

Bill Pauley
Head of Strategic Policy and Reform Directorate
Clare House
303 Airport Road East
BELFAST
BT3 9ED
Tel No: 028 9081 6824 (ext. 76824)
Email: bill.pauley@finance-ni.gov.uk



02 November 2020

FD (DoF) 11/20

Dear Finance Director

BETTER BUSINESS CASES NI

Purpose

1. To make Finance Directors aware that the Northern Ireland Guide to Economic Appraisal and Evaluation (*NIGEAE*) is now superseded by a new guide titled '*Better Business Cases NI*'. The new guidance can be accessed at <https://www.finance-ni.gov.uk/articles/better-business-cases-ni>. This letter explains the key features of the revised guidance. FD (DFP) 20/09 is therefore hereby withdrawn.

Background

2. A Review of the Expenditure Approval and Business Case Processes was carried out in 2019. Among the Review's findings was that there was a need for clarification around the roles and responsibilities of those involved in the expenditure approval process; that there was a perception that *business cases* were being approved rather than *expenditure*; and that the business case process was viewed by many as a constraint rather than a tool to aid decision making.
3. The Review made a number of recommendations. Amongst these was that Northern Ireland should adopt the HM Treasury best practice approach to the development of business cases, known as the 'Five Case Model'. This is the approach on which Better Business Cases NI is based.

The Five Case Model

4. The basic process of appraisal and evaluation is largely the same within the Five Case Model approach, as is the information needed to produce a business case. Rather, the Five Case Model involves separating the business case into its five component parts, or 'Cases' – Strategic Case, Economic, Commercial, Financial and Management.
5. Presenting the information in this way is intended to help clarify who is responsible for developing the business case, for approving the spend associated with it, and which specialist advisors should be involved in providing advice and support around this.
6. Primary responsibility for the development and quality of the business case rests with the 'owner' of the project, typically the SRO (Senior Responsible Owner). The Senior Responsible Owner (SRO) is the visible owner of the overall business change, accountable for successful delivery and is recognised throughout the organisation as the key leadership figure in driving the change forward. This responsibility includes the preparation and update of a robust business case and then presenting it for approval of the expenditure involved. It will be a matter of judgement for the owner to decide what and how much support they will need from the various specialist advisors (economists, finance professionals, procurement advisors, and so on) in taking it to the point of approval.

Better Business Cases NI

7. The Better Business Cases NI website contains a range of other pieces of supplementary guidance. Much of this has been carried forward from *NIGEAE*, updated where appropriate. The website also contains several pieces of new supplementary guidance, covering areas such as Outcomes Based Accountability (OBA), distributional objectives or consequences and social value.

8. In addition, the website also contains a number of other items of supporting material that appraisers may find useful when developing a business case. These include a 'Best Practice Guide' to business cases, a 'Plain English Guide', as well as a checklist to what should be included in a business case.

DoF Approval of Major Projects

9. DoF continues to recommend that the development of business cases for major expenditure decisions should be carried out in three stages – SOC, OBC and FBC. DoF should continue to be consulted at the earliest stage in the development of major projects and other potentially high profile cases. DoF approval of a Strategic Outline Case (SOC) remains a requirement in all such cases before commencement of the detailed work of developing an Outline Business Case (OBC).
10. In this context, major projects and other potentially high profile cases include:
 - All capital projects with a total capital value of £50 million or more¹;
 - All revenue projects which fall above the department's delegated limits and for which total central government costs will be £50 million or more over the project's life; and
 - All projects, irrespective of cost, that set precedents, are novel, are potentially contentious, could cause repercussions elsewhere in the public sector, or are potentially politically sensitive.
11. The general principles of DoF Supply approval and accountabilities, as well as approvals within departments, are unaffected by the move to Better Business Cases NI.

Implementation of Better Business Cases NI

12. It is recognized that there may be business cases in development that have been applying the pre-existing approach set out within NIGEAE. It is not the

¹ Note that the threshold could apply to projects which have a mix of capital and revenue expenditure if the BC is also seeking approval for the revenue expenditure.

intention that these should now be changed to reflect the move to Better Business Cases NI. DoF will continue to accept business cases for approval which are presented using NIGEAE while Departments adjust to the new approach. The NIGEAE website will remain available to facilitate the completion of these business cases. However, business cases that are starting to be developed after the issue of this letter should be based on Better Business Cases NI.

13. All economist teams within departments have been trained in the new Five Case Model approach and Economist Heads of Branch should be the first point of contact in respect of any departmental specific business case queries.

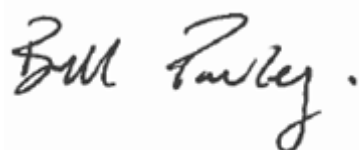
Action

14. Departments should ensure that this guidance is applied within all business areas including Agencies, NDPBs and other sponsored bodies with immediate effect.

Enquiries

15. General queries on this letter and the new guidance should be directed in the first instance to DoF's Strategic Policy Division (economicappraisal@finance-ni.gov.uk).

Yours sincerely

A handwritten signature in black ink that reads "Bill Pauley." The signature is written in a cursive style and is contained within a white rectangular box.

BILL PAULEY