

The Transport Business Case

Introduction

- 1 This document is part of the Department for Transport's commitment to being open and transparent. It provides a description of the approach followed by the Department and its ministers when making major investment decisions. It is intended to inform those with a general interest, as well as those who are involved in developing proposals for investment and who wish to understand better the underlying decision making process. It also provides the best practice model for small scale investments.
- 2 Business cases for different modes of transport or funding streams have their own particular set of circumstances and demands for detail which can make the underlying process of decision making opaque. To ensure ministers receive the right information on which to draw their conclusions, all investment decisions are required to follow the same high-level process. This allows for objective comparisons of proposals for investment within and between projects and modes.

Purpose of this document

- 3 This document provides a clear explanation of the:
 - staged approach to major investment decisions, (in line with Treasury's recommended five case model – see below);
 - evidence developed by the Department and its partners for consideration by ministers to enable them to make informed and balanced decisions; and
 - tools, templates and sources of further guidance available.

The Transport Business Case

- 4 Ministers take decisions on investment in support of their objectives for transport and are informed by evidence set out in a business case. Business cases are developed in line with Treasury's advice on evidence-based decision making set out in the Green Book and use its best practice five case model approach.
- 5 This approach shows whether schemes:
 - are supported by a robust **case for change** that fits with wider public policy objectives – the 'strategic case';
 - demonstrate **value for money** – the 'economic case';
 - are **commercially viable** – the 'commercial case';
 - are **financially affordable** – the 'financial case'; and
 - are **achievable** – the 'management case'.
- 6 Ministers take into account the evidence in all five cases when making a decision. Guidance that sets out the detailed questions asked in each case is available on the Department's website (www.dft.gov.uk).
- 7 The degree of detail contained within the business case may vary depending on the level of investment or risk proposed to ensure that the appraisal process is proportionate.

The evidence framework

- 8 The Department provides tools and guidance to produce the evidence required for each of the five cases. These tools and guidance ensure that the evidence produced is robust and consistent.
- 9 WebTAG is the Department's website for guidance on the conduct of transport studies. The guidance includes or provides links to advice on how to:
 - set objectives and identify problems;
 - develop potential solutions;
 - create a transport model for the appraisal of the alternative solutions; and
 - conduct an appraisal which meets the Department's requirements.
- 10 Other tools and guidance or links to them can be found on the Department's website (www.dft.gov.uk)

11 Figure one below illustrates how the sources of evidence can feed into the business case. The shaded areas with ticks indicate where it is likely that a source of evidence will be able to contribute to each part of the business case. For example, outputs from the Appraisal Summary Table will be able to inform the strategic, economic, financial and commercial cases, and the management case is likely to be informed by a number of sources, such as the Gateway Review process, or the Highways Agency's Project Control Framework.

Analyses & Study outputs			Development of evidence for business case				
			Strategic case	Economic case	Financial case	Management case	Commercial case
Guidance available in WebTAG	Stage 1: Option development	Outputs from EAST	✓	✓	✓	✓	✓
		Options Assessment Report	✓	✓	✓	✓	✓
		Appraisal Specification Report					
	Stage 2: Further Appraisal	Appraisal Summary Table	✓	✓	✓		✓
		Transport Economic Efficiency table		✓			✓
		Public Accounts		✓	✓		
		Analysis of Monetised Costs and Benefits		✓			
		Greenhouse gas worksheet	✓	✓			
		Noise worksheet	✓	✓			
		Air quality worksheet	✓	✓			
		Social and Distributional Impact matrix worksheet	✓	✓			
Other guidance & tools	Social Research evidence, guidance and tools (to understand and assess the needs, attitudes and behaviours of the target and/or affected population)		✓				
	Carbon Tool for Local Authorities		✓	✓			
	Value for Money guidance			✓			
	Advice on Public Private Partnership (PPP) and Private Finance Initiative (PFI)						✓
	DfT's Evaluation guidance including evaluation plans and benefits realisation					✓	
	Efficiency & Reform Group Gateway Review Guidance					✓	
	Network Rail's management & control process for enhancements (GRIP)		✓	✓	✓	✓	✓
	Highway Agency's project control framework (PCF)		✓	✓	✓	✓	✓

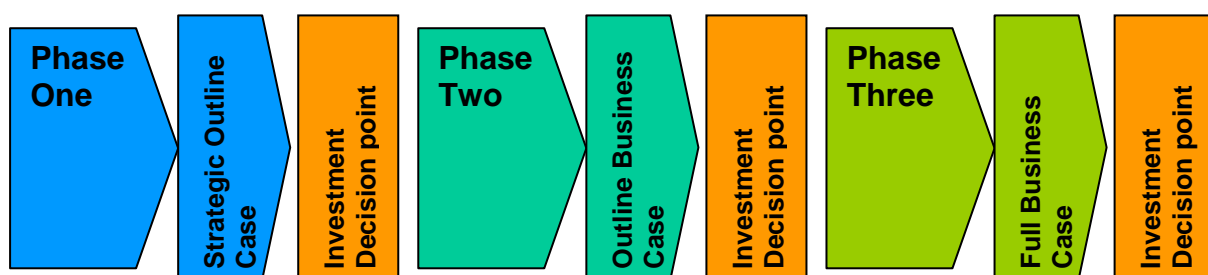
Figure 1. Tools and guidance¹ produce evidence that can be used to answer questions posed by each case.²

¹ This diagram is for illustrative purpose only. Not all of these tools and guidance will be relevant for all proposals, which will vary by mode and investment framework.

² The assessments produced in the supporting worksheets in stage 2: further appraisal are summarised in the Appraisal Summary Table. Although these assessments are used mainly in the economic case, they may also be used to support the other cases e.g. information on revenue impact in the transport economic efficiency table can be used in the commercial case.

