

Guidance

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Quick guide to producing  
Business Cases

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## 1 Purpose

The purpose of this document is to provide supplementary high level Business Case guidance.

## 2 Scope

This guidance was written for Road Space Management (RSM), cycling, urban realm and healthy streets projects, however, the principles apply to all projects.

Note: This guidance should be read in conjunction with the 'Business Case Development Manual' [S1701](#) and guidance provided within the 'Business Case Narrative Template' [F5803](#).

## 3 Guidance

### 3.1 Overview

The Business Case should contain a balanced view from TfL officers on what the analysis is telling us and how the project / programme / portfolio meets the organisational objectives.

If there is a difference between what the analysis is telling us and what political preferences may be, this should be acknowledged as to why a decision has been made, but that objective analysis should not be modified.

### 3.2 Business Cases: the key questions

These are the key questions that a Business Case must answer:

- Strategic Case - **What is the case for change?** I.e. why do anything at all? What is the logical story for some intervention? How does it align with TfL strategic objectives (why should TfL deliver the change)? Pin this down in Pathway Stage 1 and keep updated.
- Economic Case - **What is the best public value solution?** I.e. option selection and value for money. Indicative case at Pathway Stage 1, pinned down at Pathway Stage 2. Keep preferred option up to date through rest of lifecycle.
- Financial Case - **Is it affordable?** I.e. is it budgeted? What is the difference between estimate and budget / plan? Are there external funding sources? Don't forget this includes opex / revenue / savings as well as lifecycle capex.
- Commercial Case - **Is it commercially viable?** I.e. will the market be able to deliver what is required? Are there any implications for opex contracts or other commercial arrangements?
- Management Case - **Can it be delivered?** I.e. can the value set out be delivered by those concerned?

The Business Case Narrative template (Pathway) indicates what is expected for internal Business Cases by lifecycle stage.

### 3.3 Business Cases: where to start?

- 1) [Information resources \(training, contacts, templates, guidance\).](#)
- 2) Get some training.
- 3) Download the Business Case Narrative and Business Case spreadsheet and start to fill them in.
- 4) Get support if you have questions. The more local the better for more appropriate / relevant experience (e.g. on particular calculations), the wider the better more generic TfL wide / external best practice (e.g. does this Business Case answer the questions it is supposed to) and development of the methodology:
  - peers within team
  - line management
  - wider team
  - modal support
  - TfL central support.

### 3.4 Outcome definition (Pathway Stage 1)

#### 3.4.1 General

- 3.4.1.1 The focus of Pathway Stage 1 is to get a convincing Strategic Case that answers the question: What is the case for an intervention? An outline Economic Case should be produced that indicates the potential value for money.
- 3.4.1.2 At strategic outcome, the Business Case should present the rationale for the intervention and clearly set out the Strategic Case, showing alignment to strategic objectives such as the Surface outcomes.
- 3.4.1.3 Strategic driver analysis – identify why we are making an intervention.
- 3.4.1.4 Benefits mapping – link the strategic drivers of your project to business drivers and organisational objectives.
- 3.4.1.5 Complete a strategic assessment framework spreadsheet.
- 3.4.1.6 The criteria used to inform the decision making should be clearly set out.
- 3.4.1.7 The base case should be clearly defined. This may be continuing with the current layout, or doing minimum where this is not acceptable.
- 3.4.1.8 It is not good practice to discount options during the outcome definition stage, this is best left to Stage 2, but it is ok to define the boundaries of the scheme - i.e. what is in scope and what is out of scope so that a wide range of options can be examined. The reasons for inclusion and exclusion need to be clearly documented to avoid questions over option selection.
- 3.4.1.9 Similarly it is essential that the basis behind decision making over section 106 agreements are documented.

For further information on strategic outcomes within Surface, contact Jessica Cliff:  
email: [REDACTED] or [REDACTED]



### **3.4.2 Demonstrating value for money**

- 3.4.2.1 At this early stage of a project it is reasonable for costs and benefits to be based on high level estimates (as opposed to being derived from detailed modelling), as long as the assumptions are clearly stated. A range of possible values can be provided where it is not possible to provide a single value.
- 3.4.2.2 At this stage potential value for money should be indicated. An attempt at monetising the benefits should be made at this stage to produce an indicative benefit to cost ratio. This should sit alongside the logical rationale for an intervention in the Strategic Case. Note: detailed modelling should only be carried out where cost effective. Lack of modelling should not be used as an excuse not to produce estimates of impact and a benefit to cost ratio. If the demand is known, then an estimate of Journey Time (JT) (impact can be made for a typical “best guess scenario” using the JT calculator).

