

BUSINESS CASE FRAMEWORK AND PROCEDURES

Section	Finance
Contact	National Capital Manager
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Approval	N/A

Document Purpose:

This document establishes Massey University's business case framework and procedure. It provides an overview of the University process integrated with the Better Business Case (BBC) methodology. It advises which business case process is required at different risk and financial thresholds, and provides a brief interpretation of the Treasury guidelines and templates.

This procedure identifies the application of the business case process within the University context.

Aim of Better Business Cases

Better Business Cases is fundamentally about planning and managing for success. Providing a robust and consistent methodology that leads to

- Better informed decisions
- Better value for money
- Achievement of better outcomes

The BBC is international good practice that provides

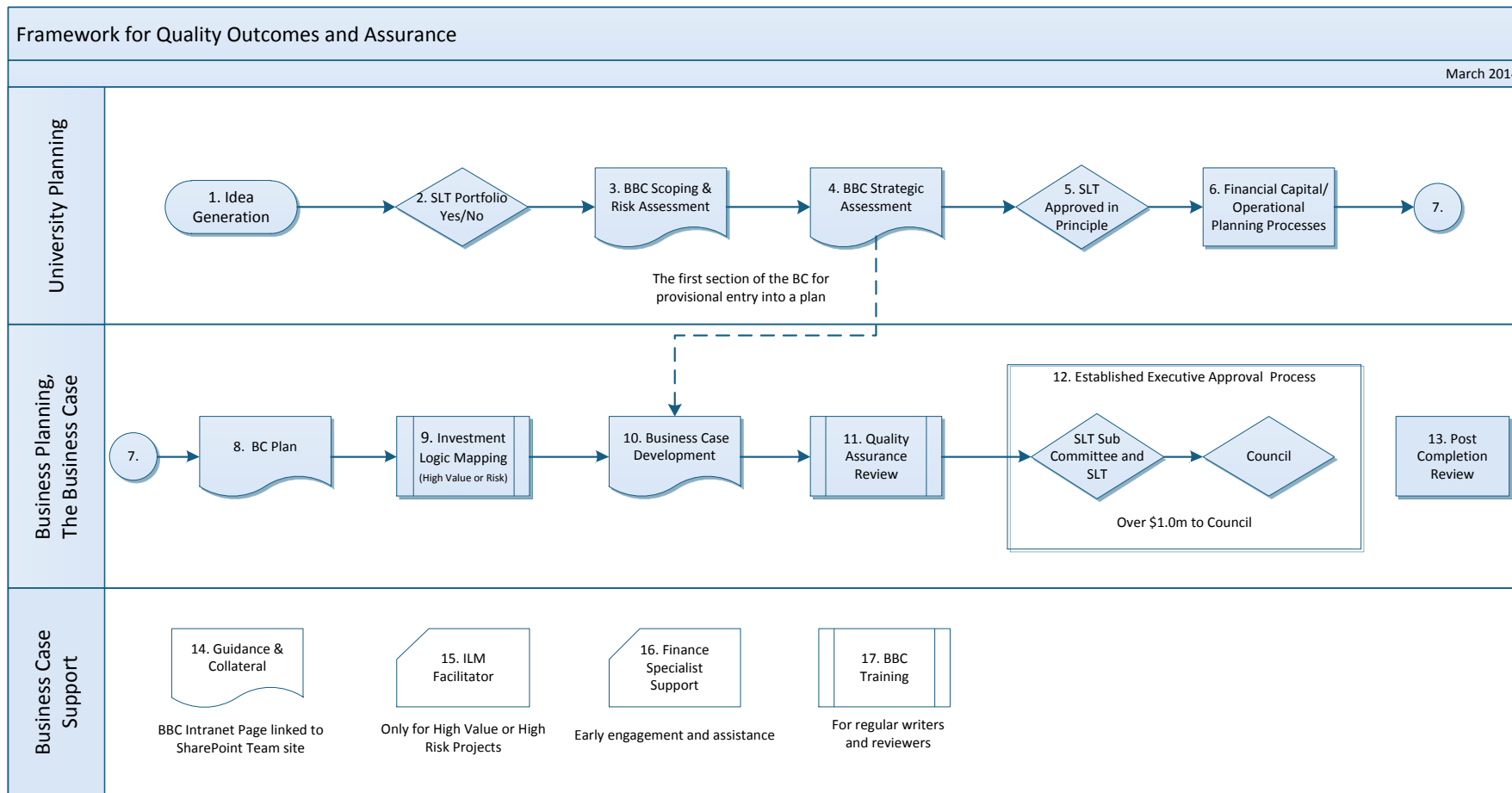
- A structured way of thinking
- A step by step approach
- A way of working together
- A way to bring convergence, coherence and cohesion across the organisation.