The Decision Making Process

- 12 The decision making process takes place in three phases (smaller or straightforward investments may require fewer phases).



- 13 Each business case builds upon the last: evidence is reviewed to ensure that it remains up to date, accurate and relevant. Throughout the process the Department's centres of expertise (e.g. finance, procurement, economists) provide advice and scrutiny.
- 14 The process is flexible to ensure that the time and resources invested in making a decision are proportionate to the size of the investment or intervention. The approach should be tailored to suit the individual project, reflecting the particular investment approach or modal area e.g. roads, rail, etc. The minimum process required for investments is presented here. It underlies (rather than supersedes) any additional appraisal and approval processes.
- 15 The level of investment and risk involved with the proposal also determines the governance arrangements. Investment committees within the Department will scrutinise proposals, where spending is below the delegated limits set by Treasury, before making recommendations to ministers. Spending outside those limits will also require Treasury approval and may be subject to assurance by the Major Projects Authority. This may include scrutiny by the Major Projects Review Group, depending on the level of risk and Treasury concern. Other projects may also be subject to Gateway Reviews, a peer review process which provides an external challenge to the robustness of the plans and processes.

Identification of the problem and the potential for intervention

- 16 Prior to the development of specific proposals, the Department (and/or its partners) will first identify what problem needs to be solved and establish whether there is a need for investment (or intervention). A range of options will then be developed and an initial assessment will be carried out. The Early Assessment and Sifting Tool (EAST) can aid this process. EAST and guidance on using it can be found on the Department's website (www.dft.gov.uk).
- 17 For major initiatives, consideration should be given to whether a Starting Gate review is required. This is an independent peer review which takes place at the policy formulation phase, before a major project is initiated.

Phase one – preparing the Strategic Outline Case

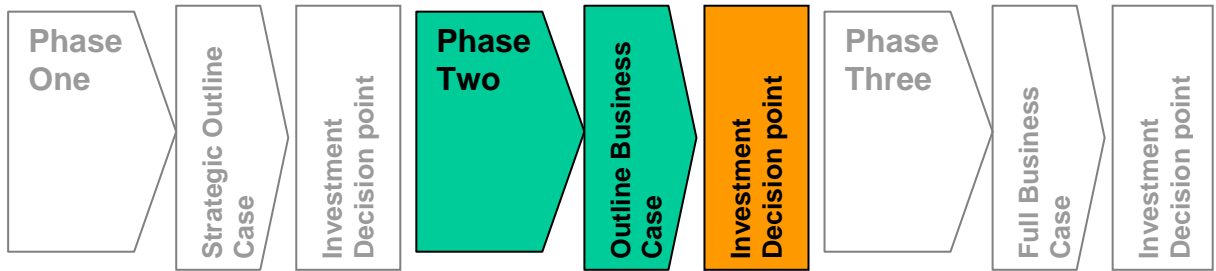


18 Once the need for intervention has been established and a range of options developed, proposals enter Phase One, which culminates in the Strategic Outline Case. This sets out the need for intervention (the case for change) and how this will further ministers' aims and objectives (the strategic fit). It provides suggested or preferred ways forward and presents the evidence for decision. An investment committee will make recommendations to ministers who will then decide whether to provide the initial agreement to proceed with the scheme.

19 The purpose of the Strategic Outline Case is to:

- define the scope of the project/programme and its outputs and benefits;
- make the case for change;
- confirm the strategic fit with the Departmental business plan and wider Government objectives;
- state the assumptions made;
- set out how achievements will be measured;
- outline options, including innovative options, to tackle the problem and carry out initial sift of options;
- consider and confirm that a robust project governance structure is in place and that the project is affordable;
- outline the sequence in which the project and benefits will be delivered;
- identify and analyse its stakeholders; and
- confirm the assurance arrangements.

Phase Two – preparing the Outline Business Case



20 Phase One establishes the strategic case and secures initial approval to proceed. Phase Two reconfirms these conclusions but concentrates on detailed assessment of the options to find the best solution. Full economic and financial appraisals take place during this phase (building up the economic and financial cases), a preferred option is selected and, where relevant, preparations are made for the potential contract through the development of the commercial case. The arrangements required to ensure successful delivery are set out in the management case. These details are presented in the Outline Business Case. An investment committee will make recommendations to ministers who will then decide whether the project will move onto the next phase.

21 In summary, the Outline Business Case:

- is used continually to align the progress of the project towards achieving ministers' objectives;
- confirms the strategic fit and the case for change;
- sets out a detailed assessment of the options to find the preferred solution;
- refines the investment/intervention proposal; and
- provides details of the project's overall balance of benefits and costs against objectives.

Phase 3 – preparing the Full Business Case



22 The culmination of the final phase is the Full Business Case. An investment committee will consider the Full Business Case then make a recommendation to ministers. Ministers will decide whether a proposal should proceed to implementation.

23 The Full Business Case should:

- provide details of the project's overall balance of benefits and costs against objectives and set out plans for monitoring and evaluating these benefits when required;
- confirm the strategic fit and the case for change;
- provide the business and financial rationale for the project;
- detail the proposed contract management resourcing, processes and benefit realisation plans;
- show how the return would justify the overall investment of time and money; and
- continue to be used to align the progress of the project towards achieving business objectives.

Further information

24 Tools and guidance are available on the Department's website (www.dft.gov.uk) including detailed guidance for each of the five cases that make up the business case.

25 For staff in the Department, further guidance is available on the Department's intranet, including contact information for colleagues who can guide you through the process of producing a business case and discuss your specific requirements.