### **3.4.3 Demand**

- 3.4.3.1 Even at this early stage, data should be collected or a process put in place where the demand will be collected so that informed choices can be made. Traffic counts, cycling data and pedestrian counts (contact [Lee Abbott](#)) are all basic data that will add immensely to the robustness of any Business Case. The demand profile for each user group affected should be estimated through surveys or existing data sources, as this will help produce annualisation factors converting modelled periods to a daily total.
- 3.4.3.2 There are no standard annualisation factors for walking, cycling and highway modes, as demand can vary considerably between peak and non-peak times and from location to location. It is therefore important demand estimates are based on a 24 hr weekday profile count, as a minimum so that a bespoke annualisation factor can be derived. Separate 24 hour demand profiles should also be obtained for weekends, where this is an important part of the benefits being assessed (for instance Camden or weekend shopping destinations).
- 3.4.3.3 Collect bus data, with the number of people using the different bus routes through the study area (and the number of buses) by the different time periods.

For information on demand counts with Surface, contact [Andy Emmonds](#):  
[REDACTED]

## **3.5 Single option selection (Pathway Stage 2)**

### **3.5.1 Demonstrating value for money**

- 3.5.1.1 This is the most important stage for a Business Case and the most important version to get right.
- 3.5.1.2 The focus of Pathways Stage 2 is to provide a robust Economic Case that justifies the option selection decision that then gives the business to approve procuring that solution. It must answer the question: What is the best public value solution?
- 3.5.1.3 The ‘long’ list of all reasonable options should be presented, along with estimated cost and benefits (or value criteria), so the overall value of each option can be compared. It is particularly important to capture any dis-benefits, such as increased JT for certain user groups, so everyone is aware of these implications upfront and

decision making is fully informed - even where the final decision is for political reasons. This will also help inform public consultation, where this is required.

- 3.5.1.4 The official single option Business Case should not be produced prior to required public consultation. An interim version of the single option selection can be used but the official final single option selection Business Case is required for the business to commit to a particular solution and approve procurement activities for that solution. If public consultation could still change that option, then it is not an official single option selection Business Case.
- 3.5.1.5 The costs and benefits for each of the options taken through feasibility should be updated, to demonstrate value for money and provide justification for final option selection. This can be supplemented by other analysis such as management of value if this helps demonstrate option selection using criteria that are not included in the benefit to cost ratio.
- 3.5.1.6 The Business Case should include all dis-benefits, including the effects of any temporary disruption during the construction period, so that it can be stated with confidence that the results of the economic assessment represents "minimum value for money".
- 3.5.1.7 Even where the preferred option is for political reasons, the benefits and dis-benefits need to be clearly stated.
- 3.5.1.8 For larger projects that can be broken down into a number of smaller elements, the options for each scheme can be presented separately, with the preferred option for each brought together as the preferred option at single option selection.
- 3.5.1.9 Think carefully about over what time periods your main impacts will occur. This will lead to choices about what models should be produced and what annualisation factors to use. A scheme may only have peak hour impacts for instance, if it is related to congestion relief. If there are no material impacts in less congested periods, then the annualisation factor will be very different to where all users are impacted over all time periods.
- 3.5.1.10 Consider a more extensive Appraisal Summary Table (AST) (in the Business Case Narrative template) that shows the different options and decision making evidence to illustrate why the preferred option is best. This can include robust MoV and other statistics where the benefit to cost ratio is limited. Consider colour coding to guide decision makers and provide a clear and simple explanation to guide the decision maker in reaching a logical conclusion.
- 3.5.1.11 If performing ambience calculations make sure that the values are not optimistic. Make sure they are over an adequate life of the asset being put in place. Directional signage for instance may need to be refreshed after 10 years, so it would be reasonable to curtail benefits to that time span. Similarly think about how many people will pass the location for directional signage rather than assume everyone in the whole area will pass it. If you are only putting 5 bike stands in, don't claim a willingness to pay for 100 cyclists who want to cycle to the area. Also, don't assume that cyclists passing the site will want to park and use the cycle stands. It should only be the people who want to cycle to the location who are given a willingness to pay benefit and it should be capped to a reasonable amount of people who may be



able to make use of that facility (don't limit it to 5 in this case, as maybe 30 or people could make use of it from time to time).