Business Case Framework

The Massey University business case framework consisted of three elements and incorporates the Better Business Cases (BBC) methodology. The framework is integrated with established financial planning and executive approval processes. Please refer to the chart (p.2) and notes (pp.3-5).

- University Planning – aligning with University strategy and planning processes
- Business Planning – Planning & developing the case, quality assurance and final approval
- Business Case Support – supporting the business case owners and writers

Massey University Business Case Framework



This Procedure is for the exclusive use of Massey University

Description of the Business Case Framework

A. University Planning

1. Idea Generation
Ideas, innovations and improvements are generated within Senior Leadership Team (SLT) portfolios
2. SLT Portfolio
Assistant Vice Chancellors and Pro Vice Chancellors determine if a change or investment proposal can be accommodated within their existing budgets and within their delegation. If the decision required exceeds their budget or delegation, they decide if the proposal moves forward for scoping and strategic assessment.
3. Scoping and Risk Assessment
The initiator completes a single page scoping template and the Massey University Risk Profile Assessment to determine:
 - a. The type of business case and level of effort required
 - b. The Key Stakeholders involved, (refer to definitions)
 - c. Resourcing required to complete the strategic assessment
 - d. Confirm the decision making process
4. BBC Strategic Assessment
A scalable strategic assessment template is completed
 - a. Demonstrates the proposal is well aligned to University strategy and objectives
 - b. Indicates the level of effort, and risk
 - c. An indicative budget requirement for a range of options
 - d. This assessment becomes part of the full business case with little or no rework.
5. SLT Approval in Principle
SLT determine if a proposal is of strategic merit and whether it should move forward into a capital or operational financial planning process. The proposal is approved in principle or rejected and will be subject to financial affordability and prioritisation. This allows the business case developer to proceed with more certainty or minimises wasted effort should the proposal be declined or deferred.
6. Financial Capital/Operational Planning Processes
The scoping document and strategic assessment feed into the operational budget or capital planning process.
7. University Operational Budget or the 10 Year Capital Plan
The proposal proceeds to business case planning and development when funding is scheduled in an approved plan.

B. Business Planning

8. Business Case Plan
The project governance structure is developed with a preliminary project plan and detailed business case plan.

- a. Stakeholder engagement commences to prepare the business case. The engagement identifies who's involved in the BC development and decision making, who does what and when is the effort required.
- b. A SharePoint project site should be established for all Massey University projects. SharePoint project sites must be used for projects over \$250k to permit collaboration and records management.

9. Investment Logic Mapping (ILM)

ILM is required for all high risk or high value programmes or projects. This will be completed with the assistance of an independent facilitator. ILM is required for:

- a. High risk projects or programmes determined by a risk profile assessment at the scoping stage
- b. High value projects or programmes over \$10 million

10. Business Case Development

The appropriate better business case template is completed by the business case developer or team.

- a. Typically, a programme and/or single stage case is completed for the majority of Massey University projects.
- b. Some small projects under \$1.0m will only require a single stage (light) case
- c. A small number of high risk / large scale projects or programmes will require a 2 stage business case and approval processes.

11. Quality Assurance Review

Quality Assurance is a fundamental component of successful project delivery. Business case quality assurance reviews will be completed by panel of specialists. A panel will consist of standing representation from Finance and Risk Management sections. The panel will be augmented with members from Strategy, Research, Teaching, Maori and Pacifica, International, IT, and Operations, and with the support of specialist experts, consistent with the type and content of the business case being reviewed.

Panel membership is determined using the policy risk and financial thresholds:

- a. Cases less than \$1.0m require at least the standing panel representatives
- b. Cases greater than \$1.0m requires the standing representatives plus a member from Strategy and at least one member from each of the SLT portfolio's directly related to the proposal.
- c. Cases greater than \$10m or assessed as high/extreme risk also require ILM.

