

## Approval Process

**Description:**

What is the approval process and who is involved

## Business Case Signoff

**Description:**

The business case should be signed and dated by the approving person(s), indicating whether or not the business case is approved. If applicable, approval conditions should be identified. If the business case is not approved, reasons for the decision should be documented.
NOTE TO READER:

This document has been developed in conjunction with and to support the use of the “Business Case Template”.
Business Case – Usage Guidelines

What is a Business Case?
An effective business case is a multi-purpose document that generates the support and participation needed to turn an idea into reality. It explains what the idea, problem, or opportunity is about, how and who it will impact, what others are doing, each of the alternatives, the associated impacts, risks and cost/benefit of each alternative, and makes recommendations.

The complexity of a business case and time taken to prepare it depends on the nature of the business initiative. For instance, the extent to which an initiative has some or all of the following characteristics:

- multi-functional;
- multi-departmental;
- affects many stakeholders (internal or external);
- involves substantial changes to service delivery processes;
- involves high risk or possible impacts;
- highly visible to senior management, legislature;
- significant in terms of funding, resources, stakeholders;
- multi-year costs and multi-year return on investment;
- multi-year realization of benefits;
- contingent on timeframe;

will determine whether the business case may be developed in a few hours or take many months to develop. It may even be necessary to initiate a trial or pilot projects to test the feasibility of a particular approach before the business case is completed. In this case a separate business case will be needed to support the pilot project.

A business case is related to a business initiative. The business initiative could spawn multiple projects (e.g. feasibility study, request for proposals, development/construction, implementation, transition), each one may warrant their own sub-business case, for funding/resource allocation.

When is a Business Case Required?
- When a business decision is being made
- To demonstrate that the “thinking” was carried out
- Typically required to gain funding

In general terms, any initiative that will have a significant impact on either internal processes or the delivery of services to clients, particularly if it requires significant allocation or reallocation of resources, should be justified by means of a business case. Each ministry should follow its own practice/guidelines, to establish when a business case is required.

When can a Business Case change?
The main business case is not a static document. Once an initiative has approval to proceed, the business case should be revised and updated at key decision points. Therefore, the business case is a dynamic document throughout the life of the initiative, until the business benefits are realized. The business case evolves as additional and more accurate information is gathered.

1. An initial business case will likely be high-level and based on “ball-park” estimates and initial judgments.
2. The high-level business case is adjusted/refined, as further facts and figures are obtained after a feasibility study and/or detailed needs assessment.
3. Again, the business case can be refined further after a design estimate or request for proposals.  
4. Even at implementation stage, the final development costs will be known, the operational costs can be refined, the benefits can be refined and the specific operational risks and impacts can be anticipated.

The following table illustrates the dynamic nature of a business case:

<table>
<thead>
<tr>
<th>Initiative Life Cycle</th>
<th>Business Case</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Idea</td>
<td>Opportunity Statement</td>
<td>Brief one page description of idea</td>
</tr>
<tr>
<td>Gain Support</td>
<td>High-level Business Case</td>
<td>Contains general alternatives, potential costs and benefits (usually a range), high-level impacts and risks, good environmental analysis</td>
</tr>
<tr>
<td>Feasibility Study/Detailed Needs Assessment</td>
<td>Revised Business Case</td>
<td>Alternatives are refined based on needs, costs and benefits are revised</td>
</tr>
<tr>
<td>Pilot</td>
<td>Revised Business Case</td>
<td>Impacts and Risks are fully explored, costs are more precise</td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>Revised Business Case</td>
<td>Specific alternative is defined and costs are known</td>
</tr>
<tr>
<td>Implementation</td>
<td>Finalized Business Case</td>
<td>Costs are based on actual, benefits are finalized</td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td>Finalized Business Case is used to evaluate the success over the life span of the project</td>
</tr>
</tbody>
</table>

The business initiative and business case do not end when the implementation project ends, the business initiative usually has a schedule of benefits to realize over the coming months and years.

To benefit from the business case methodology, a rigorous, objective and honest attitude is required in applying it. To do otherwise is to risk making a poor investment on behalf of the business area and public.