- 3.5.1.12 Similarly if you are putting in a cycle lane, then use the "free factor" to pro-rata the willingness to pay value for the amount of cycle lane being put in. The value is per one mile stretch, so put in "0.5" if only half a mile is included.
- 3.5.1.13 Many Road Space Management projects may not have significantly different high level options. Where this is the case, the approach should be to show how the different elements of the scheme are optimised to produce the single option selection being taken forwards. Show how the solution is optimised for cyclists, for the urban realm, for buses and for general highway traffic.

### 3.5.2 Models

- 3.5.2.1 Approximate JT benefits for comparing the 'short' list of options can be estimated using the Tactical "One" Model. However, once the preferred option has been selected, micro-simulation is likely to be required to produce a more accurate calculation.
- 3.5.2.2 The forecast growth in demand should be included in the model and is particularly important where user groups affected by increased JT. It is usually reasonable to assume growth in line with general population growth, unless impacted by proposed new developments or regeneration schemes. If demand growth over time is assumed to be flat, then this should be stated and evidenced by looking at borough specific demand growth forecasts from London Transportation Studies (LTS) (these demand matrices exist in five year steps from 2016).

For information on growth forecasts, contact [David Christie](#): [REDACTED] [REDACTED]

- 3.5.2.3 Where micro-simulation shows there is a significant impact on JT at a particular junction, the Highways Assignment Model should be used to assess JT impacts across the wider area, as well as any increases in emissions and operating costs.
- 3.5.2.4 When modelling the pedestrian and cycling JT benefits, both the preferred option and base case should have consistent behaviour at crossings.

For cycling and walking schemes, an informed estimate should be provided for the number of new users, either through bespoke surveys or evidence based from similar past schemes.

### 3.5.3 Other advice

Supplement the analysis with other useful statistics. Land value impact for instance should be analysed to feed into negotiations with developers (and the Financial Case to help make schemes more affordable), where appropriate but this can not go into the benefit to cost ratio as it is not proved to be a social benefit.

## 3.6 Concept Design (Pathway Stage 3)

- 3.6.1 This is actually a confusing name for the stage as concept designs may well have been produced to support option selection during Stage 2. It is better to think of this stage as "getting ready for procurement". It is usually characterised by getting the

Invitation To Tender (ITT) documents ready and getting better cost estimates to inform that procurement.

**3.6.2** Cost and benefit estimates for the preferred option would typically be more refined and this should feed into an updated Business Case.

**3.6.3** It is not expected that the Business Case would be completely re-written, just updated for latest estimates. This logical story should clearly be explained. For instance the costs and benefits as previously estimated could be used to justify the previous option selection decision and this could be simplified and a further section could be added that provides a new explanation for the latest cost and benefit estimates. The single option selection decision should remain documented and if the revised cost and benefit information changes significantly, then the option selection decision should be re-considered before procurement begins.

### **3.7 Detailed design (Pathway Stage 4)**

This is usually the stage when procurement is taking place and bidders are working on responses to the Invitation To Tender. Again, more detailed cost and benefit estimates would typically be produced and this should feed into the Business Case. When tender returns are made and negotiations take place, the final agreed costs with the bidder should feed into a revised Business Case with consideration for how the risk and optimism bias figures should change.

### **3.8 Implementation (Pathway Stage 5)**

The Business Case should be kept updated as costs are converted from predictive to outturn and in response to any value management (cost and benefit changes) through the implementation stage.

### **3.9 Project close (Pathway Stage 6)**

Final outturn project costs can be entered into an updated Business Case but operating costs and benefits are still uncertain.

### **3.10 Benefit realisation**

After a reasonable amount of time for benefits to “bed in”, an estimate can be made on operating cost outturns and benefit outturns, hopefully using the benefit realisation data specified and baselined in the pre-implementation Business Cases.

### **3.11 Generic advice**

**3.11.1** Keep a record of Business Case changes so that they can be explained if senior management / Board members want to know why costs or benefits changed.

**3.11.2** Lessons learned for sponsorship and Business Cases should be entered throughout the lifecycle so that the organisation can learn. Lessons learned are not just recorded at the end of the project or end of a stage, they should be used throughout and not just relate to the project delivery element. Sponsorship / Business Case / benefits / appraisal benefits are equally important.

**3.11.3** Keep good document control and make sure the official versions of project Business Cases are easily identifiable. These may not be the versions used for assurance; they may evolve further between assurance and the end of the stage. For instance, at the end of Stage 4, assurance typically takes place before negotiations with the preferred bidder, so the cost elements are still predictive to some extent. Just before

the final approval board (such as the TfL Board), negotiations will conclude and this negotiated cost with the preferred bidder should enter into the project cost estimates in the Business Case.