In addition:

- d. Cases greater than \$25m (WOLC) or extreme risk require an ILM & Gateway review.
- e. Gateway review will be required for all projects over \$25m (WOLC) requiring TEC approval and may be required for high risk programmes, projects and significant asset disposals. To be determined in consultation with Finance.

The Chief Financial Officer commentary on the business case quality assurance review must be included in the committee paper's 'Financial Implications and Treasury Comment' section.

12. Established Executive Approval Process

The executive approval process through SLT sub-committee, SLT and University Council provides a standing process for business case approval.

- a. Business cases under \$1.0m require SLT approval
- b. Business cases over \$1.0m require SLT & Council approval

13. Post Completion Reviews (PCR)

An Independent PCR will be completed for projects in line with the Capital Development Post Completion Review Policy or if the project has specific requirements for review as determined by Finance or Risk Management sections.

C. Business Case Support

14. Guidance and Collateral

A SharePoint site and intranet publishing page is established to provide a 'one stop shop' for business cases. Information includes guidance, templates, links, exemplars and support contacts. The site aligns with record management processes. Individual business cases reside on the project site.

15. ILM Facilitator

Independent facilitators support Investment logic Mapping (7) for high value or high risk projects.

16. Finance Specialist Support

Finance section provides guidance and support for the preparation of scoping documents, strategic assessments and business cases. Early engagement with finance, as a key stakeholder, is essential for resource planning and to avoid wasted effort.

17. BBC Training

BBC Training is regularly scheduled in by the Treasury National Infrastructure Unit in main centres or custom courses can be arranged.

- a. Courses can be booked through the national infrastructure web site, and are at the budget centres expense.
- b. Annual training courses will be scheduled through the POD leadership calendar if demand is sufficient.

Applying the Business Case Process

All funding proposals which meet one or more of the following criteria must complete a Business Case:

- Capital funding requests greater than \$250,000 in capital cost
- Operating budget baseline adjustment greater than \$150,000 in operating cost in any one financial year
- High risk projects per the Massey University Risk Profile Assessment,
- Asset disposals with significant policy decisions

The Better Business Case process provides a comprehensive suite of guidelines and templates to accommodate low risk and small scale projects through to high risk and large scale projects. Templates are scalable and the level of effort required will be consistent with risk and scale.

Table 1 summarises the Better Business Case requirements at different thresholds:

Type/Materiality	Business Case Scale				Quality Assurance			Approvals Required			
	Scoping & Strategic Assessment	Single Stage (Light)	Single Stage	Two Stage	Internal QA Review	ILM High Value or Risk	Gateway Review	SLT	Council	TEC	Ministerial
\$0.25m to \$1m	✓	✓			✓			✓			
\$1m to \$5m	✓		✓		✓	2		✓	✓		
\$5m to \$10m	✓		✓		✓	2		✓	✓		
\$10m to \$25m	✓			✓	✓	✓	2	✓	✓		
Greater than \$25m	✓			✓	✓	✓	✓	✓	✓	✓	negotiated
Programmes	✓	1	1	1	✓	1	1	✓	✓	2	2
Asset Disposal, PPP's or Project Extended Borrowing	✓		✓	TEC negotiated	✓	2	2	✓	✓	✓	TEC negotiated

Note:

✓ = Required to complete

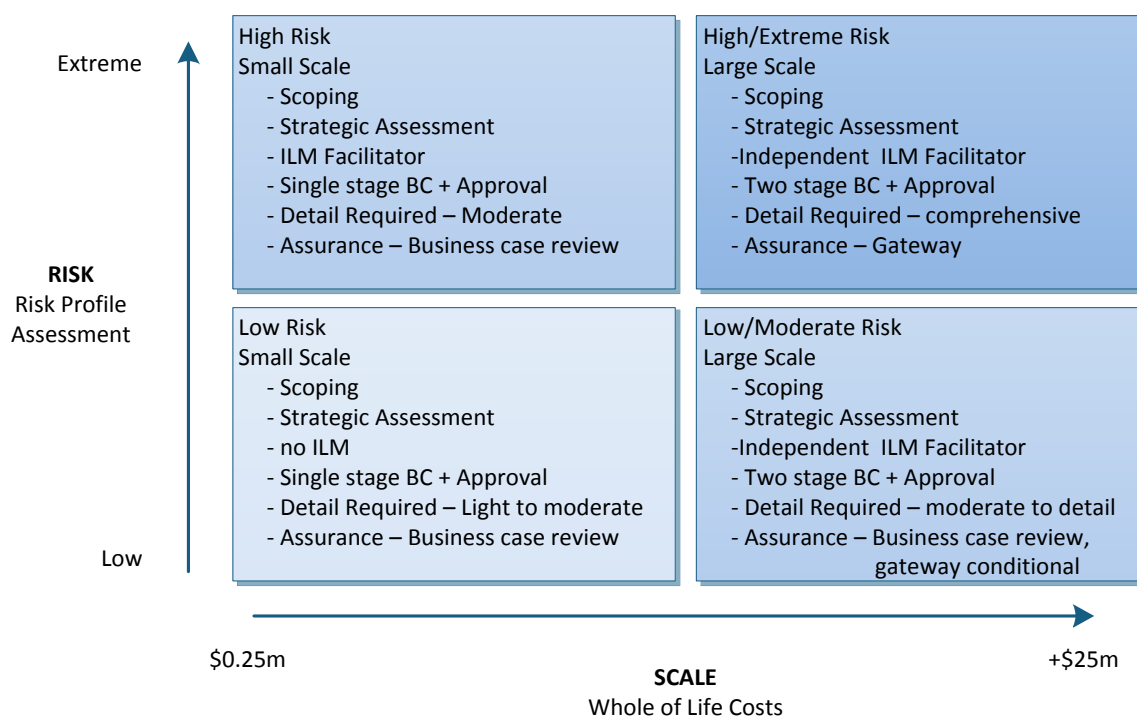
¹ = required for sub-projects consistent with value and risk assessment

² = required if risk /scale is high/extreme

Level of Effort and Assurance

Table 2 provides an overview of the process and the required level of effort and assurance. Further detail is provided in Appendix A Interpretation of BBC Templates & Guidelines and Appendix B The Business Case Model.

Table 2 - Level of Detail and Assurance Summary



Business Case Approvals

Approvals for business cases will follow established university committee and executive approval procedures. Scoping, risk assessment and strategic assessments will be approved in principle and feed into the Ten Year Capital Plan and operating budget planning cycles. Finalised business cases will complete a quality assurance review, then proceed to sub-committee, SLT and, if over \$1.0m, to University Council for final approval.

What is Included in a good business case

A good business case is the foundation planning document for a project or programme that demonstrates:

- The stated outcomes and how they will deliver on specific aspects of the organisations strategy.
- A full range of options and market analysis are considered to maximise value for money with an assessment of risk and uncertainty. Including in-house delivery, mixed/hybrid delivery, ownership, leasing, partnerships and outsourcing.
- The procurement strategy, service requirements, risk allocation and payment methods are defined.
- The current and future, capital and operational funding requirements for sustainable financial planning. Is this affordable? What are the costs/ benefits? When will the costs be incurred and financial benefits realised?
- Evidential project planning, resources management, quality assurance processes, risk management and mitigation planning, post implementation management and post completion review.

A good business case will:

- Have SMART (Specific, Measurable, Achievable, Realistic and Time-bound) objectives, setting and managing expectations.
- Clear the way forward with decision making, removing ambiguity and providing greater certainty of success.
- Have demonstrated project planning and detailed management structures
- Provide effective change management and quality assurance, providing high levels of confidence.
- Define responsibilities and resources requirements agreed with stakeholders.
- Become a reference document for the project.

Documents and Tools to assist in business case preparation

Guidelines for Business Cases

Scoping Documents

Templates

Related Guidance

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance>

Massey University Risk Profile Assessment

TBA – Contact Risk Management Office

Investment Logic Mapping

<http://www.ssc.govt.nz/project-delivery-capability>

Cost Benefit Analysis Tool

Long List of Options Identification Tool

<http://www.tec.govt.nz/Tertiary-Sector/Crown-Interest/Business-Cases/Step-Two--Business-Case-Development/>

Public Sector Discount Rates

<http://www.treasury.govt.nz/publications/guidance/reporting/accounting/discountrates/>

Gateway Reviews

<http://www.ssc.govt.nz/gateway>

Definitions:

Key Stakeholders

Key stakeholders that have an interest in the expected outcomes or can influence the investment proposal. Key stakeholders who can assist in the process should be identified and engaged at an early stage of the business case development process. Key stakeholders do the BBC thinking together and can be highly influential and highly impacted. They include writers, reviewers, approvers, senior clients and major interest groups.