**How much time to spend on one?**
- It could be very short – but contain all aspects (costs, benefits, risks, mitigation etc)  
- It could be completed in a few hours – and contain all aspects (costs, benefits, risks, mitigation etc)  
- It may required a comprehensive analysis which could take a few months to complete

Business case is scalable to the nature and impact of a decision, although the complete template (thinking) should be covered and documented. The number of pages of a business case varies, based on the subject matter of the case. It may be a brief 1-2 page document or an extensive evaluation that takes 75-100 pages. However, the length of the business case should be kept to a minimum, ensuring it stays on topic, presents relevant information in a clear and concise manner that is focused on supporting management in making decisions.
General Rule of thumb => Business case time = approximately 5-10% of anticipated implementation project time

e.g. An anticipated:

- 3 month project to implement the initiative = 9 days to put together an appropriately detailed business case
- 3 year project to implement the initiative = 3 months to put together a comprehensive business case
- 1 year project to implement the initiative = 1 – 1.5 months to put together a detailed business case
- 25 day project to implement the initiative = 2 days to put together a complete but straightforward and simple business case

This time should be allocated to the various business case sections, based on the nature of the initiative and project.

- A highly risky initiative with a number of potential impacts might warrant more time in the impact, risk and mitigation sections
- One that requires relatively significant funding from a number of areas, will require more effort for the costing areas in Cost/Benefit Analysis
- One that requires analysis into “what other jurisdictions did”, will require a larger balance of work in the Environment Analysis section
- One that has an important opportunity and/or impact for the department may require some extra time in the Strategic Alignment section

**Why would a Business Case not be approved?**

A business case is a request for support for an initiative, usually involving a resource investment and financial commitment. The final decision requires judgment and consideration of issues perhaps not contemplated in the business case. It is quite possible that the business case is well written and compelling, but other priorities will take precedence. It may also be that the decision making body is well informed by the business case but does not agree with the conclusions.

There are other common reasons a business case is not followed up on:

- An unconvincing argument – limited benefits
- Gaps in the evidence supporting the argument
- The methodology used to assess the options is not understood or accepted
- The costing lacks rigor
- The requirements set out in the business case template have not been met
- Other business priorities take precedence

When the recommendations of a business case are not followed, the reasons for departure should be documented. The explanation is necessary to ensure that the basis for the deviation can be understood, and that any deficiencies in the business case are recognized.

**What are the characteristics of a good Business Case?**

The aim in writing as business case is to:

- Outline all the relevant information
- Outline the argument for the recommended course of action
- Be clear, logical and comprehensive

The business case will be more convincing if the arguments are supported by hard data:

- If stakeholder views are cited, provide some evidence of the consultations
- For community or other benefits, provide evidence of the research conducted into the existing situation and expected improvements
• Provide the experience gained by other organizations in implementing the same kind of initiative – this provides a good reality check
• Accurate costing of alternatives and expected benefits, based on a thorough approach and using relevant assessment tools
• Reference material (articles, websites, libraries, books etc.) on alternatives
## Business Case – Relationship to Other Documents

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Executive Summary</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Background</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Information and text from the Business Case Sections will naturally flow into other documents related to the associated project(s).

Information from the Executive Summary, Background, Project Description plus the Conclusions & Recommendations sections will form the project description(s) to be used in the Project Charter(s) and eventually the projects’ Post Implementation Reviews. Further, this project information will be used in overall Business Initiative Review documents.

The Impacts and Risk information and fostering / mitigation strategies will be required as part of Project Charters, projects’ Post Implementation Reviews and in overall Business Initiative Review documents.

The Costs and Benefits information will be used for monitoring performance. The Cost information will be part of Standard Contract sections and if benefits can be interpreted as service levels these may also be part of the Standard Contract. Costs and benefits will be reported against as part of Project Status Reports, project’s Post Implementation Reviews and in overall Business Initiative Review documents.

The Review and Approval process may be used within: a) Standard Contract; b) Project Status report; and will be reviewed and assessed during the Post Implementation reviews.