- 3.11.4** Keep official versions of each lifecycle stage Business Case narrative and supporting documents such as the Business Case spreadsheet and benefits calculator.
- 3.11.5** Consider higher level programme / portfolio Business Cases to give project Business Cases air cover and make their lives easier. These could answer the questions: Why these projects and not others? Then individual project Business Cases can answer the question: what is the best solution for this project?

## **3.12 Quality checklist**

### **3.12.1 Style**

- do you have a clear story based on the decision being made?
- have you stripped out any irrelevant detail?
- has any specialist jargon been removed?
- have you removed all the blue guidance text from the Business Case narrative?

### **3.12.2 Content**

- do you clearly specify where you are in the project lifecycle?
- does your Business Case answer the Five Case questions (see Business Case narrative template)?
- did you download and use the latest templates (narrative and spreadsheet) from Source / Pathway?
- does your Business Case align with what is in the Authority Paper?
- if approval is required from HM Treasury, Department for Transport (DfT) or public inquiry, have you done a full five case compliant Business Case?

### **3.12.3 Strategic Case**

- are your investment objectives clear and do they align to the TfL Corporate, operating unit or department strategy (define by the end of Pathway Stage 1)?
- do you discuss why the project needs to take place at all?
- do you highlight the problem or opportunity with the current arrangements?
- does your Business Case discuss the real benefits of the project, even the ones that do not fit into the benefit to cost ratio?
- does your Business Case seamlessly fit into a hierarchy of Business Cases (strategy, portfolio, programme, project etc.)?

### **3.12.4 Economic Case**

- have you included all costs and benefits over the lifecycle of the asset being put in place?



- have you included disbenefits as well as benefits?
- are the data and calculations correct?
- is there enough supporting data and can your benefits be justified?
- have you considered commercial opportunities / revenue streams?
- have the key risks been identified?
- have you included provision for risk and optimism bias?
- have you included a benefit to cost ratio?
- is there a clear option selection identified (Stage 2 onwards)?
- have you included sensitivity tests to highlight potential risks to option selection or value for money decisions?
- if the option selection has been demonstrated using Management of Value, has the robustness of this been set out?
- is the optioneering process clearly documented with reasons why options have not been progressed and has any viable options been omitted? (Stage 2 onwards)?
- have you demonstrated value for money or indicated what should be taken into account when judging value for money?
- is the appraisal (value for money / option selection) set out in discounted values?
- is the AST included and interpreted to guide senior management decision making?
- have you considered the delivery method (Design and Build, Agile, Private Finance Initiative and internal resource) or the “Why now?” question as options?
- have you remained objective to obtain neutral information to inform / document business decision making or have you been optimistic and biased to justify a decision that has already been made?

#### **3.12.5 Financial case**

- are the project costs and other budget impacts clearly set out (opex, revenues, and savings) in outturn values in the Financial Case?

#### **3.12.6 Commercial Case**

- have you indicated the preferred procurement approach and any other likely commercial implications for any other contracts (e.g. operations)?

#### **3.12.7 Management Case**

- has benefit realisation been considered (measures identified Pathway Stage 1, estimated values Stage 2, baseline measures Stage 4, realisation evidence Stage 6 onwards)?
- have you set out the expected timeline for the project?

### 3.12.8 Consultation

- have the consultations been tailored to get buy in to specific aspects or has consultation taken place using the less effective and generic “please comment by the end of next week on this 100+ page Business Case” approach?
- has the project delivery team signed up to the cost estimates, risk, milestones, delivery plan and outcomes required? (Pathway Stage 2 onwards)?
- have the project / engineers / operational people been involved at an early enough stage (Pathway Stage 0 or Stage 1) to guide development with requirements, limitations and feasibility?
- have the opex / capex finance people signed up to the figures?
- have the asset owners signed up to the Business Case?
- have the consultations been evidenced in the Consultation table?

## 4 Person accountable for the document

Name	Job title
Ryan Taylor	Business Case Functional Lead

## 5 Abbreviations

Abbreviation	Definition	Source
AST	Appraisal Summary Table	a
DfT	Department for Transport	a
JT	Journey Time	a
LTS	London Transportation Studies	a
RSM	Road Space Management	a

## 6 References

Document no.	Title or URL
F1701	Business Case Development Manual
F5803	Business Case Narrative Template
Developing a Business Case	<a href="http://intranet.tfl/our-organisation/strategy-and-planning/Developing-business-case.aspx">http://intranet.tfl/our-organisation/strategy-and-planning/Developing-business-case.aspx</a>

## 7 Document history

Issue no.	Date	Changes	Author
A1	April 2017	First issue as per change no. 05527.	Ryan Taylor