Resourcing

Resourcing for scoping, strategic assessments and business case development includes internal staff time (pre-agreed with staff), backfilling of staff, operational funding for feasibility studies and concepts, funding for external facilitators, contractors, consultants and quality assurance.

Whole of Life Cost (WOLC)

The net present value of cash costs of the proposal under consideration. Cash costs include the initial capital or operating costs, plus the operating costs for the expected life of the asset, discounted using Public Sector Discount Rates. Operating costs should include essential personnel costs and excludes depreciation expenses.

Quality Assurance Review

A planned and systematic review to provide adequate confidence that the proposal optimally fulfils stakeholder expectations, i.e. the proposal is problem-free and will achieve the stated outcomes, in terms of benefits, cost, time, viability, affordability, sustainability, risk and reputation.

Audience:

Staff preparing business cases

Related procedures / documents:

[Shaping the Nation, Taking the Best to the World, The Road to 2025](#)

The Investment Plan

University Sub-strategies including Research, Internationalisation, Maori@Massey, Pasifika@Massey, Teaching and Learning, Sustainability Framework and Finance

[Business Case Policy](#)

Massey University Risk Profile Assessment

[Delegations Document](#)

[Procurement Policy and Procedures](#)
[Tenders Board Terms of Reference and Procedures](#)
[Capital Projects Policy](#)
[Capital Planning and Approval Procedure](#)
[Capital Developments Post Completion Review Policy](#)
[Capital Asset Management Plan](#)
[Campus Development Plans](#)
[Project Management Policy](#)
[Records Management Policy](#)

<http://www.infrastructure.govt.nz/publications/betterbusinesscases>
<http://www.tec.govt.nz/Tertiary-Sector/Crown-Interest/Business-Cases>

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APPENDIX 1 - INTERPRETATION OF BBC TEMPLATES & GUIDELINES

The Treasury templates and guidelines are written generically for all government agencies and they must be interpreted in that context.

Where the templates refer to organisation and/or government expectations, goals and objectives or expectations in the first instance this should be interpreted within the University's 2025 strategy, investment plan, strategic and operational plans, financial budgets and policies.

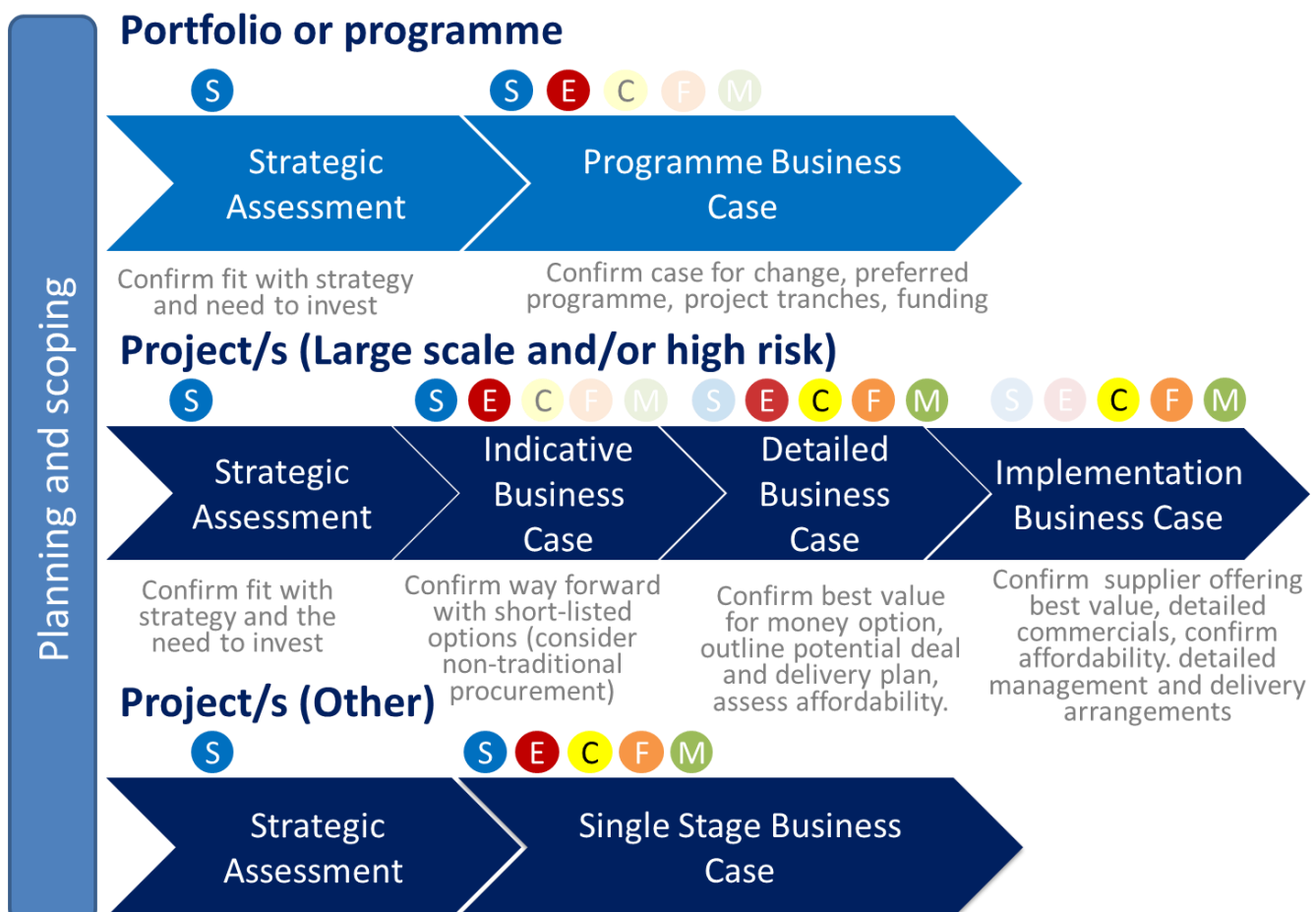
It is important to ensure for large projects requiring external approval that the connection with Tertiary Sector and wider Government strategies and priorities is made.

All guidelines and templates can be freely accessed on the following web page.

<http://www.infrastructure.govt.nz/publications/betterbusinesscases>

THE BETTER BUSINESS CASE

The pathway of the phased BBC process can be used to select which type of business case best delivers the required decision/s



1. SCOPING DOCUMENT - PLANNING THE BUSINESS CASE

The content required in scoping documents is determined by the scale and risk of the proposal under consideration. Large-scale or high risk proposals, or large programmes containing many individual projects, require more content and depth of analysis than smaller or less risky proposals. Using the single page scoping template will determine:

- capacity/capability of the team preparing the case
- who are the stakeholders and how they will be engaged. (i.e. Governance, Finance, Clients, Reviewers)
- scale and risk of the proposal, using the Massey University [Risk Profile Assessment](#) tool and the scalability matrix;
- whether the solution to the problem being addressed by the business case is likely to be a discrete project, or would be better addressed through a larger programme of work;

- whether further work is required to clarify the problem/opportunity and the possible options, benefits, strategic responses and solutions;
- the level and depth of analysis required in various stages of the development of the business case;
- the level and depth of independent quality assurance required in various stages of the development of the business case;
- level of effort and cost for development and assurance; and
- the timing and nature of engagement and decisions required including how these fit with other processes (i.e. capital and operational planning cycles, committee processes and council approval)

2. STRATEGIC ASSESSMENT – THE FIRST STAGE OF A BUSINESS CASE

The strategic case demonstrates that the proposal is well-aligned to University strategy and objectives. The strategic case must provide a robust and well-evidenced case for change and clear specification of the investment objectives and critical success factors of the business case. The focus must be on investment objectives driving capital investment, not the other way round

The purpose of the strategic assessment is to provide confidence that an appropriate needs and gap analysis has been undertaken, major strategic risks are identified and the proposal should progress to a full Business Case analysis.

High value and or high risk projects may require an investment logic map and a preliminary impact and risk assessment to be completed.

*Go to 7. **SINGLE STAGE BUSINESS CASE** (p.12) if less than \$10m (Whole of Life Cost) and low or moderate risk.*

3. PROGRAMME BUSINESS CASE – (FOR PROGRAMMES ONLY)

A programme business case integrates a specific set of related projects that together will achieve a strategic business goal. Programme business cases are about managing change. They provide a structured means of linking projects that progress at different rates and ensuring a coherent focus on the overall outcomes.

Only the overarching strategic case and economic case are presented in the programme business case. Projects that fall under a programme case require individual business cases.

The Finance section will advise when a Programme Business Case is required.

4. INDICATIVE BUSINESS CASE (FOR LARGE OR HIGH RISK TWO STAGE APPROVAL)

The indicative Business Case is only prepared when a two stage approval is required and includes a detailed analysis of the strategic case and economic case with overviews of other cases.

The purpose of the Indicative Business Case is to:

- identify the strategic context of the organisation and how the proposed investment fits within that strategic context
- confirm the case for change and the need for investment

- recommend an indicative or preferred way forward for further development of the investment proposal, following analysis of a long list of options, and supported by a limited number of short-listed options for further analysis
- seek the early approval of decision-makers to develop a Detailed Business Case, based on a preferred way forward
- provide an early opportunity for the organisation and key stakeholders to influence the direction of the investment proposal
- provide a basis for better decision making by seeking early agreement about key issues, and
- avoid too much effort being put into developing investment proposals and options that should not proceed.

5. DETAILED BUSINESS CASE (FOR LARGE OR HIGH RISK TWO STAGE APPROVAL)

The detailed case is the second part of the two stage approval process and revisits the Indicative Business Case strategic assessment and economic case and completes all five cases for the shortlisted options and recommendation.

The purpose of the Detailed Business Case is to:

- identify the investment option which maximises value for money
- prepare the proposal for procurement
- plan the necessary funding and management arrangements for the successful delivery of the project, and,
- inform a proposal to SLT, Council, TEC (or other decision-makers) to seek agreement to approach the market and finalise the arrangements for implementation of the project.

6. IMPLEMENTATION BUSINESS CASE (TYPICALLY FOR LARGE OR HIGH RISK)

Implementation Business Case is completed following approval of the Detailed Business Case (two stage approval process) and prior to finalising any contractual arrangements for procurement.

Its purpose is to:

- identify the supplier offers that optimise value for money
- set out the negotiated commercial and contractual arrangements for any procurement
- confirm that the proposed arrangements are affordable, and
- put in place detailed management arrangements for the successful delivery of the project or programme

An Implementation Business Case is not typically warranted following a single stage business case approval.

7. SINGLE STAGE BUSINESS CASE (THE MAJORITY OF UNIVERSITY CASES)

The single stage Business Case combines the elements of the indicative and detailed business cases into one document. The template is for cases of moderate value and risk and will cover the majority of Massey University Business Cases.

The purpose of the Business Case is to:

- identify the strategic context of the organisation and how the proposed investment fits within that strategic context
- confirm the case for change and the need for investment
- identify the long list and short list of options, recommending the investment option which maximises value for money
- prepare the proposal for procurement
- Identify the financial impacts, plan the necessary funding and management arrangements for the successful delivery of the project, and
- inform a proposal to the SLT and University Council (or other decision-makers) to seek agreement to approach the market to request proposals and to finalise the arrangements for implementation of the project.
- set-out project planning, change management, risk management, post implementation management and post completion review planning

8. SINGLE STAGE (LIGHT) BUSINESS CASE (SMALL VALUE LOW RISK CASES)

The light Business Case is the scaled down [short] version of a Single Stage Business Case and the amount of effort and detail included should reflect the value of the funding request. It will commonly be used for low value, low risk proposals

Acknowledgements

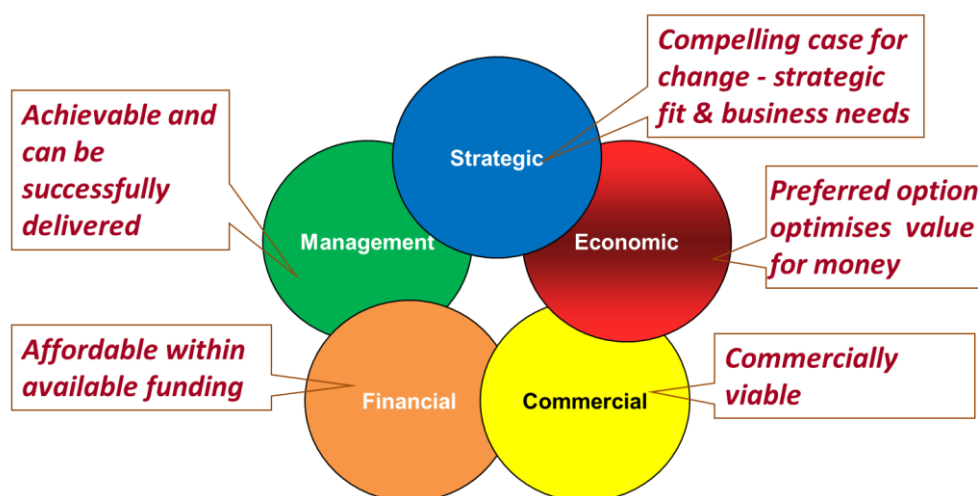
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Some of the information in this document is amended from the original source to align with Massey University systems and processes

APPENDIX 2 - THE BUSINESS CASE MODEL

The 5 Case Model

The 5 key elements of good practice business cases



Source: National Infrastructure Unit Website

A 'five case model' is at the heart of the BBC process and is used to ensure each key aspect of robust investment proposal is explicitly and systematically addressed in a standardised way. This model provides the SLT and Council with explicit assurance that each proposal:

- is supported by a robust case for change, the 'strategic case'
- maximises value-for-money, the 'economic case'
- is commercially viable, the 'commercial case'
- is financially affordable, the 'financial case', and
- is achievable, the 'management case'.

STRATEGIC CASE

Strategic assessments allow internal and external stakeholders to consider the merits of a proposed investment and determine if further investigation is warranted. The strategic assessment provides a high degree of confidence that an investment proposal is in response to a true service need and that this response aligns with the University's and Government's key strategic priorities.

The key questions that are answered as part of the Strategic Assessment are:

- What is the problem or business need that is causing us to consider a new investment?
- What benefits will the organisation expect in successfully responding to the problem or business need?
- What are the investment objectives and existing arrangements,
- What are the key services requirements and potential business scope
- Benefits, risks, constraints and dependencies; be specific.
- What strategic responses will best address the identified problem or business need?

- How are these strategic responses aligned with Government and University policy?

For large or high risk cases an investment logic mapping process undertaken by a trained facilitator may be required.

ECONOMIC CASE

This part of the Business Case focuses on identifying and assessing the main options available for delivering the required services.

The purpose is to develop a long list and short-list of options with an indicative or preferred way forward as the basis for more detailed economic assessment of the options. A full range of options is considered to ensure we maximise value for money including in-house delivery, ownership, leasing, partnerships and outsourcing.

Key aspects of this case include:

- Identifying critical success factors
- Options analysis that fully explore a long list and give reasons for short listing options
- An assessment of risk and uncertainty
- Net Present Value (NPV) analysis
- Risk analysis
- Sensitivity analysis

COMMERCIAL CASE

One of the key aspects of the Five Case Model is to ensure that detailed consideration of the potential deal occurs at early stages of the Business Case development process, rather than waiting until after final approval of the Business Case including consideration of:

- Massey University Procurement Policy and Procedures (including Tenders Board procedure).
- Procurement strategy and options
- Service requirements
- Risk allocation
- Payment mechanisms
- Contracting issues
- Accounting issues

FINANCIAL CASE

The purpose of this case is to determine the affordability, the funding requirements and fiscal impacts of the preferred option through the Financial Costing Model. Identify:

- What are the financial costs and financial benefits
- The current and future, capital and operational funding requirements
- When will the costs be incurred and financial benefits realised?
- What are the impacts on:
 - The financial statements and KPI's
 - Capital and operating budgets
 - Treasury cash flow, foreign exchange and borrowing requirements
 - Affordability

MANAGEMENT CASE

This outlines the current project management arrangements and putting in place any further arrangements required to ensure successful delivery and to manage project benefits and risks. This includes:

- Project management planning, including resource planning
- Change management planning
- Risk management and mitigation planning
- Quality assurance planning
- Benefit realisation
- Post implementation operational management
- Post completion review